

# GRPN Investor Presentation 1Q21

May 6, 2021

# Forward-looking statements and other information

The statements contained in this presentation that refer to plans and expectations for the next quarter, the full year or the future are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding our future results of operations and financial position, business strategy and plans and our objectives for future operations. The words "may," "will," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "continue" and other similar expressions are intended to identify forward-looking statements. We have based these forward looking statements largely on current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, but are not limited to, effects of COVID-19 or other pandemics or disease outbreaks on our business; our ability to execute, and achieve the expected benefits of our go-forward strategy; execution of our business and marketing strategies; volatility in our operating results; challenges arising from our international operations, including fluctuations in currency exchange rates, legal and regulatory developments and any potential adverse impact from the United Kingdom's exit from the European Union; global economic uncertainty; retaining and adding high quality merchants; retaining existing customers and adding new customers; competing successfully in our industry; providing a compelling mobile experience for our customers; managing refund risks; retaining and attracting members of our executive team and other qualified personnel; customer and merchant fraud; payment-related risks; our reliance on email, internet search engines and mobile application marketplaces to drive traffic to our marketplace; cybersecurity breaches; maintaining and improving our information technology infrastructure; reliance on cloud-based computing platforms; completing and realizing the anticipated benefits from acquisitions, dispositions, joint ventures and strategic investments; lack of control over minority investments; managing inventory and order fulfillment risks; claims related to product and service offerings; protecting our intellectual property; maintaining a strong brand; the impact of future and pending litigation; compliance with domestic and foreign laws and regulations, including the CARD Act, GDPR and regulation of the Internet and e-commerce; classification of our independent contractors or employees; exposure to greater than anticipated tax liabilities; adoption of tax legislation; our ability to raise capital if necessary; risks related to our access to capital and outstanding indebtedness, including our convertible senior notes; our common stock, including volatility in our stock price; our ability to realize the anticipated benefits from the hedge and warrant or capped call transactions; and those risks and other factors discussed in Part I, Item 1A, Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2020 and Part II, Item 1A. Risk Factors of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, and our other filings with the Securities and Exchange Commission (the "SEC"), copies of which may be obtained by visiting the company's Investor Relations web site at [investor.groupon.com](http://investor.groupon.com) or the SEC's web site at [www.sec.gov](http://www.sec.gov). Groupon's actual results could differ materially from those predicted or implied and reported results should not be considered an indication of future performance.

You should not rely upon forward-looking statements as predictions of future events. Although Groupon believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither Groupon nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. The forward-looking statements reflect our expectations as of May 6, 2021. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this presentation to conform these statements to actual results or to changes in our expectations.

This presentation contains non-GAAP financial measures. See the appendix for reconciliations of non-GAAP financial measures to the most comparable U.S. GAAP measures and our Q1 2021 earnings release press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures.

A man and a woman are kayaking on a calm lake. The man is in the back, wearing a grey cap, sunglasses, and an orange shirt. The woman is in the front, wearing a black visor, a blue shirt, and a red life vest. They are both smiling and holding yellow paddles. The background shows a hazy shoreline with trees.

**GROUPON**

**THE DESTINATION FOR EXPERIENCES**

WHERE CUSTOMERS DISCOVER FUN THINGS TO DO  
& LOCAL BUSINESSES THRIVE

# Leading local marketplace with proven profitability and long-term growth opportunity



**Beloved global brand** that connects **millions of customers with merchants**, known for providing unbeatable value



**A leader in the fragmented \$1T Local Market, leveraging our scale and focusing on where we are most differentiated**

- Strong competitive position with Local merchants and a low/no-risk, transaction-based business model
- Uniquely positioned to help SMBs recover from the impact of COVID



Strategy to **capture market share** and **drive profitable revenue growth**

- Launched inventory products (Deals, Offers and Market Rate) to grow supply and make Groupon an always-on sales channel
- Removing barriers to entry for merchants to increase participation in our marketplace
- Always-on inventory and reduced friction can deliver experience customers want, unlock marketplace flywheel and drive purchase frequency



