

Groupon, Inc. Q1 2025 Transcript

Operator: Hello! And welcome to Groupon's First Quarter 2025 Financial Results Conference Call. On the call today are Chief Executive Officer, Dusan Senkypl; Chief Financial Officer and Senior Vice President of Finance, Rana Kashyap. At this time, all participants are in a listen-only mode. Today's call will be a question-and-answer session only. The company has posted earnings materials, including earnings commentary on the company's Investor Relations website at investor.groupon.com.

Operator: Today's conference call is being recorded. Before we begin, Groupon would like to remind listeners that the following discussion and responses to your questions reflect management's views as of today, May 8th, 2025 only, and will include forward-looking statements. Actual results may differ materially from those expressed or implied in the company's forward-looking statements. Groupon undertakes no obligation to update these forward-looking statements as a result of new information or future events.

Operator: Additional information about risks and other factors that could potentially impact the company's financial results are included in its earnings press release and in its filings with the SEC, including its quarterly reports on Form 10-Q. We encourage investors to use Groupon's Investor Relations website at investor.groupon.com as a way of easily finding information about the company. Groupon promptly makes available on this website the reports that the company files or furnishes with the SEC, corporate governance information, and select press releases and social media postings. On the call today, the company will also discuss the following non-GAAP financial measures, adjusted EBITDA and free cash flow.

Operator: In Groupon's press release and their filings with the SEC, each of which is posted on its Investor Relations website, you will find additional disclosures regarding these non-GAAP

measures, including reconciliations of these measures to the most comparable measures under U.S. GAAP. And with that, I'd like to turn it over to Dusan to make a few opening remarks before we jump into Q&A.

Dusan Senkypl: Hello, and thanks for joining us for our first quarter 2025 earnings call. It's a pleasure to be with all of you. Yesterday, after the market closed, we released our earnings and posted our earnings commentary on our Investor Relationships website. Today, my plan is to make brief opening remarks and then open up the call for questions, both live from our analysts and several that were pre-submitted in advance.

Dusan Senkypl: For more details on our quarterly performance, I encourage you to read our earnings commentary. In addition, I encourage you to review our press release and 10-Q, which contain more detail on our fourth quarter and full year results. I am pleased to report a strong start to the year, with our Q1 results exceeding guidance on both billings and adjusted EBITDA, with a slight beat on revenue. Global billings grew 1.4% year-over-year, marking our continued progress towards sustained growth.

Dusan Senkypl: This performance was powered by North America Local, which accelerated to 11% year-over-year growth in billings, the first time we've seen double-digit growth in this segment since 2017, excluding the pandemic recovery period. Our hyper local strategy is delivering strong results with our top 10 cities in North America, growing billings by double digits. Enterprise clients continue to flourish on our platform. Looking at our vertical performance within North America Local, Things to Do, grew billings double digits for the 5th straight quarter.

Dusan Senkypl: We believe our Things to Do franchise is significantly outpacing current industry trends and is poised to continue strong absolute and relative performance as we head

into the important summer season. Our international local business, excluding Italy, also showed impressive improvement with approximately 5% year-over-year billings growth. As I start my third year as CEO of Groupon, I believe the time has come and the team is ready to start playing offense. Our mission remains clear, to transform from a daily deals platform selling everything to everyone into a trusted destination for quality local experiences at unbeatable value.

Dusan Senkypl: Our transformation strategy is working across marketplace health, platform modernization, and financial strength. We are seeing success in shifting from chasing volume to building quality, migrating from legacy systems to a modern platform, and moving from negative to positive financial performance. While our strong billing growth is encouraging, I want to note that our progress in revenue is currently lagging billings due to compression of take rates in North America Local. This evolution in take rates is deliberate and a natural consequence of our focus on building a sustainable foundation for long-term growth.

Dusan Senkypl: For example, higher redemption rates cost a short-term headwind to revenue, but are a great sign for the long-term health of our marketplace. Over time, as we make progress on delivering these healthy marketplace fundamentals, we expect billings and revenue growth rates will converge. On the leadership front, we've strengthened our team with key appointments, including Josef Buryan, our new Chief Marketing Officer, and Ales Drabek, our new Chief Technology Officer. We've also promoted Barbara Weisz to Chief Revenue Officer and Filip Popovic to Chief Commercial Officer to lead our supply side commercial strategy, and Marie Havlickova to Chief Product Officer.

