

## Groupon

### Mixed 3Q As Mobile and "Pull" Transition Create Near-Term Headwinds

Groupon reported mixed 3Q results as revenue was somewhat lighter than expected though CSOI was toward the high end of guidance. Groupon's revenue was negatively impacted by seasonality as well as the Gmail changes that resulted in a low double digit decline in Gmail email open rates. NA Local billings accelerated to 13% Y/Y in 3Q vs. 9% in 2Q while take rate also increased to 39.4%. Mobile remains a driver of the NA business as over 50% of NA transactions and 40% of global transactions in September were completed on mobile devices. Groupon noted 9M downloads of its mobile app in 3Q alone (60M cumulative) vs. 7.5M downloads in 2Q. While 3Q revenue and the 4Q outlook were softer than expected, we're encouraged by continued improvements in EMEA and ROW while 4Q CSOI guidance implies continued investments. We maintain our Neutral rating and our PT goes to \$11.

- **Some headwinds from transition to "pull" and mobile.** Groupon noted that it was making good progress toward driving a greater % of "pull" transactions on the site with nearly 6% of transactions originating from searches on Groupon. However, "pull" deals – as opposed to "push" or email deals – typically delay a user's buying activity until the user is close to using or redeeming the product/service and as a result the company is witnessing some headwinds as a result of this transition. Groupon also noted that the % of same day deal redemptions has doubled since the beginning of 2013, suggesting user behavior is adjusting towards the "pull" model. Groupon also noted that while mobile app users are more engaged over the long-term, they take longer to activate (or buy their first deal) due to fewer push opportunities in mobile apps, though we think mobile still represents an opportunity for Groupon over the long term.
- **North America local deals strength.** Worldwide billings of \$1.34B were up 10% Y/Y ex-FX, driven by 20% growth in NA, 9% ex-FX growth in EMEA and a 4% ex-FX decline in ROW billings. NA local billings were +13% Y/Y and NA local take rate expanded to 39.4% in 3Q, up ~70 bps from 2Q levels. EMEA local billings were +13% Y/Y in 3Q, an improvement from (11%) Y/Y growth in 2Q. WW Revenue of \$595M increased 5% Y/Y and was at the low end of guidance of \$585-\$635M. Active customers were 43.5M (+10% Y/Y) and TTM Billings per Avg Customer at \$137 remained relatively flat Q/Q. SG&A and marketing leverage drove CSOI of 39M, which came in short of our \$42.6M estimate, though toward the high end of guidance. 4Q13 revenue and CSOI guidance of \$690M-\$740M and \$40M-\$60M includes continued investments.

#### Groupon Inc (GRPN;GRPN US)

FYE Dec	2012A	2013E	2013E	2014E	2014E	2015E	2015E
		(Prev)	(Curr)	(Prev)	(Curr)	(Prev)	(Curr)
EPS - Reported (\$)							
Q1 (Mar)	0.02	0.04A	0.04A	-	-	-	-
Q2 (Jun)	0.08	0.02A	0.02A	-	-	-	-
Q3 (Sep)	0.03	0.02	0.02A	-	-	-	-
Q4 (Dec)	(0.08)	0.07	0.02	-	-	-	-
FY	0.06	0.15	0.11	0.28	0.27	0.39	0.46
Bloomberg EPS FY (\$)	0.17	-	0.12	-	0.28	-	0.39

Source: Company data, Bloomberg, J.P. Morgan estimates.

#### See page 10 for analyst certification and important disclosures.

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## Neutral

GRPN, GRPN US

Price: \$9.50

▲ Price Target: \$11.00

Previous: \$10.00

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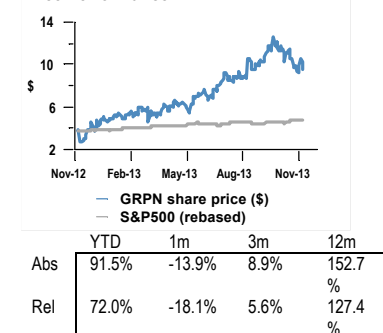
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### Price Performance



### Company Data

Price (\$)	9.50
Date Of Price	07 Nov 13
52-week Range (\$)	12.76-2.60
Market Cap (\$ mn)	5,257.53
Fiscal Year End	Dec
Shares O/S (mn)	553
Price Target (\$)	11.00
Price Target End Date	31-Dec-14

- **Announced TicketMonster acquisition.** Groupon also announced it had agreed to acquire TicketMonster in Korea for \$260M with at least \$100M in cash and up to \$160M in Groupon stock. Ticket Monster is a leading eCommerce company in South Korea and a subsidiary of LivingSocial, with \$800M in annualized billings in the product, local, and travel categories. Groupon expects the acquisition to close in 1H14.

## Summary of the Quarter

Groupon reported 3Q billings, revenue, and CSOI as shown in the table below.

