



Rating  
**Buy**

North America  
United States

TMT  
Internet

Company  
**Groupon**

Reuters  
GRPN.OQ

Bloomberg  
GRPN US

Exchange  
NMS

Ticker  
GRPN

Date  
8 November 2013

## Results

Price at 7 Nov 2013 (USD)	9.50
Price target	16.00
52-week range	12.68 - 2.63

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## Showing Steady Progress On Pull

### The Key Take-Away

Groupon reported gross profit and CSOI that were 2% and 9% above our estimate for 3Q13. The company is still seeing accelerating Y/Y growth rates across all its segments, with the exception of Goods which faced its first meaningful tough comp from the mid-2012 ramp up. Mobile downloads accelerated in 3Q to almost 10m (vs. 7m-ish in 1Q/2Q) and should help unit growth going forward given the higher purchase frequency of activated mobile users. The Gmail format change, coupled with shift to pull and seasonality all weighed on billings growth. We have reduced our 2014 GP and CSOI by 1% and 6% primarily on the flow-through on lower 4Q CSOI guidance. Overall, we continue to see GRPN making progress in its turn from push to pull, and would add to positions on the recent pullback. Buy.

### Positives Trends In 3Q

The company is successfully transitioning its model away from push email toward pull mobile/website, evidenced by recent product innovations and mix of mobile transactions. Mobile downloads are now 60m in aggregate, well ahead of most companies in the sector, driving over 40% of global transactions in September and over 50% of NA. International billings, GP and CSOI were 1%, 8% and \$14m above our estimate, and drove the upside in the quarter. Merchant satisfaction continues to increase and Groupon has 65k live deals in the deal bank, up from 54k at the end of 2Q13.

### Negative Trends To Monitor

Three items caused revenue to come in at the low end of the range: 1) the Gmail issue, which oddly management had stated was not material previously, 2) timing of transactions from push to pull, and 3) seasonality. NA CSOI was below our estimate on higher SG+A deleverage, but International was well ahead, more than making up for the NA decline. 4Q CSOI guidance was around \$20m below our estimate. NA billings and GP missed our estimates by 6% and 4% respectively and we have reduced our growth rates for 2014 accordingly.

### Estimate Changes & Valuation

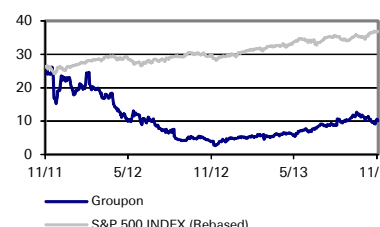
We have reduced our 2014 gross profit by 1% and CSOI by 6%. Our \$16 price target is based on 25x 2014 EBITDA which represents a significant discount to the fast-growing internet peer universe multiple range at ~40x 2014 EBITDA currently. Key downside risks include Google mail changes, less favorable payment terms in Europe, and increased competition.

### Key changes

Price target	17.00 to 16.00	↓	-5.9%
EPS (USD)	-	↓	-2.7%
Revenue (USDm)	2,534.0 to 2,524.6	↓	-0.4%

Source: Deutsche Bank

### Price/price relative



Performance (%)	1m	3m	12m
Absolute	-13.9	8.9	152.7
S&P 500 INDEX	4.2	3.3	25.3

Source: Deutsche Bank

### Forecasts And Ratios

Year End Dec 31	2012A	2013E	2014E
FY EPS (USD)	0.06	0.08	0.22
P/E (x)	179.8	124.0	42.4
Revenue (USDm)	2,334.5	2,524.6	3,099.1

Source: Deutsche Bank estimates, company data

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Model updated: 08 November 2013

### Running the numbers

North America

United States

Internet

### Groupon

Reuters: GRPN.OQ

Bloomberg: GRPN US

### Buy

Price (7 Nov 13) USD 9.50

Target Price USD 16.00

52 Week range USD 2.63 - 12.68

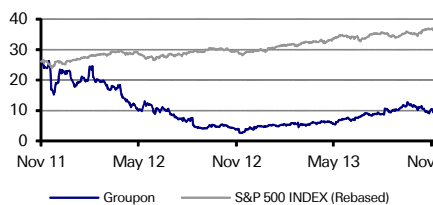
Market Cap (m) USDm 6,319

EURm 4,710

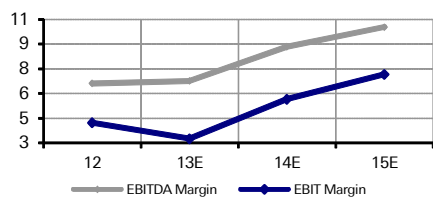
### Company Profile

Groupon is a global E-commerce marketplace connecting local merchants and consumers via its deals business offering subscribers daily emails with heavily discounted offers for goods and services.

