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PRESENTATION

Eric James Sheridan - *UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst*

Okay. And here we are for our next fireside chat. Thanks, everyone, for coming back to our next session. It's my pleasure to host Aaron Cooper, Interim CEO of Groupon, for a fireside chat about all things that are going on with the company.

This would be my last apology of the day. I promise for those who've heard this all day, but we do apologize for all the audio and video issues we've had in the main presentations today. Hopefully, we're going to have this all sorted out overnight. I have heard some of the other client meetings have gone smoothly, so we're happy to hear that. But thank you for your (inaudible) the client side on the investor side.

And Aaron, thank you, for being understanding with Groupon that we had to move this from a video to an audio. So Aaron, thanks a lot for doing the conference this year. It's great. I think this is your first one. So we're excited that -- to have you for the first time at the UBS Global TMT Conference. Let's get right into it.

QUESTIONS AND ANSWERS

Eric James Sheridan - *UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst*

You've been in the role for not that long a time. You've had, really, just an unprecedented year with what's been going on with COVID-19, from the pandemic. Why don't you zoom out for us, give us a sense of what your main focuses have been. Have you gone to moving into the CEO role, dealing with COVID-19? And what you've seen from the business at Groupon, and we can use that to maybe set the table.

Aaron Z. Cooper - *Groupon, Inc. - Interim CEO*

Absolutely. Thanks for asking. So you got it. I started in the role here at the end of March. So just as COVID was hitting and hitting hard and no one knew exactly what was going to happen day-to-day. And you know what, we've just gone ahead and taken action.

And so you'll see that in, really, everything that the company has put forward, to quick and swift action on our SG&A and cost controls, to inventing new strategy and streamlining operations. And there's been a lot in each of those different elements. I'm really proud of the team with the work that they've rallied to and what we've been able to accomplish.

But let me just give you a little bit of a context for the -- for what's going on at Groupon, direct to your question. And I'll give you some personal context because I'm pretty happy about it. I went out with my family over Thanksgiving, and I did the scavenger hunt, which we bought on Groupon. It's just like everything else, Groupon suggests something and the customer responds.

And since that time, I've mentioned this in my [friends net], my kids, my kids mentioned it to a few other friends. And now we got multiple families out there doing something, and I'm in Chicago, so in the middle of the Chicago 30-degree pandemic, that they just would not have otherwise done, except for Groupon. And that's something that's really special to our business.

And you can see big pockets of it even within COVID. And what we saw in those early days in April and in May is we're really impressed with the resiliency of the business. We saw our Home and Auto business line maintain really robust sales, almost from the -- in the middle of April.

And then into May, we saw our Health, Beauty, Wellness business line really start to come back as customers and merchants adapted to safety protocols within COVID. And for anyone who is a Health, Beauty, Wellness customer, so manis, pedis and everything else, there's a lot there that's been done to make customers feel comfortable and had kept merchants in business.

And so across our business, while we have seen that there are transient impacts right now due to pandemic, we're really excited about the progress we've made. And that's some of the things that I let off about here.

We've been -- we announced our intention to take $225 million of cost out of the business. We're moving on that. That's on track. And then what's most important there is the teams are moving faster internally, and that's energizing.

So for us, as we're managing this business under the big arc of Groupon, we see 2 really important points of inflection. And we've seen it already in a couple of our business lines like Home and Auto and Health, Beauty, Wellness that I mentioned, is that as our business recovers, since we've taken so much cost out, as it even recovers to that 80%, and as we cross 90%, this company throws off EBITDA greater than 2019 and at 90% record EBITDA. And that's something we're really proud at.

But our most important focus, Eric, is on our growth strategy, and that is our obsession right now. So all this time, over the last 9 -- 8, 9 months or so, we've been obsessed on our growth strategy, and that starts with our inventory plan. And so what's important to us here is that as we totally plan around the recovery and around this base case of recovery, we're talking about growth. And for us, that means we're building a marketplace such that when merchants and customers come back, they're coming back to something fundamentally improved in ways that they've been asking for, for years.

Eric James Sheridan - *UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst*

Okay. There's a lot in there that I want to go a little bit deeper on. But thanks for that, that touches upon a lot of the big themes. First, I wanted to talk about what's going on in the Goods business and the transition you're going through.