**Attractive financial model**

- Flexible, durable business model delivering Adj. EBITDA in down market, growth scenario creates significant upside opportunity
- On track to realize \$225M of savings by 2022 from restructuring plan
- With new cost structure, if gross profit returns to 80% of pre-COVID levels, believe we can deliver ~\$250M of Adj. EBITDA in 2022
- 1 incremental purchase from our 2020 global customer base = ~\$1B bookings opportunity

# **Our Large Addressable Market Opportunity**

# A leading local marketplace with room to grow

Connecting ~26M<sup>1</sup> customers to our global marketplace



**1 Million+**

Merchants worked with to date



**1.5 Billion+**

Groupons sold to date



**\$35 Billion+**

Saved to date by NA consumers



**\$25 Billion+**

Pumped into local businesses to date

- Large and growing addressable market in local
- Groupon's two-sided marketplace has massive global scale
- Nearly 60% of our customer base has been shopping Groupon for 3+ years<sup>2</sup>
- Beloved brand: inspiration marketplace for Deals
- Growth strategy: leverage local offering to become **destination for experiences**

(1) As of March 31, 2021  
(2) As of December 31, 2020

# Positioned to grow wallet share with global consumers

## Our customers...



have an average household income of \$75K<sup>1</sup>



live in a city



love new experiences and keeping busy with nearby activities happening now

**...and there are millions of untapped consumers who have characteristics similar to our best customers**

- We believe there are 80+ Grouponable moments in a single year...
- ...and Groupon is only capturing 4% of those experiences
- Executing on our strategic priorities creates opportunity to **increase customer purchase frequency** and **grow wallet share**

**In 2020, 1 more purchase from our global customer base<sup>2</sup> was a ~\$1B opportunity<sup>3</sup>**

*(1) North America customers*

*(2) Active Customers are defined as unique user accounts that have made a purchase during the trailing twelve months ("TTM") either through one of our online marketplaces or directly with a merchant for which we earned a commission*

*(3) Represents total value customers spent on our platform before refunds*

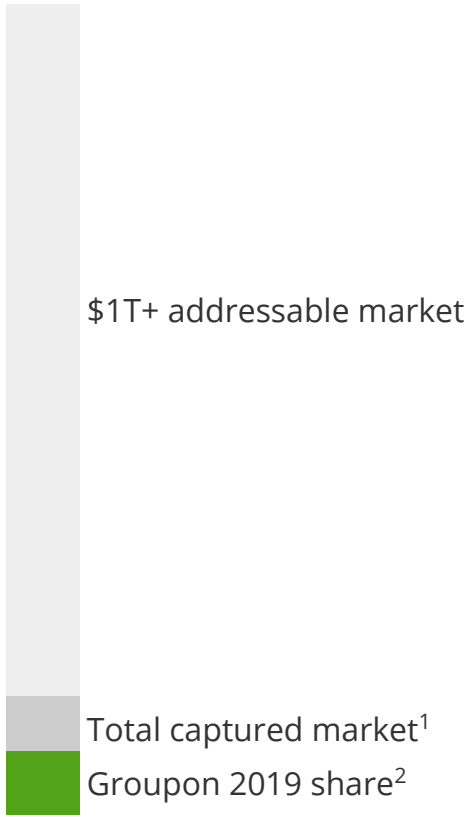
# We are a leader in a \$1T+ market...

...yet we are capturing only a fraction of the market opportunity

**\$1T+ TAM**  
for local experiences where  
we have a right to win



**Top player...**  
< 1% share



(1) Estimated market share of top competitors as of December 31, 2019  
(2) Groupon's estimated market share based on 2019 billings



# **Our Strategy for Growth**

# Groupon: the destination for experiences

- In mid-2020 we reimagined our merchant and customer value propositions and launched a targeted strategy to strengthen our local marketplace offering
- By putting our new customer and merchant value propositions front and center we believe we can **build a new destination marketplace** experience to complement our inspiration marketplace
- Strategy is laser-focused on addressing disconnect between our large market opportunity and our business performance
- To succeed and grow long-term, we need to execute on 2 strategic priorities:
  - Expand inventory
  - Modernize the marketplace by improving merchant and customer experiences