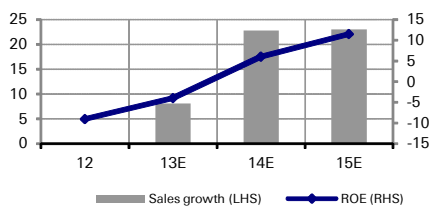
### Price Performance



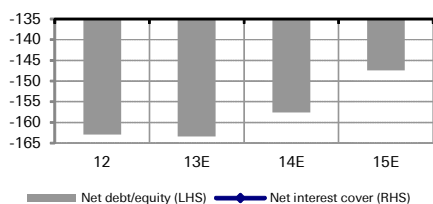
### Margin Trends



### Growth & Profitability



### Solvency



Fiscal year end 31-Dec

### Financial Summary

	2012	2013E	2014E	2015E
DB EPS (USD)	0.06	0.08	0.22	0.35
Reported EPS (USD)	-0.10	-0.05	0.08	0.19
DPS (USD)	0.00	0.00	0.00	0.00
BVPS (USD)	1.14	1.24	1.49	1.88

### Valuation Metrics

Price/Sales (x)	2.9	2.5	2.0	1.7
P/E (DB) (x)	179.8	124.0	42.4	27.0
P/E (Reported) (x)	nm	nm	117.5	49.7
P/BV (x)	4.3	7.6	6.4	5.0
FCF yield (%)	2.5	3.0	4.1	5.1
Dividend yield (%)	0.0	0.0	0.0	0.0
EV/Sales	2.3	1.9	1.5	1.1
EV/EBITDA	34.8	28.5	16.8	11.1
EV/EBIT	54.5	59.2	26.2	15.6

### Income Statement (USDm)

Sales	2,334	2,525	3,099	3,812
EBITDA	155	171	274	382
EBIT	99	82	175	273
Pre-tax profit	95	72	181	281
Net income	-67	-31	56	136

### Cash Flow (USDm)

Cash flow from operations	265	263	339	423
Net Capex	-96	-71	-68	-79
Free cash flow	170	192	271	344
Equity raised/(bought back)	6	0	0	0
Dividends paid	0	0	0	0
Net inc/(dec) in borrowings	0	0	0	0
Other investing/financing cash flows	-62	-7	0	0
Net cash flow	113	185	271	344
Change in working capital	192	94	37	10

### Balance Sheet (USDm)

Cash and cash equivalents	1,209	1,350	1,621	1,964
Property, plant & equipment	121	117	86	56
Goodwill	207	218	218	218
Other assets	494	467	546	619
Total assets	2,031	2,152	2,471	2,858
Debt	0	0	0	0
Other liabilities	1,289	1,326	1,443	1,526
Total liabilities	1,289	1,326	1,443	1,526
Total shareholders' equity	742	826	1,028	1,333
Net debt	-1,209	-1,350	-1,621	-1,964

### Key Company Metrics

Sales growth (%)	nm	8.1	22.8	23.0
DB EPS growth (%)	na	34.1	192.3	57.3
Payout ratio (%)	nm	nm	0.0	0.0
EBITDA Margin (%)	6.6	6.8	8.8	10.0
EBIT Margin (%)	4.2	3.3	5.7	7.2
ROE (%)	-9.1	-4.0	6.0	11.5
Net debt/equity (%)	-163.0	-163.4	-157.6	-147.4
Net interest cover (x)	nm	nm	nm	nm

### DuPont Analysis

EBIT margin (%)	4.2	3.3	5.7	7.2
x Asset turnover (x)	1.1	1.2	1.3	1.4
x Financial cost ratio (x)	1.0	1.0	1.0	1.0
x Tax and other effects (x)	-0.7	-0.4	0.3	0.5
= ROA (post tax) (%)	-3.3	-1.5	2.4	5.1
x Financial leverage (x)	2.7	2.7	2.5	2.3
= ROE (%)	-9.1	-4.0	6.0	11.5
annual growth (%)	na	55.9	na	90.9
x NTA/share (avg) (x)	1.1	1.2	1.3	1.7
= Reported EPS	-0.10	-0.05	0.08	0.19
annual growth (%)	na	53.8	na	136.4