**Table 1: Groupon Performance vs. J.P. Morgan Estimates**

\$ in millions, except per share data

Groupon (\$ in millions, except ASP and EPS)	3Q13				
	JPME	Actuals	Diff (%)	Consensus	Diff (%)
Billings	1,354.7	1,342.6	-0.9%	NA	
Revenue	622.9	595.1	-4.5%	615.7	-3.3%
Take Rate (%)	46%	44%		NA	
Cumulative Customers	45.1	45.1	NA	NA	
Groupons Sold	49.8	49.8	NA	NA	
ASP	\$26.36	\$26.36	NA	NA	
CSOI	42.6	39.2	-8.1%	NA	
Margin (% on revenue)	6.8%	6.6%		NA	
<b>PF EPS</b>	<b>\$0.02</b>	<b>\$0.02</b>	<b>34.3%</b>	<b>\$0.01</b>	<b>76.0%</b>

Source: Company reports and J.P. Morgan estimates.

## Adjusting Estimates

We are adjusting our estimates as follows:

**Table 2: J.P. Morgan Estimate Adjustments**

\$ in millions, except per share data

Groupon (\$ in millions)	4Q13 JPME		2013 JPME		2014 JPME		2015 JPME	
	Old	New	Old	New	Old	New	Old	New
<b>Revenue</b>	726.8	716.5	2,559.8	2,521.7	2,880.5	2,890.9	3,307.0	3,381.9
Y/Y Growth	13.9%	12.3%	9.7%	8.0%	12.5%	14.6%	14.8%	17.0%
% chg vs. old		-1.4%		-1.5%		0.4%		2.3%
<b>CSOI</b>	79.0	58.7	231.8	208.0	278.5	290.8	321.7	390.6
Y/Y Growth	476.5%	328.1%	13.8%	2.1%	20.2%	39.8%	15.5%	34.3%
Margin (%)	10.9%	8.2%	9.1%	8.2%	9.7%	10.1%	9.7%	11.5%
% chg vs. old		-25.7%		-10.3%		4.4%		21.4%
<b>EBITDA</b>	97.9	77.3	309.1	292.0	353.4	366.0	407.7	478.5
Y/Y Growth	229.9%	160.5%	19.1%	12.5%	14.4%	25.4%	15.4%	30.7%
Margin (%)	13.5%	10.8%	12.1%	11.6%	12.3%	12.7%	12.3%	14.1%
% chg vs. old		-21.0%		-5.5%		3.6%		17.4%
<b>PF EPS</b>	\$0.07	\$0.02	\$0.15	\$0.11	\$0.28	\$0.27	\$0.39	\$0.46
Y/Y Growth	NM	NM	155.8%	87.1%	90.2%	151.6%	41.4%	71.1%
% chg vs. old		-64.3%		-26.8%		-3.2%		17.2%

Source: J.P. Morgan estimates.

## Investment Thesis, Valuation and Risks

### Groupon (Neutral; Price Target: \$11.00)

#### Investment Thesis

**Maintain Neutral rating.** We believe Groupon is well positioned to take share of the total leisure, recreation and foodservice markets, which combined represent

~\$5.3T in sales globally and ~\$1.4T in the U.S. However, we believe users are likely feeling some degree of email and deal fatigue, thereby slowing growth in the local deals space. Groupon Goods growth is strong as the company leverages its large subscriber base, but we believe this is a less differentiated business and we think there are better ways to invest in ecommerce. Macroeconomic weakness in Europe could also prove to be a near-term headwind as Groupon's offers are highly consumer discretionary.

### **Valuation**

Our year-end 2014 price target of \$11 is based on ~9.5x our 2015E EBITDA of \$479M, roughly in line with industry peers such as Google and eBay.

### **Risks to Rating and Price Target**

Deal targeting and personalization improvements could drive upside. Groupon is testing deal targeting in the UK and other European markets where local deals have remained weak and significant improvements in conversions could drive upside to our estimates.

**Potential for further deal fatigue increases downside risk.** We think consumers will always look for ways to save money, making local deals an important channel for discovering new merchants and products. However, we think the limited history of local deals makes it difficult to predict whether consumer behavior toward the format will remain as robust.