Dusan Senkypl: The business exited Q1 with strong momentum and continues to perform well, looking ahead to Q2, we expect another quarter of accelerating year-over-year growth in both billings and revenue. For the full year, we raised our guidance for billings growth rate from 2%

to 4% to 3% to 5% and kept our revenue and adjusted EBITDA guidance unchanged. I want to emphasize that we maintained our revenue and adjusted EBITDA guidance despite completing the sale of our wholly owned subsidiary Giftcloud in early April, which removes approximately \$6 million in revenue and \$4 million in adjusted EBITDA from our consolidated results for the remainder of the 2025. Effectively, by keeping the overall revenue and adjusted EBITDA target unchanged, we are raising our guidance for the core business, demonstrating our confidence in our core business.

Dusan Senkypl: It's an exciting time to be at Groupon. We are no longer just stabilizing the business, we see several green shoots of growth across our business and we are building the foundation for long-term sustained growth. With our platform modernization underway, improving customer experience on both sides of the platform, continued progress in financial performance and a clear strategic direction, I believe we are both positioned for success in 2025 and beyond. I would like to thank our team for their dedication and hard work that have made this progress possible.

Dusan Senkypl: This journey has not been easy and their continued commitment to our mission and to our transformation has been really great. With that, let's open the call for questions.

Operator: Thank you, Dusan. Our first question comes from Bobby Brooks from Northland Capital. Bobby, you can now unmute your line.

Bobby Brooks : Hey guys, thank you for taking my question. I guess something that really caught my eye in the prepared remarks that you put out yesterday was the number of North American merchants doing more than \$1 million in billings was up 43% year-over-year. Could you just discuss what is driving that strength? Is it the new go-to-market strategy and focusing

on higher quality merchants and providing them with better tools to track deal performance or is it something different and more in-depth?

DusanSenkypl: So, Bobby, I can take your question. Thank you for it. How I see it in the last, I would say over 18 months, we are improving in what we call a hyper-geo approach. It means we are looking in more detail in what inventory we need in every single location. We are improving our category management in terms of understanding what's the inventory we need, and by combination of both and focusing on deals which our customers need in a given location and on the quality of deals, we can be a better partner, not only to our enterprise partners but across the board also to local merchants.

DusanSenkypl: So, I believe this is the result of our more focus, switching from number of merchants on the platform to quality of merchants, quality of deals, quality of service which we are providing to our customers. And I would probably also mention that the current macro environment is definitely not hurting us. I see it like quite the opposite.

Bobby Brooks : Got it. And then just like a clarifying piece on that, is the greater than \$1 million in billings, is that on like a year, like a 12-month trailing basis, I would guess? Or is it on like an inter-quarter basis? I was just curious on that like definition.

DusanSenkypl: It's based on a trailing 12-month basis.

Bobby Brooks : Got it. Thank you. And then just one more for me, it's something I noticed like kind of browsing the website inter-quarters. A couple different like professional or one professional sports team that I saw specifically, was selling tickets through Groupon and the checkout process was extremely smooth. Never having to leave the Groupon website and being able to pick the seat and pay all within the Groupon platform.

Bobby Brooks : This seems like something that might be a new integration based off the new platform. Is my assumption right? And maybe just touch on like that, if that's a new ability, touch on like how that's helping grow the business.

DusanSenkypI: So Bobby, I was commenting on several calls that with new platform, we will be able to iterate in faster pace. And this is one of the results. And obviously, checkout is one of key components of the website. So the team which is maintaining checkout is pretty much every day looking what we can improve. And there is still a way to go, but comparing where Groupon was two years ago, I believe we made a significant progress both in terms of how easy the checkout is, but also in terms of payment methods, which our customers can use.

Bobby Brooks : Fair enough. I'll return back to the queue.

Operator: Thank you, Bobby. Our next question comes from Eric Sheridan from Goldman Sachs. Eric, you can now unmute your line.