Source: Company data, Deutsche Bank estimates



# Groupon

## 3Q13 results

Figure 1: Summary of key metrics

(USD in mn, unless noted)						
	Actual	DB Estimate	Delta	Prior Year Quarter	Change / Prior Year	Change / Prior Quarter
<b>Key Metrics</b>						
Gross Billings	1,343	1,379	-2.6%	1,218	10.2%	-5.0%
N. America Gross Billings	665	706	-5.8%	552	20.4%	-6.6%
Local	403	423	-4.9%	356	13.2%	-10.6%
Goods	195	211	-8.0%	152	27.9%	-1.2%
Travel	68	71	-5.2%	45	52.0%	4.3%
International Gross Billings	678	673	0.7%	666	1.8%	-3.4%
Local	325	314	3.7%	328	-0.8%	-8.5%
Goods	249	255	-2.4%	223	11.4%	3.7%
Travel	103	104	-0.3%	114	-9.7%	-2.3%
<b>Income Statement</b>						
North America	360.8	379.3	-4.9%	291.6	23.7%	-4.3%
International	234.2	213.0	10.0%	276.9	-15.4%	1.1%
Net Revenue	595.1	592.3	0.5%	568.6	4.7%	-2.2%
Cost of revenues	235.4	239.1	-1.5%	181.8	29.5%	5.1%
<b>Gross profit</b>	<b>359.6</b>	<b>353.2</b>	<b>1.8%</b>	<b>386.8</b>	<b>-7.0%</b>	<b>-6.5%</b>
Gross margin	60.4%	59.6%	80 bps	68.0%	-759 bps	-276 bps
Gross Profit As A % of Billings	26.8%	25.6%	117 bps	31.7%	-496 bps	00 bps
<b>Gross Profit</b>						
<b>North America GP</b>	<b>171.6</b>	<b>179.2</b>	<b>-4.3%</b>	<b>160.6</b>	<b>6.9%</b>	<b>-11.8%</b>
<b>North America GP to Billings</b>	<b>25.8%</b>	<b>25.4%</b>	<b>1.7%</b>	<b>29%</b>	<b>-11.2%</b>	
Local GP	138.4	141.7	-2.4%	123.0	12.5%	-10.4%
Local GP to Billings	34.3%	33.5%	2.7%	35%	-0.7%	
Goods GP	21.6	23.2	-7.0%	28.1	-23.0%	-19.9%
Goods GP to Billings	11.1%	11.0%	1.1%	18%	-39.8%	
Travel GP	11.6	14.3	-18.7%	9.5	22.6%	-12.5%
Travel GP to Billings	17.2%	20.0%	-14.2%	21%	-19.3%	
<b>International GP</b>	<b>188.1</b>	<b>174.0</b>	<b>8.1%</b>	<b>226.2</b>	<b>-16.9%</b>	<b>-1.1%</b>
<b>International GP to Billings</b>	<b>27.8%</b>	<b>25.9%</b>	<b>7.3%</b>	<b>34%</b>	<b>-18.3%</b>	
Local GP	125.3	115.7	8.3%	140.5	-10.8%	-6.5%
Local GP to Billings	38.5%	36.9%	4.5%	43%	-10.1%	
Goods GP	41.0	38.6	6.1%	60.5	-32.3%	13.5%
Goods GP to Billings	16.5%	15.1%	8.8%	27%	-39.2%	
Travel GP	21.8	19.7	10.6%	25.3	-13.7%	8.5%
Travel GP to Billings	21.1%	19.0%	11.0%	22%	-4.5%	
<b>Operating Expenses:</b>						
Selling, General & Administrative Expenses	267.2	262.6	1.8%	265.4	0.7%	-1.1%
Total Marketing Expenses	53.3	54.8	-2.7%	70.9	-24.9%	-4.0%
Stock based compensation	26.9	26.5	1.4%	22.6	18.8%	-17.2%
<b>Total Operating Expenses</b>	<b>345.8</b>	<b>343.8</b>	<b>0.6%</b>	<b>361.3</b>	<b>-4.3%</b>	<b>-3.2%</b>
Operating Income (Loss) from Continuing Operations	13.8	9.4	47.7%	25.4	-46%	-49.6%
<b>CSOI</b>						
<b>CSOI</b>	<b>39.2</b>	<b>35.8</b>	<b>9.2%</b>	<b>50.5</b>	<b>-22%</b>	<b>-33.7%</b>
North America CSOI	25.2	35.8	-29.8%	39.1	-36%	-48.1%
International CSOI	14.0	-	NM	11.4	23%	32.7%
Adjusted EBITDA	62.3	58.1	7.3%	65.8	-5%	-22.6%
Adjusted EBITDA/GP Margin	17.3%	16.4%	88 bps	17.0%	31 bps	-360 bps
Interest and other income, inc. equity investment	0.8	(0.6)	-236.7%	0.5	74%	-114.9%
GAAP Pre-Tax income	14.6	8.7	67.5%	25.9	-43.5%	-32.9%
Income Tax Expense	15.9	30.0	-46.9%	26.9	-40.7%	-41.8%
Effective tax rate	108.8%	343.1%		103.6%	5%	-13.2%
Pro-Forma EPS	\$0.02	(\$0.01)	-406.6%	\$0.03	-35.7%	0.8%
Reported earnings per share	(\$0.00)	(\$0.03)	-88.9%	(\$0.00)	-15.1%	-66.1%