Table 3: Groupon Income Statement

\$ in thousands, except per share data

	2011A	3/12A	6/12A	9/12A	12/12A	2012A	3/13A	6/13A	9/13A	12/13E	2013E	2014E	2015E
<b>Gross Billings</b>	<b>3,985,501</b>	<b>1,354,800</b>	<b>1,286,676</b>	<b>1,218,256</b>	<b>1,520,452</b>	<b>5,380,184</b>	<b>1,407,769</b>	<b>1,413,806</b>	<b>1,342,648</b>	<b>1,594,371</b>	<b>5,758,594</b>	<b>6,191,084</b>	<b>6,979,689</b>
3P and Other Revenue	1,589,604	540,053	502,985	423,564	413,127	1,879,729	439,108	418,871	394,987	430,360	1,683,326	1,851,301	2,067,387
Direct Revenue	20,826	19,230	65,350	144,988	225,175	454,743	162,294	189,876	200,072	286,136	838,378	1,039,640	1,314,472
<b>Revenue</b>	<b>1,610,430</b>	<b>559,283</b>	<b>568,335</b>	<b>568,552</b>	<b>638,302</b>	<b>2,334,472</b>	<b>601,402</b>	<b>608,747</b>	<b>595,059</b>	<b>716,496</b>	<b>2,521,704</b>	<b>2,890,941</b>	<b>3,381,859</b>
Cost of Revenue	257,749	119,016	134,169	180,786	281,472	715,443	221,393	224,053	235,437	327,822	1,008,705	1,199,414	1,429,482
SBC in Cost of Revenue	1,130	482	1,015	1,000	1,000	3,497	1,000	-	-	-	1,000	-	-
<b>Gross Profit</b>	<b>1,352,681</b>	<b>440,267</b>	<b>434,166</b>	<b>387,766</b>	<b>356,830</b>	<b>1,619,029</b>	<b>380,009</b>	<b>384,694</b>	<b>359,622</b>	<b>388,674</b>	<b>1,512,999</b>	<b>1,691,527</b>	<b>1,952,377</b>
<b>Operating Expenses (ex SBC and Acquisition Related)</b>													
Marketing	765,942	115,889	87,761	69,919	59,913	333,482	48,557	55,497	53,265	43,413	200,732	186,498	175,210
SG&A	731,073	256,788	274,471	267,359	283,214	1,081,832	280,299	270,154	267,204	286,598	1,104,255	1,214,195	1,386,562
Stock Based Compensation	93,590	28,003	27,084	22,619	26,411	104,117	29,907	31,631	26,870	30,093	118,501	135,874	169,093
Acquisition and 1x charges	(4,537)	(52)	(1,635)	2,431	153	897	68	-	(1,529)	-	-	-	-
<b>Total Operating Expenses</b>	<b>1,586,068</b>	<b>400,628</b>	<b>387,681</b>	<b>362,328</b>	<b>369,691</b>	<b>1,520,328</b>	<b>358,831</b>	<b>357,282</b>	<b>345,810</b>	<b>360,104</b>	<b>1,422,027</b>	<b>1,536,568</b>	<b>1,730,865</b>
<b>Operating Income (loss)</b>	<b>(233,387)</b>	<b>39,639</b>	<b>46,485</b>	<b>25,438</b>	<b>(12,861)</b>	<b>98,701</b>	<b>21,178</b>	<b>27,412</b>	<b>13,812</b>	<b>28,571</b>	<b>90,973</b>	<b>154,959</b>	<b>221,511</b>
<b>CSOI</b>	<b>(144,334)</b>	<b>67,590</b>	<b>71,934</b>	<b>50,488</b>	<b>13,703</b>	<b>203,715</b>	<b>51,153</b>	<b>59,043</b>	<b>39,153</b>	<b>58,664</b>	<b>208,013</b>	<b>290,833</b>	<b>390,604</b>
Interest & other Income (expense), net	5,973	(3,539)	57,367	617	(48,279)	6,166	-	-	-	352	352	16,828	27,251
Equity method investment activity, net of tax	(26,652)	(5,128)	(3,428)	(138)	(1,231)	(9,925)	(5,083)	(5,579)	832	-	(9,830)	-	-
Income before Income Taxes	(254,066)	30,972	100,424	25,917	(62,371)	94,942	16,095	21,833	14,644	28,923	81,495	171,787	248,762
Provision (benefit) for Income Tax	43,697	34,565	66,875	26,857	17,676	145,973	19,337	27,384	15,936	30,000	92,657	120,000	87,067
<b>Tax Rate (%)</b>	<b>-17.2%</b>	<b>111.6%</b>	<b>66.6%</b>	<b>103.6%</b>	<b>-28.3%</b>	<b>153.7%</b>	<b>120.1%</b>	<b>125.4%</b>	<b>108.8%</b>	<b>103.7%</b>	<b>113.7%</b>	<b>69.9%</b>	<b>35.0%</b>