Eric Sherida: Great. Thank you so much for taking the questions. I did want to follow up on the macro commentary in the prepared remarks. Maybe if you could just go a little bit deeper in your own view about how the macro environment could act as a tailwind in the business. And then more specifically, it sounds like the implication is that the merchant pipeline could be increasing as certain brands and merchants want to go deeper on the platform, given the current environment.

Eric Sherida: I want to know if we could get as much detail as we could there about the way you're thinking about the pipeline on the supply side as an output of the macro environment. And then maybe after that, I just have one quick follow up.

DusanSenkypI: Thank you, Eric, for the question. You know very well the macro environment is

extremely volatile and it has impact on consumer spending. And unfortunately, it's also very difficult to predict how customers will behave. But what we see in general, we see it as a tailwind for our business. And we see it specifically on supply side where we see signs of weakening traffic trends from some of our clients.

DusanSenkypl: And because Groupon is a great performance based platform, I believe that in this time, it's simply a great opportunity to work together. And we are just trying to figure out what are the best products for clients, how we can help them, how we can together with merchant partners create products for our clients. So we see in general in enterprise segment, but actually same applies in local, that we are really deepening cooperation with our existing clients. And we see also like faster inflow of new brands coming to Groupon.

DusanSenkypl: But at the same time, I would like to mention that these are kind of early signs and the overall situation in macro, but also in our marketplace in this term is quite fluid. So we need to follow very closely what's going on in macro in NA mainly, but Western Europe is very similar and just adapt.

Eric Sheridan : Great. Thank you. And maybe just one quick follow up. You had a number of comments in the prepared remarks around marketing investments and the ROI you're achieving on those marketing investments. Can you talk a little bit about your own attempts internally to optimize dollars against your return goals for deploying those dollars, and/or how the overall marketing environment and pricing and auction density might have helped or acted as different sorts of headwinds to the ROI in the quarter?

Eric Sheridan : Just want to understand a little bit of the external versus the internal dynamic on marketing ROI. Thanks.

DusanSenkypl: So in general, last two years, our strategy is to be able to acquire our new

customers pretty much with ROI 100% in seven day windows, which pretty much means that the profit margin, which we have on the first order is cost of our acquisition. I was commenting in the script and I see performance of our marketing channels improving, which is allowing us to increase volumes, because in marketing in general, if you want to increase volume, every incremental dollar and click or traffic or eyeball which you are buying is more expensive. So if we are claiming that we are growing and increasing marketing with the same ROI, it means that in general we are improving conversion rates in our marketing, and we actually see some additional opportunities, how to continue in this trend going forward. So I believe that performance marketing for us will be a tailwind in the near future.

DusanSenkypl: At the same time, as the team is strengthening, I was mentioning that the new CMO started. We are also exploring new channels in the mid and upper part of the funnel, which is mainly social media influencers. And we already have several pilots in place where we can present Groupons to really millions of people on social media, on platforms where Groupon was not active in the past. So this is another opportunity, which I am extremely happy about and I'm looking forward to in the results.

Operator: Thank you, Eric. Our next question is from Sean McGowan from ROTH Capital Partners. Sean, you can now unmute your line.

Sean McGowan : Thank you. I appreciate that. A couple of questions. Could you give us a little bit more color on international? You've talked in the past about Spain being one of the markets where you initiated some of these fixes earlier and it was really paying off quite well. Could you just give us an update on some of those markets that have been in that turnaround process longer?

Dusan Senkypl: Okay. Thank you, Sean, for the question. In general, I would say that the trends

across all major markets in international continue to improve, and I'm personally very happy with the performance of international markets. The leading market in terms of growth is still Spain, which simply has 18-months head start in terms of when we started the transformation and the process and the framework which we use for transformation in Spain is simply working great, and we have very strong double-digit growth in Spain.

Dusan Senkypl: All other big markets, meaning Germany, UK, France, are also performing very well and we see that the trend is still improving. The comp is a little bit different going forward in Q2, because last year we lost Italy as a market. So that's why the performance is 1/2 although overall we were slightly negative last quarter, it will change because we will not be comparing against Italy. But when I'm looking really on performance of every single country, it's going in the right direction.