Source: Company data, Deutsche Bank estimates



## Estimate Changes

Figure 2: Summary of estimate changes

	4Q13E			2013E			2014E			2015E		
	New Est.	Old Est.	Delta	New Est.	Old Est.	Delta	New Est.	Old Est.	Delta	New Est.	Old Est.	Delta
North America Billings	\$803.2	\$884.3	-9.2%	\$2,861.8	\$2,984.1	-4.1%	\$3,574.7	\$3,756.2	-4.8%	\$4,417.2	\$4,643.9	-4.9%
International Billings	\$799.2	\$814.8	-1.9%	\$2,904.9	\$2,915.4	-0.4%	\$3,198.1	\$3,341.5	-4.3%	\$3,493.9	\$3,780.4	-7.6%
Gross Billings	\$1,602.4	\$1,699.1	-5.7%	\$5,766.6	\$5,899.5	-2.3%	\$6,772.8	\$7,097.8	-4.6%	\$7,911.1	\$8,424.3	-6.1%
North America Revenue	\$451.1	\$479.3	-5.9%	\$1,528.7	\$1,575.3	-3.0%	\$2,031.9	\$2,110.2	-3.7%	\$2,644.5	\$2,754.4	-4.0%
International Revenue	\$268.2	\$252.4	6.3%	\$995.9	\$958.8	3.9%	\$1,067.2	\$1,052.3	1.4%	\$1,167.6	\$1,170.3	-0.2%
Net Revenue	\$719.4	\$731.6	-1.7%	\$2,524.6	\$2,534.0	-0.4%	\$3,099.1	\$3,162.4	-2.0%	\$3,812.1	\$3,924.7	-2.9%
Cost of revenues	\$299.8	\$322.5	-7.1%	\$981.6	\$1,008.1	-2.6%	\$1,336.2	\$1,381.1	-3.3%	\$1,772.1	\$1,851.5	-4.3%
North America GP	\$203.6	\$201.6	1.0%	\$742.1	\$747.7	-0.8%	\$904.6	\$919.3	-1.6%	\$1,087.7	\$1,108.4	-1.9%
International GP	\$216.0	\$207.5	4.1%	\$800.8	\$778.2	2.9%	\$858.3	\$862.1	-0.4%	\$952.3	\$964.8	-1.3%
<b>Gross profit</b>	<b>\$419.6</b>	<b>\$409.1</b>	<b>2.6%</b>	<b>\$1,542.9</b>	<b>\$1,526.0</b>	<b>1.1%</b>	<b>\$1,762.9</b>	<b>\$1,781.4</b>	<b>-1.0%</b>	<b>\$2,040.0</b>	<b>\$2,073.2</b>	<b>-1.6%</b>
Gross margin	58.3%	55.9%	00 bps	61.1%	60.2%	00 bps	56.9%	56.3%	00 bps	53.5%	52.8%	00 bps
Operating Expenses:												
Selling, General & Administrative Expenses	\$302.7	\$274.7	10.2%	\$1,118.4	\$1,085.8	3.0%	\$1,171.2	\$1,168.3	0.3%	\$1,263.6	\$1,280.9	-1.3%
Total Marketing Expenses	\$64.9	\$61.3	5.8%	\$223.2	\$221.1	0.9%	\$275.6	\$278.3	-1.0%	\$340.2	\$345.2	-1.5%
Stock based compensation	\$32.3	\$31.5	2.6%	\$121.5	\$120.3	1.0%	\$141.0	\$142.5	-1.0%	\$163.2	\$165.9	-1.6%
Total Operating Expenses	\$399.9	\$367.6	8.8%	\$1,460.8	\$1,426.5	2.4%	\$1,587.8	\$1,589.1	-0.1%	\$1,767.0	\$1,791.9	-1.4%
Operating Income	\$19.7	\$41.5	-52.6%	\$82.1	\$99.5	-17.5%	\$175.1	\$192.3	-8.9%	\$273.1	\$281.3	-2.9%
CSOI	\$52.0	\$73.0	-28.8%	\$201.4	\$219.1	-8.1%	\$316.2	\$334.8	-5.6%	\$436.3	\$447.1	-2.4%
<b>Adjusted EBITDA</b>	<b>\$75.3</b>	<b>\$95.2</b>	<b>-20.9%</b>	<b>\$290.0</b>	<b>\$305.6</b>	<b>-5.1%</b>	<b>\$415.0</b>	<b>\$430.0</b>	<b>-3.5%</b>	<b>\$545.4</b>	<b>\$554.4</b>	<b>-1.6%</b>
Adjusted EBITDA/GP Margin	18.0%	23.3%	00 bps	18.8%	20.0%	00 bps	23.5%	24.1%	00 bps	26.7%	26.7%	00 bps
Interest and other income, inc. equity investment	(\$0.7)	(\$0.5)	42.7%	(\$10.5)	(\$11.7)	-10.5%	\$6.0	\$3.9	54.6%	\$7.9	\$5.8	36.3%
GAAP Pre-Tax income	\$19.0	\$41.1	-53.7%	\$71.6	\$87.7	-18.4%	\$181.2	\$196.2	-7.7%	\$280.9	\$287.1	-2.1%
Income Tax Expense	\$35.0	\$35.0	0.0%	\$97.7	\$111.7	-12.6%	\$120.0	\$120.0	0.0%	\$140.0	\$140.0	0.0%
Effective tax rate	183.9%	85.2%		136.4%	127.3%		66.2%	61.2%		49.8%	48.8%	
Pro-Forma EPS	\$0.01	\$0.04	-79.4%	\$0.08	\$0.08	-2.7%	\$0.22	\$0.24	-8.3%	\$0.35	\$0.36	-2.2%
Reported earnings per share	(\$0.03)	\$0.01	-527.8%	-\$0.05	(\$0.05)	2.2%	\$0.08	\$0.10	-19.3%	\$0.19	\$0.20	-3.0%