I think this remains a very misunderstood concept within investors. Are you leaving the business? Are you not leaving the business? Is it a good thing? Is it a bad thing? What drove the decision?

We noticed a lot of sort of back and forth with investors on this as a broad topic. Maybe just rewind a little bit, give us a sense of what went on in terms of the decision you made about the Goods business and what you're trying to solve for, not only through the remainder of this year, but as you look out into 2021.

Aaron Z. Cooper - *Groupon, Inc. - Interim CEO*

It's a great question. I'm really happy to clarify. And it's this simple. Winning for Groupon is on the other side of winning in local. So what does that mean for the Goods business? The Goods business is part of our overall assortment. And as local recovers, and we grow, that is what -- that's what's front and center. That's what our strategy is based about, and that's what our business is model based about.

Now we have Goods as a category. And we've recognized and started to realize the opportunity to reduce that cost structure and significantly simplify the business. And we've executed to that plan exactly. And so while we have seen our customers engage with it, and in a way, that's really positive, certainly throughout April and May and then into Black Friday and Cyber Monday, in outsized ways that occurs in those period of time.

Our obsession is on Local. and while we're really happy with what we've been able to do with streamlining this Goods business, which hits a couple of key points, not only have we taken the cost out directly, but we've also simplified everything that needs to go on to support that business across the board. Because we've moved it to third-party, we've always had a substantial portion of that business that's been drop ship, and so the transition.

While I'm going to say it's straightforward, it certainly wasn't easy for the team, but they managed directly through that. And we feel really good about our progress there in simplifying that business down just so we could increase all of our investment and focus on the Local business.

Eric James Sheridan - *UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst*

Great. Okay. That's super clear. And now let's talk about that, on the Local side. So you're reallocating resources. You're sort of making sure you get that opportunity right. One of the key messages with the shareholder communications, the shareholder letter, the earnings release, this past earnings was talking about expanding inventory.

Can you talk about the progress you're making in terms of growing high-quality inventory? What are you learning as you grow your inventory in the markets where you're testing this? And how should investors think about what this means for both the investment side and the potential for the growth side over the medium to long term?

Aaron Z. Cooper - *Groupon, Inc. - Interim CEO*

So the key here -- let me do something here. I'm going to take a step back and just give you the context because what I found is really good in having everyone understand what we're doing, is to put it in context of many other proven marketplace and scaled advertising platforms. Because what we're doing here is we're taking proven tactics across our customer value proposition and our merchant value proposition and business model, and we're just applying them to the uniqueness of our business, which is where the massive amount of value in our asset is.

And so the one-way to think about our business, and especially for those who paid attention for a long time, is we lead an inspiration-driven marketplace. And that was that example I gave earlier about the scavenger hunt. Scavenger hunts aren't something that people typically buy, not an online retail, online travel. But when Groupon suggests that people buy, this has always been the case, and that's very special about our business. That's one of the reasons why merchants look to us for incremental demand.

That's different than what I'm now going to define as a destination marketplace or ad platform. I'm thinking about something, and so therefore, I go to brand A, B or C. What we're going to do now is we are going to complement our strong inspiration marketplace, which has sold billions and billions of dollars in the Local space with a destination component. And we're going to do that following tried and true practices.

So let me give you a couple of detailed data points on this. For us, we've had this 1 product that has carried our business for years, it's called Deals. And for Deals, there's about a 35%-ish margin and a 35% discount that our merchants apply to make it exciting for customers. But for merchants, that's $0.70 on the dollar. And for that, our marketplace has been restricted. There's only so much inventory merchants will put on. But put on restrictions that say customers can only use that 1 time.

And with those 2 qualities, that's not becoming of a destination marketplace. And so as we look to our customer value proposition, we asked our customers, what do they want? And by the way, we know what do they want. They want value, selection and convenience. Basically, they want more supply that is a good deal and that they can buy and buy repeatedly.

And then for our merchants, they want more customers, but we've been too expensive for them. And they want to be able to remove those restrictions, so they can get more customers, but won't be too expensive for them. So we have now 3 types of inventory: Deals, which is our legacy business model, has strong billions of dollars in sales.