<b>Net income (loss)</b>	<b>(297,763)</b>	<b>(3,593)</b>	<b>33,549</b>	<b>(940)</b>	<b>(80,047)</b>	<b>(51,031)</b>	<b>(3,242)</b>	<b>(5,551)</b>	<b>(1,292)</b>	<b>(1,077)</b>	<b>(11,162)</b>	<b>51,787</b>	<b>161,695</b>
Less: Net income attributable to noncontrolling interests	18,335	(880)	(1,220)	(706)	(936)	(3,742)	(750)	(2,023)	(1,288)	-	(4,061)	-	-
<b>Net income (loss) attributable to Groupon Inc.</b>	<b>(279,428)</b>	<b>(4,473)</b>	<b>32,329</b>	<b>(1,646)</b>	<b>(80,983)</b>	<b>(54,773)</b>	<b>(3,992)</b>	<b>(7,574)</b>	<b>(2,580)</b>	<b>(1,077)</b>	<b>(15,223)</b>	<b>51,787</b>	<b>161,695</b>
Other charges (benefits), incl. preferred dividends	(94,067)	(7,222)	(3,943)	(1,333)	(106)	(12,604)	-	-	-	-	-	-	-
<b>Net Income (loss) attributable to common stockholders</b>	<b>(373,495)</b>	<b>(11,695)</b>	<b>28,386</b>	<b>(2,979)</b>	<b>(81,089)</b>	<b>(67,377)</b>	<b>(3,992)</b>	<b>(7,574)</b>	<b>(2,580)</b>	<b>(1,077)</b>	<b>(15,223)</b>	<b>51,787</b>	<b>161,695</b>
<b>GAAP Diluted EPS</b>	<b>(\$0.67)</b>	<b>(\$0.02)</b>	<b>\$0.04</b>	<b>(\$0.00)</b>	<b>(\$0.12)</b>	<b>(\$0.10)</b>	<b>(\$0.01)</b>	<b>(\$0.01)</b>	<b>(\$0.00)</b>	<b>(\$0.00)</b>	<b>(\$0.02)</b>	<b>\$0.07</b>	<b>\$0.22</b>
Diluted Shares Outstanding	553,424	663,666	663,122	653,224	655,678	658,922	658,800	677,006	666,433	681,905	671,036	697,878	718,814
<b>Pro Forma Net Income Reconciliation</b>													
Net Income	(373,494)	(11,695)	28,386	(2,979)	(81,089)	(67,377)	(3,992)	(7,574)	(2,580)	(1,077)	(15,223)	51,787	161,695
Plus: Non-GAAP Charges (incl SBC)	89,053	27,951	25,449	25,050	26,564	105,014	29,975	31,631	25,341	30,093	117,040	135,874	169,093
Minus: Tax Effect	-	-	-	-	-	-	-	9,797	8,292	12,000	30,089	-	-
<b>Pro Forma Net Income</b>	<b>(284,441)</b>	<b>16,256</b>	<b>53,835</b>	<b>22,071</b>	<b>(54,525)</b>	<b>37,637</b>	<b>25,983</b>	<b>14,260</b>	<b>14,469</b>	<b>17,016</b>	<b>71,728</b>	<b>187,661</b>	<b>330,788</b>
<b>Pro Forma EPS</b>	<b>(\$0.51)</b>	<b>\$0.02</b>	<b>\$0.08</b>	<b>\$0.03</b>	<b>(\$0.08)</b>	<b>\$0.06</b>	<b>\$0.04</b>	<b>\$0.02</b>	<b>\$0.02</b>	<b>\$0.02</b>	<b>\$0.11</b>	<b>\$0.27</b>	<b>\$0.46</b>
<b>EBITDA</b>	<b>(112,279)</b>	<b>79,306</b>	<b>84,744</b>	<b>65,798</b>	<b>29,668</b>	<b>259,516</b>	<b>71,853</b>	<b>80,511</b>	<b>62,302</b>	<b>77,292</b>	<b>291,958</b>	<b>365,998</b>	<b>478,532</b>
<b>Y/Y Growth</b>	<b>2011A</b>	<b>3/12A</b>	<b>6/12A</b>	<b>9/12A</b>	<b>12/12A</b>	<b>2012A</b>	<b>3/13A</b>	<b>6/13A</b>	<b>9/13A</b>	<b>12/13E</b>	<b>2013E</b>	<b>2014E</b>	<b>2015E</b>
Gross Billings	434.7%	102.8%	38.5%	5.3%	23.5%	35.0%	3.9%	9.9%	10.2%	4.9%	7.0%	7.5%	12.7%
Revenue	414.6%	89.3%	44.8%	32.2%	29.7%	45.0%	7.5%	7.1%	4.7%	12.3%	8.0%	14.6%	17.0%
Cost of Revenue	503.1%	200.9%	145.8%	165.9%	194.4%	177.6%	86.0%	67.0%	30.2%	16.5%	41.0%	18.9%	19.2%
<b>Gross Profit</b>	<b>400.6%</b>	<b>72.0%</b>	<b>28.5%</b>	<b>7.1%</b>	<b>-10.0%</b>	<b>19.7%</b>	<b>-13.7%</b>	<b>-11.4%</b>	<b>-7.3%</b>	<b>8.9%</b>	<b>-6.5%</b>	<b>11.8%</b>	<b>15.4%</b>
Marketing	163.7%	-49.5%	-58.7%	-58.9%	-61.0%	-56.5%	-58.1%	-36.8%	-23.8%	-27.5%	-39.8%	-7.1%	-6.1%
SG&A	354.8%	106.0%	46.0%	38.1%	26.0%	48.0%	9.2%	-1.6%	-0.1%	1.2%	2.1%	10.0%	14.2%