Source: Deutsche Bank, Company reports



# Valuation

## Buy Rating And \$16 PT

We value Groupon shares based on 25x EBITDA on our 2014 estimates. Our assigned target multiple is based on a significant discount to fast growing internet peers trading at ~40x 2014 EBITDA. For now, we will not rely on PE or FCF multiples due to Groupon's abnormally high tax rate, which we do not expect to become normalized until 2015 at the earliest.

Figure 3: Valuation

### Groupon -- Valuation

(\$ in millions, except per share amounts)

Current Price	\$9.93
Diluted Shares Outstanding	666.4
Current Market Cap	6618
Less: Cash and Cash Equivalents	1139.9
Less: Other Assets	0.0
Plus: Debt (Accrued Merchant Payable)	591.5
Adjusted Enterprise Value	6069.3

### Price to Earnings

	2014E	2015E
Non GAAP EPS	\$0.22	\$0.35
Current P/E Multiple	44.3x	28.2x

### EV to EBITDA

	2014E	2015E
Adjusted EBITDA	415.0	545.4
Current EV/EBITDA Multiple	14.6x	11.1x

### Target Multiple

	2014E	2015E
Enterprise Value	10376.0	10907.6
Plus: YE Cash	1620.7	1964.4
Plus: Other Assets	0.0	0.0
Less: YE Accrued Merchant Payable	767.6	810.6
Less: Minority Interest	0.0	0.0
Equity Market Capitalization	11229.1	12061.5
FY End Projected Sharecount	690.1	714.5

<b>Implied Stock Price on Forward EBITDA</b>	<b>\$16</b>	<b>\$17</b>
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### FCF Yield

	2014E	2015E
FCF per Share	\$0.39	\$0.48
Current FCF Yield	3.9%	4.8%

Source: Company data, Deutsche Bank estimates

## Risks

Key downside risks include limited financial disclosures, less favorable payment terms in Europe and increased competition. Additionally, upside risks include increased purchase frequency, and faster-than-expected turnaround in the European market place.