Dusan Senkypl: And the playbook and the stuff which we do there is pretty similar to what we do in the United States. On every market we want to have a very strong leader, a strong owner who owns all business. We go hyper local, meaning we are focusing on the largest cities in international. It's typically the capital city as the first one and then typically second or third largest city in the country, and making sure that we are adding both high-quality local deals, but similar to the United States, we see high importance of high-quality enterprise deals, because these are the deals which are driving traffic to the Groupon and that traffic is converting not only on these enterprise deals, but also converting to local merchants.

Sean McGowan : Great. Thanks for that color. And then if you could just give us a quick update on the international website and mobile app updates. I think those are things we were expecting in the first half. Where are we on those?

Dusan Senkypl: So on last earnings call, you mentioned that this year we will be taking a very

cautious approach, and we, quite frankly, have slow progress during the quarter. We have very good visibility into each step in the conversion funnel of our Mobile Next application versus legacy application. We see there in that conversion funnel, both good and bad guys, meaning that in certain steps, we see that legacy customers are used to something slightly different than what we have in MobileNext application. So our approach is to make it more similar and closer to Legacy, because we simply don't want to hurt performance.

Dusan Senkypl: But at the same time, we see in the conversion process several good guys, meaning in certain steps. The MobileNext approach is showing better conversions. So in the long run, we are committed to the project. We believe that it will bring an upside opportunity for Groupon, not only in the website where we have it already implemented, but also in the application. In terms of when and how we need to finish first NA app, and once we finish NA app, we will continue with international.

Dusan Senkypl: But at this point, I don't want to provide a timeline, because our priority is really to make sure that our systems are stable, our customers don't have any issues, and the performance of the whole company, the financial performance is simply delivered. That's the priority number one.

Sean McGowan : All right. Thank you. I'll get back in the queue as well.

Dusan Senkypl: Thank you.

Operator: Thank you, Sean. We'll now pose written questions to management that came in through our investor relations press line. Investors on the line, please raise your hands if you have follow-up questions. Our first written question, you identified product velocity as a key focus area. What specific metrics are you using to measure improvement in this area, and what are your targets for increasing the pace of innovation?

Dusan Senkypl: So internally, we are looking on the velocity of delivery for engineering and product teams. From the outside, I would say higher level perspective, it's simply looking on our ability to deliver small weekly changes on our website platform and our application platform. And there were multiple improvements we were touching in the previous question today, for example, the checkout. But there are many other parts of the website where we released improvements, being it merchant pages, being it location or search and we will simply continue.

Dusan Senkypl: And I believe as we will be moving more and more technology to mobile next, we will see improvements in the interface. And from a shareholder and user customer perspective, both on the side of merchant and consumer, simply we want to make sure that they see that Groupon is changing and we will be seeing more and more features. We are working, for example, also on new maps, because that's the functionality where we believe that we can provide much more value to our customers. And there are a few more interesting projects.

Dusan Senkypl: One more of which I can actually mention is search, because search is one of the key drivers of revenue and conversion. And we believe that it's possible to do much more with search versus what we have right now.

Operator: Thank you, Dusan. It looks like we have a follow-up question from Bobby Brooks from Northland Capital. Bobby, you can now unmute your line.

Bobby Brooks : Hey guys, thanks for taking the follow-up question. So in 4Q, kind of a key point was how the top five metros in North America were up double digits on billings. Now in the first quarter, that's expanded to the top 10 metros of double digits. So I was curious, was this an expansion of the number? Was this expansion of the number of cities seeing double

digit growth a result of you expanding that go-to-market strategy to the new cities, or is that the $\frac{1}{2}$ or is it maybe something where it was already happening in the other cities that you go to market?

Bobby Brooks : But now it's just starting to kind of take hold, right?

Dusan Senkypl: So Bobby, this is something which is mainly about the timing, because when we were deciding where and how we will focus our sales capacities, which are unfortunately not unlimited, we were simply deciding what percentage of our workforce will be focusing on top five, what percentage will be focusing on top 10. And because on top five, we simply had more and more capacity, we were able to see the growth faster and the growth in other 10 cities simply came later. But in general, we are not limiting new deals and our sales just to these top 10 cities. We simply target all big cities in the United States.

