

Groupon, Inc. (GRPN) - Brief Pitch

Investment Recommendation: SELL / SHORT

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Fundamental Rationale (Bearish): Groupon (GRPN) operates a local e-commerce marketplace and is currently undergoing a significant transformation strategy. However, the company faces severe long-term fundamental challenges, including a chronic decline in global revenue (5-year CAGR of -24.7%) and a history of unprofitability, despite a small, recent GAAP profit in Q1 2025. Financial health is precarious, with high leverage (Debt/Equity ratio of 5.5), negative Q1 2025 free cash flow (-\$3.8M), and consistently poor returns on capital (5-year average ROE of -1,148.6%). Valuation metrics are concerning, with an extremely high P/B ratio of 28.3 and a forward P/E of 404.8, suggesting the market expects a very significant turnaround that is far from certain given intense competition.

Technical Rationale (Bearish): The recent sharp rally in GRPN's stock (+53% in a single month) has pushed it into significant resistance around the \$27-\$30 level on climactic volume. This price action, coupled with overbought readings on both weekly and monthly RSI and Stochastic RSI indicators, strongly suggests a potential exhaustion move or a blow-off top. A failure to hold above the recent breakout level of \$19.73 would confirm a bull trap and open significant downside. The technical picture aligns with the bearish fundamental outlook, offering a potentially attractive entry for short positions.



Figure 1: GRPN Weekly Chart



Figure 2: GRPN Monthly Chart

Outlook & Concerns: While management highlights “green shoots” like North American local billings growth, the overall business model remains under pressure from intense competition and secular headwinds. The company’s turnaround is a multi-year effort with high execution risk. Over 51% ownership concentration by Pale Fire Capital also presents unique governance considerations. Given the dire fundamentals, stretched valuation, and technical signs of a climactic top, a SELL/SHORT recommendation is maintained. Analyst consensus price target is \$22.75, implying downside.