Figure 4: Income Statement

Groupon -- Quarterly Earnings Analysis																
(\$ in millions, except per share amounts)																
FY Dec																
	2010A	2011A	2012A				2012A	2013E				2013E	2014E			
			Mar A 1QA	Jun A 2QA	Sep A 3QA	Dec A 4QA		Mar A 1QA	Jun A 2QA	Sep A 3QA	Dec E 4QE		Mar E 1QE	Jun E 2QE	Sep E 3QE	Dec E 4QE
North America	475.0	1,561.9	553.6	548.3	552.4	719.0	2,373.2	681.3	712.2	665.0	803.2	2,861.8	840.3	887.2	833.5	1,013.6
International	270.3	2,423.6	801.2	738.4	665.9	801.5	3,007.0	726.5	701.6	677.6	799.2	2,904.9	795.6	773.8	745.5	883.2
<b>Gross Billings</b>	<b>745</b>	<b>3,986</b>	<b>1,355</b>	<b>1,287</b>	<b>1,218</b>	<b>1,520</b>	<b>5,380</b>	<b>1,408</b>	<b>1,414</b>	<b>1,343</b>	<b>1,602</b>	<b>5,767</b>	<b>1,636</b>	<b>1,661</b>	<b>1,579</b>	<b>1,897</b>
North America	200.4	635.0	238.6	260.2	291.6	375.4	1,165.7	339.6	377.2	360.8	451.1	1,528.7	447.3	499.3	480.2	605.1
International	112.5	975.5	320.7	308.2	276.9	263.0	1,168.8	261.8	231.6	234.2	268.2	995.9	265.6	251.8	255.9	293.8
<b>Net Revenue</b>	<b>312.9</b>	<b>1,610.4</b>	<b>559.3</b>	<b>568.3</b>	<b>568.6</b>	<b>638.3</b>	<b>2,334.5</b>	<b>601.4</b>	<b>608.7</b>	<b>595.1</b>	<b>719.4</b>	<b>2,524.6</b>	<b>713.0</b>	<b>751.2</b>	<b>736.1</b>	<b>898.9</b>
Cost of revenues	42.7	258.4	119.5	135.2	181.8	282.5	718.9	222.4	224.1	235.4	299.8	981.6	289.8	316.5	319.1	410.8
<b>Gross profit</b>	<b>270.2</b>	<b>1,352.0</b>	<b>439.8</b>	<b>433.2</b>	<b>386.8</b>	<b>355.8</b>	<b>1,615.6</b>	<b>379.0</b>	<b>384.7</b>	<b>359.6</b>	<b>419.6</b>	<b>1,542.9</b>	<b>423.2</b>	<b>434.7</b>	<b>417.0</b>	<b>488.1</b>
Operating Expenses:							6.3%									
Selling, General & Administrative Expenses	160.8	740.6	255.6	272.8	265.4	281.2	1,075.0	278.3	270.2	267.2	302.7	1,118.4	282.2	281.9	287.8	319.3
Total Marketing Expenses	290.4	755.8	116.6	88.4	70.9	60.9	336.9	49.6	55.5	53.3	64.9	223.2	61.4	67.1	66.3	80.7
Stock based compensation	36.2	93.6	28.0	27.1	22.6	26.4	104.1	29.9	32.4	26.9	32.3	121.5	33.9	34.8	33.4	39.0
Acquisition Related Expenses	203.2	(4.5)	(0.1)	(1.6)	2.4	0.2	0.9	0.1	(0.8)	(1.5)	-	(2.3)	-	-	-	-
Total Operating Expenses	690.5	1,585.4	400.1	386.7	361.3	368.7	1,516.8	357.8	357.3	345.8	399.9	1,460.8	377.4	383.8	387.5	439.0
Operating Income (Loss) from Continuing Operations	(420.3)	(233.4)	39.6	46.5	25.4	(12.9)	98.7	21.2	27.4	13.8	19.7	82.1	45.7	50.9	29.5	49.0
Consolidated Segment Operating Income (CSOI)	<b>(181.0)</b>	<b>(144.3)</b>	<b>67.6</b>	<b>71.9</b>	<b>50.5</b>	<b>13.7</b>	<b>203.7</b>	<b>51.2</b>	<b>59.0</b>	<b>39.2</b>	<b>52.0</b>	<b>201.4</b>	<b>79.6</b>	<b>85.7</b>	<b>62.9</b>	<b>88.1</b>
Depreciation & Amortization	13.0	32.1	11.7	12.8	15.3	16.0	55.8	20.7	21.5	23.1	23.3	88.6	24.0	24.6	25.2	25.1
<b>Adjusted EBITDA</b>	<b>(168.0)</b>	<b>(112.3)</b>	<b>79.3</b>	<b>84.7</b>	<b>65.8</b>	<b>29.7</b>	<b>259.5</b>	<b>71.9</b>	<b>80.5</b>	<b>62.3</b>	<b>75.3</b>	<b>290.0</b>	<b>103.6</b>	<b>110.3</b>	<b>88.0</b>	<b>113.1</b>
Interest and other income, inc. equity investment	0.3	(20.7)	(8.7)	53.9	0.5	(49.5)	(3.8)	(5.1)	(5.6)	0.8	(0.7)	(10.5)	2.1	2.1	2.1	(0.3)
GAAP Pre-Tax income	(420.1)	(254.1)	31.0	100.4	25.9	(62.4)	94.9	16.1	21.8	14.6	19.0	71.6	47.9	53.0	31.6	48.7
Income Tax Expense	(6.7)	43.7	34.6	66.9	26.9	17.7	146.0	19.3	27.4	15.9	35.0	97.7	30.0	30.0	30.0	30.0
Net Income Attributable to Common	(456.3)	(373.5)	(11.7)	28.4	(3.0)	(81.1)	(67.4)	(4.0)	(7.6)	(2.6)	(17.3)	(31.4)	17.1	21.0	0.3	17.4
Net Loss attributable to common	(456.3)	(373.5)	(11.7)	28.4	(3.0)	(81.1)	(67.4)	(4.0)	(7.6)	(2.6)	(17.3)	(31.4)	17.1	21.0	0.3	17.4
SBC	36.2	93.6	28.0	27.1	22.6	26.4	104.1	29.9	32.4	26.9	32.3	121.5	33.9	34.8	33.4	39.0