Dusan Senkypl: But unfortunately, due to lack of capacity, it simply takes longer with some cities. At the same time, we are with our one of key projects, which we are running in sales, we are doubling down mainly on the biggest, biggest locations, because there is that compounding effect when you have enough customers and at the same time, good density of high quality deals. The pace of improvement is accelerating. So I don't expect that we would be kind of covering top 50 cities in the United States with, let's say, similar per capita sales force.

Dusan Senkypl: I still expect that we will be pushing these top locations. And I would say top 10 is a good number more than the rest of the country. But we expect and we see performance improvement in all big cities being ahead of performance in smaller cities and smaller locations.

Bobby Brooks : Got it. And then just like kind of piggybacking on that. I think it's clear that you're switching from kind of a defense to offense. Is it right for me to think, on the last call, it

was mentioned that like, hey, like we're still kind of tweaking the go-to-market strategy. So like taking those two things into account, it seems like you've kind of figured out the ½ you've kind of unlocked the right go-to-market strategy in kind of those, your response the last time.

Bobby Brooks : Is it right for me to think now this like improved?

Dusan Senkypl: I was mentioning in opening remarks also some organizational changes, which we did. And mainly in this regard, this is about Barbara Weiss being promoted and Filip Popovic being promoted. And this duo will create very powerful team where Filip is bringing category management and very deep and high analytical skills. Helping our hyper geo approach to add also not only where we need deals, but what exactly are the deals?

Dusan Senkypl: What should be the profit margin structure? What should be the pricing structure? So yeah, we are doubling down on this. I believe that the approach which we took since early last year is the right one, but we are improving every quarter. And right now the structure which we have is combination of local understanding or hyper geo understanding, with also understanding and people who understand categories, because like the massage is performing differently versus Botox or some other product, and now we have people who understand what are the issues for merchants in this category, so that we can prepare a better product, which is a win-win for both Groupon and the merchants.

Bobby Brooks : Got it. So it's fair to say, like, pedal to the metal. Now, it's not kind of just focusing on a couple of different cities. Obviously, the bigger cities are the more focused, but it's taking this go-to- market strategy everywhere Groupon is now.

Dusan Senkypl: That's true. At the same time, there is still plenty of work ahead of us. So we are definitely not in the finish line. But I believe that we are progressing very well and the trajectory which we are on is a really good one.

Bobby Brooks : I agree with that, and congrats on the great quarter, and looking forward to continue to progress. I'll return to the queue. Thanks guys.

Dusan Senkypl: Thank you very much.

Operator: Thank you, Bobby. We'll go back to another written question. Many companies are integrating AI into their operations and product offerings. How is Groupon leveraging AI? And what impact do you expect to have on your business over the next 12 to 24 months?

Dusan Senkypl: So AI is one of my favorite topics. I see for Groupon many, many opportunities going forward. It can definitely help us in our sales part, where going forward I believe that at least the initial communication with our merchant partners can be done by AI. We are heavily investing also into the AI tool, which is analyzing which deals are working in certain environments. And the output of this, which should be coming in the next one or two quarters will be a significant improvement of our capability to help merchants to design the right deal, right pricing, which will be working on Groupon for them.

Dusan Senkypl: Definitely engineering and technology, you can expect with AI and the push into AI, we can see significantly improved efficiency. And then in terms of business, we actually see a move on Google and other search engines using what they call AI snippets. And we are making sure that our website and platform is ready, so that when customers will be searching on whatever location it will be in the future, Groupon will be able to provide information compatible with AI-driven search. So that they can directly go to Groupon and finalize the transaction or in the future, most likely it will be possible that agents will finalize the transaction.

Dusan Senkypl: Even in this, we see very interesting trends, where in some areas AI is really picking up very quickly and we see some drop in traffic. But on the other hand, we see

dramatic improvement in convergence, meaning that customers who are using AI and who see these AI snippets presenting the deal features price, if they come to Groupon, it's much highly likely that they will finalize the transaction. And maybe just one last touch over the next 12 to 24 months, we just want to make sure that Groupon will be compatible with all major AI platforms. It will be possible to have some kind of MCP connectors or something like that, whatever technology will be or standard will be in the future.