# Groupon can unlock a powerful marketplace flywheel



# Expand Inventory

# Growing high-quality inventory is our #1 priority

Expanding inventory is critical to our growth

3 key inventory products: **Deals, Offers, and Market Rate**

**Our goal is to provide value to merchants at any stage of their growth cycle and encourage them to list more inventory with Groupon**

- **Deals:** remove restrictions on deeply-discounted inventory to drive customer acquisition, customer growth, and engagement
- **Offers:** launch new inventory product with lower discounts to improve merchant ROI, provide “always-on” inventory, and drive purchase frequency
- **Market Rate:** position Groupon as the customer destination for high-quality, local experiences and “always-on” merchant sales channel

**By providing a full catalog offering to our customers, we believe we can unlock customer purchase frequency and drive billings growth**





# Deals: removing restrictions to drive customer engagement

Groupon is known for great deals, part of our core customer value proposition

By relaxing restrictions on Deals we expect to drive **purchase frequency and billings growth**

**We know our customers want to...**

- Purchase the same Deal more than once
- Redeem when they want
- Use their Groupons with friends or family

**...and our current Deals have too many restrictions**

Deals should function as an important **customer acquisition tool for merchants**

**2021 goal: increase percent of Deal inventory available for repeat purchase to 80%+**

# Offers: inventory product to drive purchase frequency

Offers will provide customers with a ~15% discount and merchants with a lower cost listing option

**Why Offers?** Not every merchant wants to run a deeply-discounted Deal and even for those who do, a deeply-discounted Deal may not make sense at all times

We believe Offers provide value for all stakeholders

- Groupon can offer a fuller catalog of high quality, always-on inventory
- More inventory for customers, albeit at lower discounts vs. Deals, to drive purchase frequency and loyalty
- Merchants earn a higher margin and still only pay for performance
- Deeper partnership with our existing merchants
- Attract new merchants that are on the fence about joining our marketplace

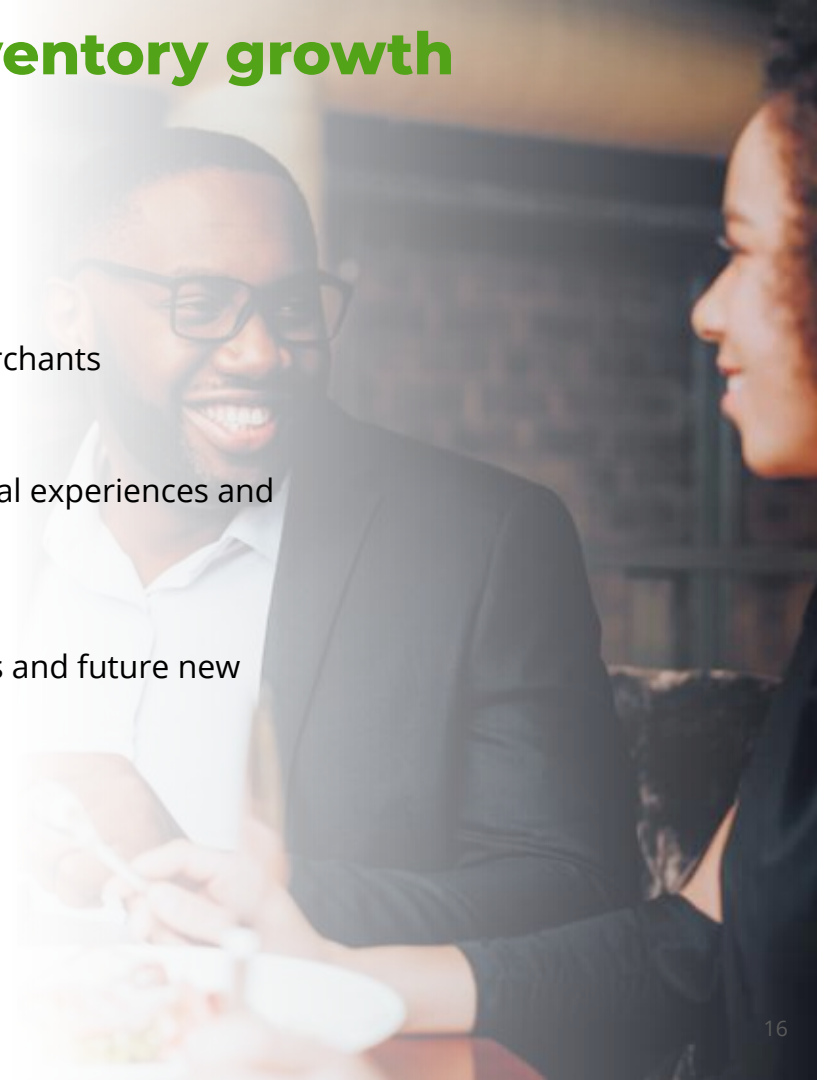
**2021 goal: increase the average number of listings per Beauty & Wellness merchant**