Acquisition related expense	203.2	(4.5)	(0.1)	(1.6)	2.4	0.2	0.9	0.1	(0.8)	(1.5)	-	(2.3)	-	-	-	-
Pro Forma Net Income Attributable To Common	(217.0)	(284.4)	16.3	53.8	22.1	(54.5)	37.6	16.9	14.3	14.5	5.4	51.0	40.8	45.3	23.7	44.7
Diluted Earnings per Share																
Reported earnings per share	(\$0.90)	(\$0.62)	(\$0.02)	\$0.04	(\$0.00)	(\$0.12)	(\$0.10)	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.03)	(\$0.05)	\$0.03	\$0.03	\$0.00	\$0.02
<b>Pro-Forma EPS</b>	<b>(\$0.43)</b>	<b>(\$0.47)</b>	<b>\$0.02</b>	<b>\$0.08</b>	<b>\$0.03</b>	<b>(\$0.08)</b>	<b>\$0.06</b>	<b>\$0.03</b>	<b>\$0.02</b>	<b>\$0.02</b>	<b>\$0.01</b>	<b>\$0.08</b>	<b>\$0.06</b>	<b>\$0.07</b>	<b>\$0.03</b>	<b>\$0.06</b>
Diluted Shares Outstanding	509.2	602.5	663.7	663.1	653.2	655.7	658.9	658.8	662.4	666.4	673.1	665.2	679.8	686.6	693.5	700.4
<b>Other Metrics</b>																
Free Cash Flow	72.2	246.6	69.3	48.6	26.1	25.7	169.6	(5.7)	29.3	(38.3)	206.8	192.0	(25.6)	18.7	6.1	271.7
<b>Free Cash Flow per Share</b>	<b>\$0.13</b>	<b>\$0.44</b>	<b>\$0.10</b>	<b>\$0.07</b>	<b>\$0.04</b>	<b>\$0.04</b>	<b>\$0.26</b>	<b>(\$0.01)</b>	<b>\$0.04</b>	<b>(\$0.06)</b>	<b>\$0.31</b>	<b>\$0.29</b>	<b>(\$0.04)</b>	<b>\$0.03</b>	<b>\$0.01</b>	<b>\$0.39</b>
<b>Margin Analysis</b>																
Gross margin	86.3%	84.0%	78.6%	76.2%	68.0%	55.7%	69.2%	63.0%	63.2%	60.4%	58.3%	61.1%	59.3%	57.9%	56.7%	54.3%
Gross Profit As A % of Billings	36.3%	33.9%	32.5%	33.7%	31.7%	23.4%	30.0%	26.9%	27.2%	26.8%	26.2%	26.8%	25.9%	26.2%	26.4%	25.7%
Selling, General & Administrative As a % of GP	59.5%	54.8%	58.1%	63.0%	68.6%	79.0%	66.5%	73.4%	70.2%	74.3%	72.1%	72.5%	66.7%	64.9%	69.0%	65.4%
Total Marketing As a % of GP	107.5%	55.9%	26.5%	20.4%	18.3%	17.1%	20.9%	13.1%	14.4%	14.8%	15.5%	14.5%	14.5%	15.4%	15.9%	16.5%
Total Operating Expenses As a % of GP	255.6%	117.3%	91.0%	89.3%	93.4%	103.6%	93.9%	94.4%	92.9%	96.2%	95.3%	94.7%	89.2%	88.3%	92.9%	90.0%
CSOI Margin	-67.0%	-10.7%	15.4%	16.6%	13.1%	3.9%	12.6%	13.5%	15.3%	10.9%	12.4%	13.1%	18.8%	19.7%	15.1%	18.0%
Adjusted EBITDA/GP Margin	-62.2%	-8.3%	18.0%	19.6%	17.0%	8.3%	16.1%	19.0%	20.9%	17.3%	18.0%	18.8%	24.5%	25.4%	21.1%	23.2%
Effective tax rate	1.6%	-17.2%	111.6%	66.6%	103.6%	-28.3%	153.7%	120.1%	125.4%	108.8%	183.9%	136.4%	62.7%	56.6%	94.8%	61.6%
Pro Forma Net Income As a % of GP	-80.3%	-21.0%	3.7%	12.4%	5.7%	-15.3%	2.3%	4.5%	3.7%	4.0%	1.3%	3.3%	9.6%	10.4%	5.7%	9.2%
<b>Year Over Year Growth</b>																
North America Gross Billings		228.8%	75.6%	48.2%	37.8%	51.1%	51.9%	23.1%	29.9%	20.4%	11.7%	20.6%	23.3%	24.6%	25.3%	26.2%
International Gross Billings		796.5%	127.0%	32.0%	-11.9%	6.2%	24.1%	-9.3%	-5.0%	1.8%	-0.3%	-3.4%	9.5%	10.3%	10.0%	10.5%
Gross Billings		434.7%	102.8%	38.5%	5.3%	23.5%	35.0%	3.9%	9.9%	10.2%	5.4%	7.2%	16.2%	17.5%	17.6%	18.4%
North America Net Revenue		216.8%	74.6%	65.5%	80.5%	108.9%	83.6%	42.3%	45.0%	23.7%	20.2%	31.1%	31.7%	32.4%	33.1%	34.1%
International Net Revenue		766.8%	101.8%	30.9%	3.1%	-15.9%	19.8%	-18.4%	-24.9%	-15.4%	2.0%	-14.8%	1.5%	8.7%	9.3%	9.5%
Net Revenue		414.6%	89.3%	44.8%	32.2%	29.7%	45.0%	7.5%	7.1%	4.7%	12.7%	8.1%	18.6%	23.4%	23.7%	25.0%
Gross Profit		400.4%	71.8%	28.1%	6.8%	-10.1%	19.5%	-13.8%	-11.2%	-7.0%	17.9%	-4.5%	11.6%	13.0%	16.0%	16.3%
CSOI		-20.3%	-168.8%	-215.4%	-3085.7%	-23.7%	-241.1%	-24.3%	-17.9%	-22.5%	279.6%	-1.2%	55.5%	45.1%	60.6%	69.3%
Adjusted EBITDA		-33.2%	-187.5%	-256.3%	1126.2%	8.9%	-331.1%	-9.4%	-5.0%	-5.3%	153.9%	11.7%	44.1%	37.0%	41.3%	50.2%
Pro Forma Net Income		231.1%	87.3%	21.6%	60.4%	268.0%	86.8%	203.8%	126.5%	165.6%	90.2%	235.4%	341.9%	417.7%	263.8%	934.8%
Pro Forma EPS		10.8%	-112.1%	-174.0%	-138.0%	35.4%	-112.1%	4.5%	-73.5%	-35.7%	-109.6%	34.1%	134.4%	206.5%	57.4%	702.3%