Offers. Offers is key. It is first-party inventory that is much lower price to the merchants. This means that when a merchant wants to put something on, they can capture that higher intent customer. That's the customer that doesn't need to be inspired necessarily, but searching for their categories, searching for the merchant, searching for the service, so that when those customers are here, they'll always have something to buy.

We say no as a platform to hundreds of thousands of clicks regularly. That's customers that are trying to buy that we say no because the inventory is restricted. Now with Offers, that inventory does not have to be restricted any longer, so our platform, our marketplace can say yes.

And our third type of inventory is market rate inventory. This is inventory we get from third parties where the goal is to fill out the store. So customers always have inventory to buy.

Now you mentioned our inventory test. And we set this goal back in the summer that we wanted to get a 25% to 50% growth in inventory, and we exceeded the high end of that range. And we did it by about half Deals, and by about half Offers. And so that's over 50% growth in inventory, where about half came from Deals and half came from Offers. And additionally, we saw that about 90% of our new inventory came without all of these restrictions that we're preventing customers from buying and spending more with us.

And even better, about 30% of it was bookable, which means you can book that appointment directly from Groupon. So for anybody who's launched a new product, the numbers I'm talking about are staggering. And then, listen, there was a lot of work that's gone in Groupon over the years to know exactly where to hunt. But we're there now, and we're making progress, and we see the results on that scorecard we published.

So there's a lot of energy here. And just to give the analogy on a couple of other fronts, what we're doing is what other marketplaces have done. Marketplaces and ad platforms have always started with a low take rate. Step 1, get energy on the platform, incomes and billings. And then later, over time, can add other elements to increase monetization.

And what we've done now for this new destination offering is we put offers out there so that we can grow billings according to our scorecard, and then there's other items that we can add, which is why we're happy to be talking now about our MVP offering in sponsored listings, which we just launched, which is a way for merchants to compete for additional traffic. Which works well for Deals, but also works well for Offers at a lower-margin product, but that's very typical for advertising platforms and marketplaces and something our merchants are used to.

They've been asking for years to be able to do more, and we're finally saying yes. Same thing on self-service, to be at our scale where all changes to your deal have to run through a salesperson. It's really low leverage. That's not the way marketing -- modern marketing platforms and marketplaces work. And so we're adding that functionality.

So item after item is just looking at things that are already working and working at scale and applying them to the uniqueness of our business model, because based on that uniqueness, we have such a huge opportunity. Just 1 transaction more, and I'm talking just 1 from our 2019 cohort of customers is $750 billion in billings, which is really substantial.

Eric James Sheridan - *UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst*

So maybe following up there, there was a lot in there. One of the questions we get all the time, and I don't know if it's -- if it's better answered, Aaron, on the merchant side or on the consumer side, but where do you see if some of those -- you talked a lot about reducing friction, improving conversion on the merchant side.

If there were 2 or 3 things you think investors should be watching from the outside looking in, that would be signs that would be an unlocked. You were reducing friction, improving returns for merchants and sellers and improving the shopping experience for consumers, not only in the recent past, but looking forward. What are those key areas that you're the most laser-focused on within that broader answer you just gave?

Aaron Z. Cooper - *Groupon, Inc. - Interim CEO*

Yes. So good. So now I get a chance to sound a little bit like a broken record and drive home some of these key points. So thanks for that.

Listen, #1 is expanding inventory. Our customers want to be able to buy more and buy repeatedly. And they don't want restrictions so they can buy it from the same merchant repeatedly, and they can redeem at any time. Inventory is #1, which is why we've kicked off this inventory test in this way.

But we do know exactly what our customers and merchants want. Our merchants, they want good economics, why we launched Offers that I just talked about. They want things made easier. That's why we launched our self-service tools, which is Campaign Builder, so that merchants can launch Deals and modify Deals whenever they want. And they can get live really quickly, a lot faster than they've ever been able to get live before.

And we've launched Groupon Connect, which allows merchants to be able to bring their own booking technology, as more and more booking technologies connect ours, so they don't have to retrain their staff. And they want additional customers.

And for additional customers, what's better? Sponsored listings. I've talked to so many merchants over the years who want more, and we've been able to say no. And now with sponsored listings, we're able to say yes. So just there on the merchant side, we have Groupon Connect, which we launched, which adds to the booking technology. We have Campaign Builder as part of our self-service suite. And we have our sponsored listings, MVP.