# Market Rate: accelerate quality inventory growth

Market rate inventory gives customers access to a broader variety of merchants

Helps position Groupon as **the** customer destination for high-quality, local experiences and an “**always-on**”, pay-for-performance merchant sales channel

Will continue to acquire new Market Rate inventory through partnerships and future new products



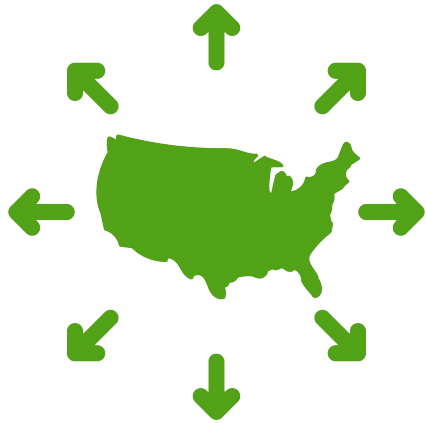


# Portfolio of complementary, inventory listing options



# Expanding Inventory: scaling in North America now

Expected to increase amount of purchasable inventory



## Remove repeat purchase restrictions on Deals in all verticals

- 2021 goal: increase the percent of Deal inventory available for repeat purchase to 80%+

## Launch Offers to Beauty & Wellness merchants

- 2021 goal: increase average listings per Beauty & Wellness merchants



# Improve the Merchant & Customer Experiences

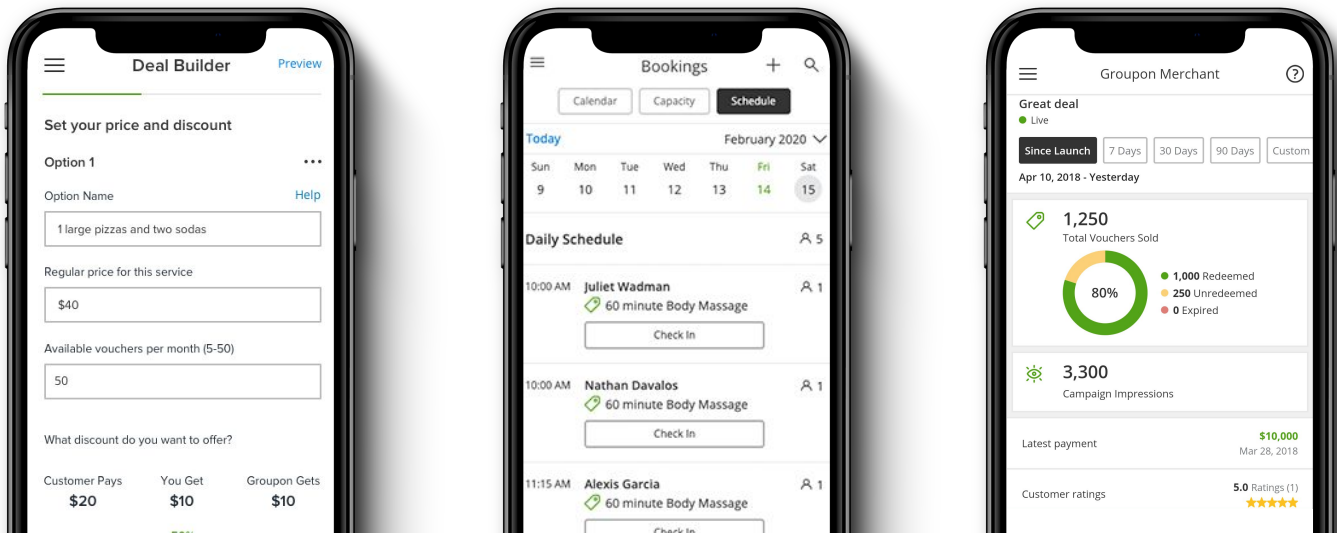
# Prioritize our merchants' success

Partner with our merchants to help them grow their businesses

Roadmap focused on merchant tools that allow them to **build, grow** and **scale** their businesses on the Groupon marketplace

Shift Groupon from high-touch, costly model to one where merchants use **proven** self-serve **tools to grow their businesses**

Position Groupon as a **unique, valuable always-on sales channel**



# Then vs Now: being a better partner to our merchants

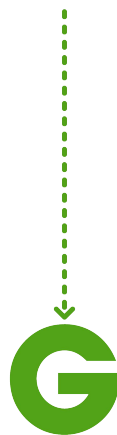
Ease • Reach • Monetization