Acquisition and 1x charges	NM	NA	NA	NM	-40.2%	NM	NM	-100.0%	NM	-100.0%	NM	-100.0%	NA
Total Operating Expenses	129.7%	7.4%	-11.7%	0.0%	-10.2%	-4.1%	-10.4%	-7.8%	-4.6%	-2.6%	-6.5%	8.1%	12.6%
<b>Operating Income (loss)</b>	<b>-44.5%</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>-14.1%</b>	<b>NM</b>	<b>-46.6%</b>	<b>-41.0%</b>	<b>-45.7%</b>	<b>NM</b>	<b>-7.8%</b>	<b>70.3%</b>	<b>42.9%</b>
<b>CSOI</b>	<b>-20.3%</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>-23.7%</b>	<b>NM</b>	<b>-24.3%</b>	<b>-17.9%</b>	<b>-22.5%</b>	<b>328.1%</b>	<b>2.1%</b>	<b>39.8%</b>	<b>34.3%</b>
Income before Income Taxes	-39.5%	NM	NM	NM	144.7%	NM	-48.0%	-78.3%	-43.5%	NM	-14.2%	110.8%	44.8%
Net income (loss)	-28.0%	-96.8%	NM	-93.5%	34.1%	-82.9%	-9.8%	NM	37.4%	-98.7%	-78.1%	NM	212.2%
Net income (loss) attributable to Groupon Inc.	-28.3%	-95.6%	NM	-84.4%	24.7%	-80.4%	-10.8%	NM	56.7%	-98.7%	-72.2%	NM	212.2%
<b>Net Income (loss) attributable to common stockholders</b>	<b>-18.2%</b>	<b>-92.0%</b>	<b>NM</b>	<b>-94.5%</b>	<b>24.0%</b>	<b>-82.0%</b>	<b>-65.9%</b>	<b>NM</b>	<b>-13.4%</b>	<b>-98.7%</b>	<b>-77.4%</b>	<b>NM</b>	<b>212.2%</b>
<b>GAAP Basic EPS</b>	<b>-32.3%</b>	<b>-96.2%</b>	<b>NM</b>	<b>-97.4%</b>	<b>0.0%</b>	<b>-84.6%</b>	<b>-66.8%</b>	<b>NM</b>	<b>-15.1%</b>	<b>-98.7%</b>	<b>-78.0%</b>	<b>NM</b>	<b>203.1%</b>
<b>GAAP Diluted EPS</b>	<b>-32.3%</b>	<b>-92.4%</b>	<b>NM</b>	<b>-94.7%</b>	<b>0.0%</b>	<b>-84.8%</b>	<b>-65.6%</b>	<b>NM</b>	<b>-15.1%</b>	<b>-98.7%</b>	<b>-77.8%</b>	<b>NM</b>	<b>203.1%</b>
<b>EBITDA</b>	<b>-32.2%</b>	<b>NM</b>	<b>NM</b>	<b>1126.5%</b>	<b>8.9%</b>	<b>NM</b>	<b>-9.4%</b>	<b>-5.0%</b>	<b>-5.3%</b>	<b>160.5%</b>	<b>12.5%</b>	<b>25.4%</b>	<b>30.7%</b>
<b>Pro Forma EPS</b>	<b>32.3%</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>35.4%</b>	<b>NM</b>	<b>61.0%</b>	<b>-74.1%</b>	<b>-37.5%</b>	<b>NM</b>	<b>87.1%</b>	<b>151.6%</b>	<b>71.1%</b>
<b>% of Revenue</b>													
Cost of Revenue	16.0%	21.3%	23.6%	31.8%	44.1%	30.6%	36.8%	36.8%	39.6%	45.8%	40.0%	41.5%	42.3%
<b>Gross Profit</b>	<b>84.0%</b>	<b>78.7%</b>	<b>76.4%</b>	<b>68.2%</b>	<b>55.9%</b>	<b>69.4%</b>	<b>63.2%</b>	<b>63.2%</b>	<b>60.4%</b>	<b>54.2%</b>	<b>60.0%</b>	<b>58.5%</b>	<b>57.7%</b>
Marketing	19.2%	8.6%	6.8%	5.7%	3.9%	6.2%	3.4%	3.9%	4.0%	2.7%	3.5%	3.0%	2.5%
SG&A	45.4%	45.9%	48.3%	47.0%	44.4%	46.3%	46.6%	44.4%	44.9%	40.0%	43.8%	42.0%	41.0%
Stock Based Compensation	5.8%	5.0%	4.8%	4.0%	4.1%	4.5%	5.0%	5.2%	4.5%	4.2%	4.7%	4.7%	5.0%
Total Operating Expenses	98.5%	71.6%	68.2%	63.7%	57.9%	65.1%	59.7%	58.7%	58.1%	50.3%	56.4%	53.2%	51.2%
<b>Operating Income (loss)</b>	<b>-14.5%</b>	<b>7.1%</b>	<b>8.2%</b>	<b>4.5%</b>	<b>-2.0%</b>	<b>4.2%</b>	<b>3.5%</b>	<b>4.5%</b>	<b>2.3%</b>	<b>4.0%</b>	<b>3.6%</b>	<b>5.4%</b>	<b>6.5%</b>
<b>CSOI</b>	<b>-9.0%</b>	<b>12.1%</b>	<b>12.7%</b>	<b>8.9%</b>	<b>2.1%</b>	<b>8.7%</b>	<b>8.5%</b>	<b>9.7%</b>	<b>6.6%</b>	<b>8.2%</b>	<b>8.2%</b>	<b>10.1%</b>	<b>11.5%</b>
<b>EBITDA</b>	<b>-7.0%</b>	<b>14.2%</b>	<b>14.9%</b>	<b>11.6%</b>	<b>4.6%</b>	<b>11.1%</b>	<b>11.9%</b>	<b>13.2%</b>	<b>10.5%</b>	<b>10.8%</b>	<b>11.6%</b>	<b>12.7%</b>	<b>14.1%</b>