Well that, along with Offers, really hits the merchant value proposition very hard exactly along the lines of what you've seen from other scaled marketplaces. And why that's important is because that makes it better, easier for merchants to put more on our platform and to get more out of our customers, which is exactly what our customers want on the customer value proposition side, customer value proposition side.

Customers want to be able to buy and buy again. And let me give you 1 example. As we launch this inventory test, we had some merchants, power merchants that were really heavy adopters. And I'll give you this example of the merchant I talked to that I mentioned before, that went from having 3 items on our site to 72. And then 1/3 of our sales were coming on things that she never could have added, except for the benefit of having Offers.

Now what does that do from a CX standpoint? Now my CX team has got a really exciting problem to solve. How do you represent 72 items when before we only had 1 product to sell? What Offers does is it open up that catalog. It makes it that much more exciting for our customers to have an immersive experience and to be able to buy and buy more. And so the success that we've seen on the merchant side is really influencing our customer road map, which is all about putting that selection out there, making it more convenient and always delivering on the value Groupon's known for.

So across the merchant and value -- customer value prop, there is a lot here, but like the key points, are all the things that you'd expect from a scaled marketplace. And for us, we're under optimized, so we just see it as opportunity.

Eric James Sheridan - *UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst*

Got it. Okay. That puts a finer point at it. Great. Maybe turning from the repositioning on the product side and the supply side to thinking through the cost structure, as you said in your first answer around what's happened as we've gone through COVID-19 this year.

Obviously, you're all about resetting the cost base of the company. Can you give us a little bit of an update on where you are against your broader goals that you announced earlier this year? And how should investors think about any additional progress as we move out of 2020 and into '21?

Aaron Z. Cooper - *Groupon, Inc. - Interim CEO*

Absolutely. We're really proud of the progress we made here. And now I'll talk about it in a couple of different ways. One, let me hear your answer directly, which is that things are on track exactly with what the cost plans that we announced. And that's really important. This is a strong operating team. And when we commit to something, this is something that we operate very strongly against.

The way that we did this is what's important here. We took a clean sheet approach to the organization to determine what a sustainably lower cost structure could look like. This included delayering in material ways. So that's taking big chunks of portions of the company out so that we could move faster. That's changing the operating culture to be a lot more of a performance-oriented culture, with just a different approach to operations and execution.

And so while the decisions on the cost reductions are hard, they're setting the foundation not just for more rigorous approach to cost, but this is what an accelerant for us. It's the right people moving a lot faster and legitimately getting more done. And for that type of employee, who we have, and we're building that culture, it's really energizing.

And for people starting now, this is the only Groupon they've ever known. They've known this Groupon that comes from a substantially lower-cost structure, which is something that you got to get here to really see the way that people react and how they start to show up.

So what it means for us as a business model standpoint, it means that, over time, as we grow, we don't need to step up our expense structure commensurate with that growth, which means that we believe that we have created true leverage. So we're excited about the potential of the model. And these are actions that are really important to us throwing off that EBITDA that I talked about earlier, which, again, at 80% levels can generate more EBITDA than 2019. But we feel good about the team. We feel good about the cost structure and the momentum that we have.

Eric James Sheridan - *UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst*

Yes. Maybe pivoting from those broader points on the cost structure. You've talked about that adjusted EBITDA goal and gross profit returning to 90% of pre-COVID levels, again, similar to what I said before. Maybe how should investors be monitoring?

What are we looking for there in terms of activity levels to get back to those pre-COVID levels? Is there anything in terms of the products you put in the marketplace now that could produce mix shift differences from what we saw in pre-COVID levels on the gross profit side? Just want to make sure people are analyzing it the right way.

Aaron Z. Cooper - *Groupon, Inc. - Interim CEO*

Yes. So these points that we've talked about here are all the key ones, and it's -- and the way you put it together is important. So let me reframe and see if this is helpful. This -- the cost takeout and our belief that a base case recovery of 80% growth in -- 80% recovery of GP puts out more EBITDA than 2019 and 90% puts out more than we've ever seen. That's what we're considering to be this base case recovery.