Source :Company data, Deutsche Bank estimates





# Appendix 1

## Important Disclosures

Additional information available upon request

### Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Groupon	GRPN.OQ	9.50 (USD) 7 Nov 13	2,8,14,15

\*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies

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**Historical recommendations and target price: Groupon (GRPN.OQ)**  
(as of 11/7/2013)



**Previous Recommendations**

Strong Buy  
Buy  
Market Perform  
Underperform  
Not Rated  
Suspended Rating

**Current Recommendations**

Buy  
Hold  
Sell  
Not Rated  
Suspended Rating

\*New Recommendation Structure  
as of September 9, 2002

1. 12/14/2011:	Upgrade to Hold, Target Price Change USD21.00	6. 09/20/2012:	Hold, Target Price Change USD6.00
2. 02/09/2012:	Hold, Target Price Change USD22.00	7. 11/09/2012:	Hold, Target Price Change USD4.00
3. 04/02/2012:	Hold, Target Price Change USD21.00	8. 02/05/2013:	Hold, Target Price Change USD6.00
4. 05/15/2012:	Hold, Target Price Change USD15.00	9. 06/14/2013:	Upgrade to Buy, Target Price Change USD10.00
5. 08/02/2012:	Hold, Target Price Change USD9.00	10. 08/08/2013:	Buy, Target Price Change USD17.00

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**Buy:** Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield ) , we recommend that investors buy the stock.

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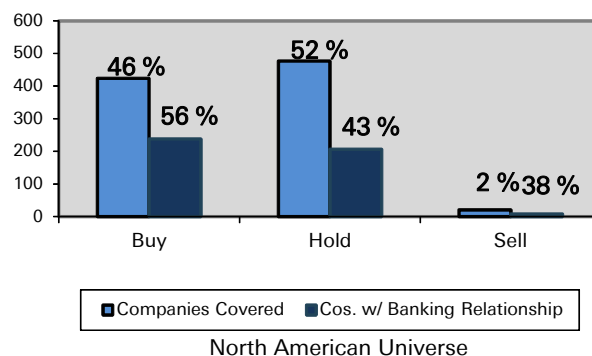
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**Equity rating dispersion and banking relationships**







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