Source: Company reports and J.P. Morgan estimates.



Table 5: Groupon Revenue Analysis - EMEA

\$ in thousands, except per share data

	3/13A	6/13A	9/13A	12/13E	2013E	2014E	2015E
<b>EMEA Segment</b>							
<b>EMEA Gross Billings</b>	<b>492,318</b>	<b>482,250</b>	<b>443,318</b>	<b>513,114</b>	<b>1,931,000</b>	<b>1,950,702</b>	<b>2,176,599</b>
Y/Y Growth	NA	4.3%	11.9%	-3.6%	NA	1.0%	12%
Y/Y Growth ex-FX	NA	4%	9%	-4%	NA	1%	12%
EMEA FX impact to Gross Billings (% impac	1%	0%	3%				
% of Total Gross Billings	35%	34%	33%	32%	34%	32%	31%
TTM	1,883,265	1,903,136	1,950,367	1,931,000	1,931,000	1,950,702	2,176,599
EMEA Third Party and Other	484,867	480,069	434,047	501,989	1,900,972	1,867,804	2,010,797
EMEA Direct	7,451	2,181	9,271	11,125	30,028	82,899	165,802
<b>EMEA Revenue</b>	<b>183,798</b>	<b>159,962</b>	<b>147,950</b>	<b>173,237</b>	<b>664,947</b>	<b>747,676</b>	<b>935,751</b>
Y/Y Growth	NA	-24.4%	-21.0%	-1.7%	NA	12.4%	25%
Y/Y Growth ex-FX	NA	-25%	-23%	-2%	NA	12%	25%
EMEA FX impact to revenue (% impact)	0%	1%	2%				
% of Gross Bookings	37%	33%	33%	34%	34%	38%	43%
TTM	758,918	707,325	667,988	664,947	664,947	747,676	935,751
EMEA Third Party and Other	176,347	157,781	138,679	162,111	634,918	664,777	769,949
EMEA Direct	7,451	2,181	9,271	11,125	30,028	82,899	165,802
<b>EMEA Cost of Revenue</b>	<b>30,077</b>	<b>20,431</b>	<b>24,269</b>	<b>34,963</b>	<b>109,740</b>	<b>172,676</b>	<b>311,611</b>
Y/Y Growth	NA	-27%	-2%	7%	NA	57%	80%
Y/Y Growth ex-FX	NA	-28%	-4%	7%	NA	57%	80%
% of EMEA Revenue	16%	13%	16%	20%	17%	23%	33%
EMEA Third Party and Other	22,605	17,125	15,905	24,950	80,585	98,067	162,389
EMEA Direct	7,472	3,306	8,364	10,013	29,155	74,609	149,222
<b>EMEA Gross Profit</b>	<b>153,721</b>	<b>139,531</b>	<b>123,681</b>	<b>138,274</b>	<b>555,207</b>	<b>575,000</b>	<b>624,140</b>
% of EMEA Gross Billings	31%	29%	28%	27%	29%	29%	29%
% of EMEA Revenue	84%	87%	84%	80%	83%	77%	67%
EMEA Third Party and Other	153,742	140,656	122,774	137,161	554,333	566,710	607,560
EMEA Direct	-21	-1,125	907	1,113	874	8,290	16,580
Operating Expenses	119,545	114,823	108,077	111,319	453,764	456,521	474,643
Y/Y Growth	NA	-24%	-19%	-18%	NA	1%	4.0%
Q/Q Growth	-11.4%	-3.9%	-5.9%	3.0%			
<b>Op Income ex-SBC, Acquisition-Related Exp</b>	<b>34,176</b>	<b>24,708</b>	<b>15,604</b>	<b>26,954</b>	<b>101,442</b>	<b>118,479</b>	<b>149,498</b>
Y/Y Growth	NA	-22%	-46%	207%	NA	17%	26%
% of Consolidated Op Income ex-SBC, Acq-R	67%	42%	40%	46%	49%	41%	38%
Op Margin ex-SBC, Acq-Related (% of EMEA Rev)	19%	15%	11%	16%	15%	16%	16%