And the intent is to demonstrate the power of the leverage of the model in the way that we've come at it. And now, if you -- let's [create] some data. We already saw some key differentiated verticals recover to 70% and 80% into the summer. And now there's just more and more pent-up demand with the way COVID has hit things. And so we are really confident in our ability to recover, and it's based on the uniqueness of our inventory.

That uniqueness of our inventory is something that's an asset for Groupon. That is not going away. And it's something that's always set Groupon apart. So in something like live events, which will probably be on the slower side to recover, given other industries comes back, we're coming back with unique inventory. And that, for our customer, is really important.

So again, everything I've just talked about here, this is the base case recovery growth. Now what I'm really excited about is I'm excited about the growth strategy on top of that. So again, here's a couple of ways to think about it. You have the base case growth was just getting to 80% or 90%, throws off very high levels of EBITDA. What's the driver for that? It's core execution on our differentiated supply, which is something we've been able to do for years, and of course, moving at the pace of COVID recovery, supporting our merchants and customers as different industries adapt in different ways.

And we've been pretty good about doing that just over the period of the last 6, 7, 8 months. But the only thing that is really energizing is that beyond these higher levels of EBITDA, we think that the growth strategy is something that's been staring us in the face, and it's really ours to go out and execute on. And that's why I laid out the value proposition so clearly. That's why we laid out the analogy to other growth marketplaces and advertising platforms. Because, for us, it's increasingly straightforward as to our path to execution and our overall approach, which means putting the right inventory, executing on the customer and merchant experience. And overall then changing that customer behavior so that when she shows up, she knows that she can buy again and buy more services from the merchant. And that's what the growth strategy is based upon, and that's the key to our focus.

Eric James Sheridan - *UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst*

Got it. And maybe following up on that. Another area that is similar to the transition of Goods that I find investors really struggle with is Groupon went public as a company that sort of reported user, shoppers, and there's a lot of puts and takes in some of the numbers you report. Obviously, there's about 8 million customers within the Goods business. There's been COVID-19 impacts this year. So I think first, I would love to maybe ask a 2-part question. One, when you look back at what you've seen in 2020 what should investors understand about the headwinds and tailwinds that you're facing with respect to growth on the customer side of the equation in the business.

And then the second part would be against all of these initiatives you've talked about, Aaron. How should investors be thinking about putting some of those elements of 2020 in the rearview mirror? And thinking about the type of investments you want to make and what sustained customer growth could look like in '21 and beyond?

Aaron Z. Cooper - *Groupon, Inc. - Interim CEO*

Thanks. So a couple of things. Let's -- to put it on the table. Obviously, COVID, the impacts have we've suppressed our level of marketing and have that impacts on our customer base. Our Live Events business, along with Live Events around the world, I mean it's on pause to a significant degree. Those are customers have always loved Groupon for the uniqueness of our offering, but that offering is not something that people are going to right now.

So again, as different business lines come back, it gives us the opportunity to spend marketing into them and to help these merchants and customers get out and do more. Just like what Groupon did, and you referenced it back in 9 -- 2009, 2010, coming out of that economic downturn Groupon showed up in a big way. So the analogy here, I think, is right and important.

Here's what we've seen kind of since the outset. One, from the get go, we thought we were doing more commerce than we expected to be doing even back in April and May. And then what we found is it was our best customers that are staying with us and staying the most engaged. We then saw these verticals come back and come back again to 70% and 80%. And what that means is that customers are comfortable not everybody, but a lot of them are getting increasingly comfortable. And we sort of saw a very consistent recovery right up through the recent, I guess, second or third wave here.

Now as you look at that, it's driven by the uniqueness of our inventory. So with our business, you're talking about the very fragmented Health, Beauty, Wellness space, a very fragmented Leisure space, fragmented Home and Auto, fragmented in your unique inventory and Groupon Live and our food and drink business. And for these, just to come back, again, this is the base recovery with the lower cost structure that allows us to be more profitable.

And so that asset that we have, which our customers have always loved, we think is what's going to be the thing and what we've seen to be the thing to bring them back. Now beyond that is this growth strategy, and this is where we're already starting to watch closely early adopters because we have these 4 test markets, and we're watching how the early adopters behave even within COVID.