Dusan Senkypl: So it will be easy for AI engines to connect to Groupon and provide Groupon inventory to customers who are using AI.

Operator: Thank you, Dusan. Let's go back to our queue. We have a follow-up from Sean McGowan. Sean, you can now unmute your line.

Sean McGowan: Thank you. I wanted to ask a couple of questions about the Giftcloud sale. Specifically, how did the price that you got compare to what you had expected when you first identified it as a non-core asset that you had looked to sell? Should we expect a one-time gain? Was it significantly higher than the cost basis? And then related to that sale, does the terms of the recent convert offering restrict what you can do with those proceeds or was that restriction limited to sum up?

Dusan Senkypl: I can take the first part, maybe Jiri, if you can take the second part.

Jiri Ponrt: Okay.

Dusan Senkypl: On the first part, when we were first doing like estimations of how much we can make or gain from these non-core assets, our estimation was in line, actually, with what we got from Giftcloud. But at the same time, I would like to mention that what we got was on the very high end of the range which we had for the sale. So, stating that, I am very happy with the

deal itself. I think it's a great deal for Giftcloud and Giftcloud employees, and I think it's a great deal also for Groupon, because the Giftcloud was simply a completely different business to what Groupon is doing and it will allow part of the management to focus on other growth opportunities.

Dusan Senkypil: Jiri, do you have a comment?

Jiri Ponrt: Yeah. Hi Sean. So, if I will comment about our proceeds versus our 2027 bonds, we are allowed to use up to \$20 million of proceeds from any non-core asset sale, so it means those money will strengthen our position of cash position and of Q2.

Sean McGowan : Okay, great. And would there be a one-time gain then booked in the second quarter?

Jiri Ponrt: It's a discontinued operation, so it will not be EBITDA if you are asking for this question.

Sean McGowan : No, I was wondering if there would be, you know in the EBITDA add back, would there be a one-time gain, like a couple million bucks or whatever? I don't know what the cost basis was of it, so I'm just trying to anticipate what that might be.

A - Jiri Ponrt: The transaction happens in Q2, so we will still be ½ still under consideration and we will report it in Q2. Next Q2 earnings, sorry.

Sean McGowan: All right, thank you.

Operator: Thank you, Sean. We'll go back to written questions. You've highlighted a shift in marketing focus from acquisition to lifetime value. Can you discuss this shift more and what early results are you seeing from initiatives like your WowDeal pilot?

Dusan Senkypl: Yeah, so my view of where we stand with Groupon is that we are extremely successful in terms of customer acquisition, which is actually a must-have if we want to build a marketplace which is sustainable and growing in the long run. At the same time, we are simply not happy with purchase frequency, which we see for customers on Groupon, and that's why our internal priority for the whole company, number one priority, is retention. It's retention also on the merchant side to make cooperation with Groupon sustainable, but it's definitely retention also for customers, meaning we want to find a way how to deliver more value to them and have more offers. One of the projects which we are running under this strategy umbrella is WowDeal pilot, where we took a very popular food and drink brand and we were promoting gift cards for this food and drink brand to several customer segments within Groupon.

Dusan Senkypl: And in some cases, we saw even over 25% take rate of that offer, which was extremely encouraging, but at the same time, it makes complete sense, because food and drink is an area where you can expect the highest purchase frequency. Based on the results of this initial pilot, which started already in Q4 2024, right now we are expanding it. We built a set or a couple of these Wow top-grade deals, which we will be offering to our customers to just create a habit that they will do two or three transactions on Groupon, and they will simply start coming to Groupon for certain types of services. So, it will be an initiative which will take a long time, but the early results which we are seeing, and especially the initial first pilot, is extremely encouraging for me.

Dusan Senkypl: The results were above what at least I was personally expecting.

Operator: Thank you, Dusan. There are no other questions. This concludes our call for today. Thank you everyone for joining. For additional information, please go to investor.groupon.com.