Source: J.P. Morgan.

**Table 6: Groupon Revenue Analysis – Rest of World**

\$ in thousands, except per share data

ROW Segment	3/13A	6/13A	9/13A	12/13E	2013E	2014E	2015E
<b>ROW Gross Billings</b>	<b>234,132</b>	<b>219,351</b>	<b>234,331</b>	<b>244,379</b>	<b>932,193</b>	<b>987,423</b>	<b>1,205,749</b>
Y/Y Growth	NA	-20.5%	-13.1%	-9.2%	NA	5.9%	22.1%
Y/Y Growth ex-FX	NA	-16%	-4%	-9%	NA	6%	22%
ROW FX impact to Gross Billings (% impact)	-5%	-5%	-9%				
% of Total Gross Billings	17%	16%	17%	15%	16%	16%	17%
TTM	1,048,973	992,302	956,833	932,193	932,193	987,423	1,205,749
ROW Third Party and Other	227,354	213,726	226,485	234,964	902,529	930,461	1,091,825
ROW Direct	6,778	5,625	7,846	9,415	29,664	56,962	113,924
<b>ROW Revenue</b>	<b>78,050</b>	<b>71,603</b>	<b>86,271</b>	<b>87,746</b>	<b>323,670</b>	<b>387,365</b>	<b>511,366</b>
Y/Y Growth	NA	-25.9%	-3.8%	1.2%	NA	19.7%	32.0%
Y/Y Growth ex-FX	NA	-21%	7%	1%	NA	20%	32%
FX impact to ROW revenue (% impact)	-6%	-5%	-11%				
% of Gross Bookings	33%	33%	37%	36%	35%	39%	42%
TTM	350,984	325,988	322,597	323,670	323,670	387,365	511,366
ROW Third Party and Other	71,272	65,978	78,425	78,331	294,006	330,403	397,441
ROW Direct	6,778	5,625	7,846	9,415	29,664	56,962	113,924
<b>ROW Cost of Revenue</b>	<b>25,118</b>	<b>21,026</b>	<b>21,899</b>	<b>29,159</b>	<b>97,202</b>	<b>127,497</b>	<b>108,115</b>
Y/Y Growth	NA	1.2%	-15.9%	11.6%	NA	31.2%	-15.2%
Y/Y Growth ex-FX	NA	6%	-5%	12%	NA	31%	-15%
% of ROW Revenue	32%	29%	25%	33%	30%	33%	21%
ROW Third Party and Other	18,491	14,951	14,539	20,685	68,666	76,231	102,419
ROW Direct	6,627	6,075	7,360	8,474	28,536	51,266	5,696
<b>ROW Gross Profit</b>	<b>52,932</b>	<b>50,577</b>	<b>64,372</b>	<b>58,587</b>	<b>226,468</b>	<b>259,868</b>	<b>403,251</b>
% of ROW Gross Billings	23%	23%	27%	24%	24%	26%	33%
% of ROW Revenue	0%	0%	0%	0%	0%	0%	0%
ROW Third Party and Other	52,781	51,027	63,886	57,646	225,340	254,172	295,023
ROW Direct	151	-450	486	942	1,129	5,696	108,228
Operating Expenses	77,321	64,750	65,991	68,631	276,693	281,455	291,868
Y/Y Growth	NA	-18.1%	-18.9%	-5.5%	NA	1.7%	3.7%
Q/Q Growth	6.4%	-16.3%	1.9%	4.0%			
<b>Op Income ex-SBC, Acquisition-Related Exp</b>	<b>-24,389</b>	<b>-14,173</b>	<b>-1,619</b>	<b>-10,043</b>	<b>-50,224</b>	<b>-21,587</b>	<b>111,382</b>
Y/Y Growth	NA	330.9%	-90.9%	-17.0%	NA	-57.0%	-616.0%
% of Consolidated Op Income ex-SBC, Acq-Related	-48%	-24%	-4%	-17%	-24%	-7%	29%
Op Margin ex-SBC, Acq-Related (% of ROW Rev)	-31%	-20%	-2%	-11%	-16%	-6%	22%

Source: J.P. Morgan.