And so we know there's opportunity based already on the merchant's response. We know we're hunting in the right spot. We know what our customers have told us. And so by adding more inventory that the customers can buy and buy again, helps us get after that huge opportunity in a way that we actually don't need to return to the exact same customer base we had before to capture that value.

There's a lot of share of wallet here. When I say that there's hundreds of millions of dollars of opportunity just within repeat purchase from Health, Beauty, Wellness. I'm talking about something as simple as I went to a merchant to get a manicure and I went back for the manicure. I'm not even yet talking about. I would then want to get to pedicure, I want to get a facial, other services as well. And so -- and that's 1 manicure. People have more than 2 manicures in a year.

So there's a lot of opportunity within our platform and commerce that we can do just in our health, beauty, wellness vertical. So we're looking at both the recovery scenario and our growth scenario as being really exciting. And then to get after one of your questions in there, we'll spend back on marketing.

As we see demand start to recover, we're going to spend into that demand to energize our customer base. Obviously, reduced marketing levels have had an impact on our customer base. But with the uniqueness in our inventory and the investment we're making to be able to capture more of the lifetime value, that capturing that in our marketing dynamic is going to be key to our focus over the coming quarters.

Eric James Sheridan - *UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst*

Great. And just following on that piece there at the end about investing in customer growth. Can you talk a little bit about your focus around increasing breadth and depth of the marketplace via partnerships, how you think about certain verticals or national brands as a way to sort of either bring new interesting inventory to the platform and/or amplify the customer growth potential of the platform when you look out into '21 and beyond?

Aaron Z. Cooper - *Groupon, Inc. - Interim CEO*

Absolutely. I mean customers love the brands they love, and they love our big national brands, and they also love local favorites. We've got a lot of first-party supply and third-party supply that falls into each of these different buckets.

Now you asked about partnerships. So one big form of partnerships we have is partners that add a lot of inventory, big catalogs of inventory. They come on as market rate inventory. And for us, that helps us fill out the store. It gives customers really good quality inventory to buy and often book. While our first-party inventory is absolutely our main focus, we'll continue to partner with suppliers that bring great brands, and we've put great brands directly to bring more quality inventory to the Groupon marketplace.

It's a catalyst. Great brands speaks so well to customers, and it's something that come to count on us for.

Eric James Sheridan - *UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst*

Great. Okay. That's great stuff. Maybe zooming out now, one more big-picture topic I wanted to touch on. I think a lot of investors I talked to have a sense of Groupon in the U.S., but Groupon is an international business. Maybe talk a little bit -- a couple of years ago, before you joining in this role that you're in now, Groupon went through a period where it went through its international portfolio, realigned it against its longer-term goals.

Maybe you could just give investors a sense who are a little less familiar with Groupon. Where did the international assets sit within Groupon right now? And how do you think there is or unique opportunities or challenges that you're trying to unlock or sell for with some of those international markets versus the domestic market?

Aaron Z. Cooper - *Groupon, Inc. - Interim CEO*

Yes, you're going to see some easy analogies here, but -- because, again, we're such a differentiated business. We're a differentiated business in our international markets as well. And we know that there's a lot of potential.

Our philosophy here is really three-fold, which is 1 on exit countries where we just don't see the potential for growth and scale or the complexity is too large. In Q3, just so we can name it here, we did exit New Zealand and Japan. And at this point, we feel good about our country footprint.

So with the remaining countries, we're going to invest in markets we have the absolute most potential to grow in scale. And for other markets, we'll rightsize the cost structure and run for positive EBITDA and cash flow.

The invest for scale, you should think about that in a way that just follows our -- the strategy that we've talked about in North America. We think it should follow -- there'll be some tweaks that we need to make, but there's a lot there that should be directly analogous. So as we roll out learnings across the United States, and in some of these key countries, you'll see -- you'll look to see us do the same exact thing. And so that similarity of the playbook is another key point of leverage, one that's focused on winning in local, with strong supply in a modern marketplace.

Eric James Sheridan - *UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst*

Got it. And then whether it's a comment about the domestic business or some of those international markets you just had -- you just spoke about, maybe help frame the way you think about competition for Groupon. What you've talked, as we've spoken here today, about some of the differentiators about either on the inventory side or the type of customer you have. But just give us a sense of who Groupon competes with? And how you think about aligning the business and the platform against that competition over the medium or long term?

Aaron Z. Cooper - *Groupon, Inc. - Interim CEO*

Sure. I'll kind of break out some of the dimensions that we just talked about. I think that will be helpful.

One, with Groupon, we bring incremental demand. Demand you cannot get from a platform that does not have the connection that we have with our customers. So for our merchants, this is really exciting. For our customers, we have exciting inspiration. And for our merchants, we drive incremental demand to the tune of billions of dollars in local sales each year.

So yes, we do have, broadly speaking, competition across our various verticals, everything from -- obviously, our Goods business to our Travel business. But then you get into our Local business, whether it's Live Events or Food or Home and Auto. There's different players in each of those different spaces, but no company has the breadth of transactable inventory that we have across the local space, tens of thousands of Health, Beauty, Wellness merchants.

And for our marketplace, that's what the energy comes from. Additionally, we have a no low-risk model for merchants. There's no CPC or CPM. It's -- there's a rev share component that they pay. And so you list on our platform. And if you don't sell, you don't pay. So it's really low-risk for merchants, which is something else that's exciting, especially in an era like this, where you want to make sure you get the sale for your advertising dollar.

And now what we're doing is we're giving these merchants across all of these different segments more ways to interact that are just proven, again, it speaks to the under optimization of our marketplace or, call it, the opportunity. We're putting out offers, which lowers the cost, lowers the cost substantially. So that you can put inventory on our platform at no greater cost than any other place that you would put your inventory.

Additionally, self-service offering. This is something that merchants are used to from advertising platforms and marketplaces. And now they can do that same thing on Groupon, it just lowers the barrier and makes it easier. And then for merchants who want more, also something you see on other scaled marketplace, we're starting to launch sponsored listings. So the merchants could pay more to get more.

And so we think that we have an opportunity here to become the always-on marketing channel for these merchants. And again, I would say, led by the categories where we are most differentiated.

Eric James Sheridan - *UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst*

Great. And you've hit upon a lot of key themes and thoughts today, Aaron. Maybe I want to put a bow on it in the last couple of minutes. We always get asked about the balance sheet of Groupon, how you think about capital allocation. But clearly, it seems like against your broader goals, you have a lot of investments you want to make.

So in the conversations between the management and the Board, just give us a sense of how we should be thinking about the top priorities, short to medium term, given this opportunity set for capital allocation over maybe the next 1 or 2 years? And how you think about capital allocation, zooming out into the medium term, maybe over the next 2 to 5 years, and we'll try to wrap it up on that.

Aaron Z. Cooper - *Groupon, Inc. - Interim CEO*

Sounds good. So kind of straightforward, I guess, we're -- I hope soon emerging from COVID, and we're really focused on our strategy. So with that backdrop as context, Groupon, in its history, had a balanced capital allocation strategy that's included investing in the business, M&A and returning value to shareholders via share buybacks, for example.

Right now, I mean, you have an open-minded management team that's always looking for ways to create value for its shareholders. And we think that our greatest opportunity to create value is by focusing on our current strategy, which I've just talked about, and all the logic for those proof points. And that means we're turning this marketplace to growth. With $1 trillion total addressable market, we just see so much potential and are energized about the strategy that we've laid out and are systematically executing on.

Eric James Sheridan - *UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst*

Great. Well, I think we're right up on time. Aaron, thank you so much for being a part of UBS Global TMT Conference this year. From me and my team, we wish you and your family a good set of holidays as we put a close on 2020, and we look forward to all the exciting things ahead for Groupon in 2021.

So with that, thanks to all the clients for joining this webcast. Thanks again to both investors and Groupon for being flexible with some of the issues you have with video and audio. I'm being told we're going to be [sure] of the app by tomorrow. So Aaron, thanks a lot. Happy holidays and look forward to catch up soon.

Aaron Z. Cooper - *Groupon, Inc. - Interim CEO*

Happy holidays. Thanks for your time. Bye.

Eric James Sheridan - *UBS Investment Bank, Research Division - MD and Equity Research Internet Analyst*

Take care, everyone. Have a great night.