## Groupon: Summary of Financials

Income Statement - Annual	FY12A	FY13E	FY14E	FY15E	Income Statement - Quarterly	1Q13A	2Q13A	3Q13A	4Q13E
Revenues	2,334	2,522	2,891	3,382	Revenues	601A	609A	595A	716
Operating income	99	91	155	222	Operating income	21A	27A	14A	29
D&A	56	84	75	88	D&A	21A	21A	23A	19
EBITDA	155	175	230	309	EBITDA	42A	49A	37A	47
Net interest income / (expense)	6	0	17	27	Net interest income / (expense)	0A	0A	0A	0
Other income / (expense)	(4)	(9)	17	27	Other income / (expense)	(5)A	(6)A	1A	0
Pretax income	95	81	172	249	Pretax income	16A	22A	15A	29
Income taxes	(146)	(93)	(120)	(87)	Income taxes	(19)A	(27)A	(16)A	(30)
Net Income	(55)	(15)	52	162	Net Income	(4)A	(8)A	(3)A	(1)
Weighted average diluted shares	659	671	698	719	Weighted average diluted shares	659A	677A	666A	682
Diluted EPS	0.06	0.11	0.27	0.46	Diluted EPS	0.04A	0.02A	0.02A	0.02
Balance Sheet and Cash Flow Data	FY12A	FY13E	FY14E	FY15E	Ratio Analysis	FY12A	FY13E	FY14E	FY15E
Cash and cash equivalents	1,209	1,677	2,034	3,416	Sales growth	45.0%	8.0%	14.6%	17.0%
Accounts receivable	97	143	149	143	EBITDA growth	(331.1%)	12.5%	25.4%	30.7%
Other current assets	182	120	157	663	EPS growth	(111.1%)	87.1%	151.6%	71.1%
Current assets	1,488	1,940	2,340	4,222					
PP&E	121	132	150	153	EBITDA margin	11.1%	11.6%	12.7%	14.1%
Total assets	2,031	2,503	2,920	4,805	Net margin	1.6%	2.8%	6.5%	9.8%
Total debt	-	-	-	-	Debt / EBITDA	-	-	-	-
Total liabilities	1,289	1,665	1,858	3,344					
Shareholders' equity	744	840	1,064	1,459	Return on assets (ROA)	2.0%	3.2%	6.9%	8.6%
					Return on equity (ROE)	5.2%	9.1%	19.7%	26.2%
Net Income (including charges)	(51)	(11)	52	162					
D&A	56	84	75	88	Enterprise value / EBITDA	13.6	10.4	7.3	2.7
Change in working capital	187	497	106	737	Enterprise value / Free cash flow	22.5	5.3	7.8	1.2
Other	-	-	-	-	P/E	NM	NM	128.0	42.2
Cash flow from operations	267	674	369	1,156					
Capex	(110)	(97)	(25)	(91)					
Free cash flow	157	577	344	1,065					
Cash flow from investing activities	(195)	(169)	19	158					
Cash flow from financing activities	16	0	0	0					
Dividends	(2)	0	0	0					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.

Note: \$ in millions (except per-share data). Fiscal year ends Dec

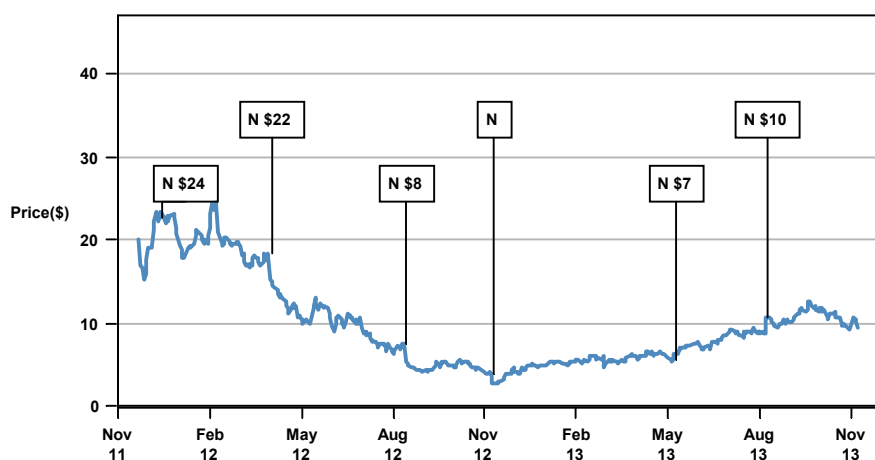
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Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
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