## THEN



- Phone interaction required to join the marketplace
- Launching a deal? Another labor intensive interaction required
- Just want to change content? *Another* labor intensive interaction required
- You can only sell “Deals” through Groupon; relationships between Groupon and merchants are very limited
- It’s difficult to offer a bookable deal in the Groupon marketplace

## NOW



- Merchants can join Groupon via self-service
- Launching a deal? Do it in less than 24 hours via self-service Campaign Builder
- Just want to change content? You can also do this via self-service Campaign Builder
- Unsure how to improve deal performance? Tap into self-service deal recommendations
- Need more listing options? Now scaling flexible inventory and discount options
- Merchants can create a seamless customer experience by offering fully bookable inventory
- Worried about customer double booking? Use Groupon’s two-way Google calendar sync
- Want to promote your business more? We’re bringing a new Sponsored Listings marketing tool to our merchants

# Deliver an amazing customer experience

Improve customer journey from discovery to purchase to redemption

Product roadmap focuses on **increasing customer purchase frequency**

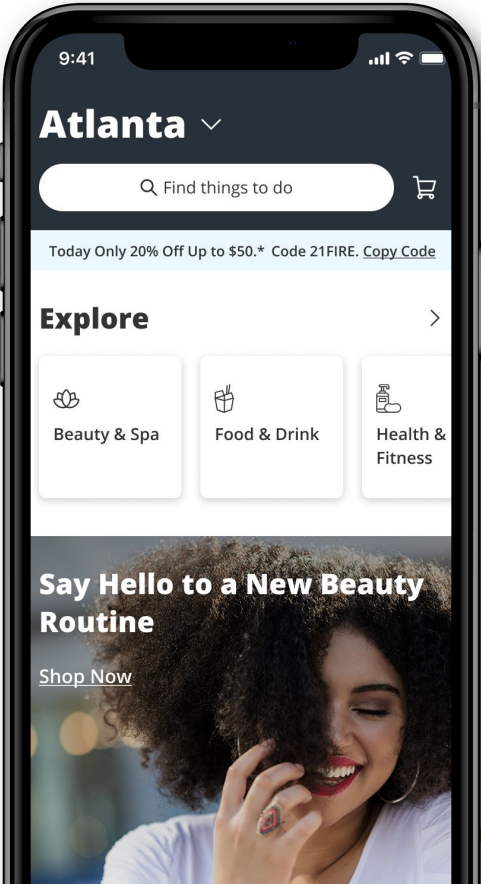
Leverage **machine learning to produce rapid insights** that power curation, search relevance and other UX improvements

Position Groupon as a destination where consumers go to discover fun and memorable experiences through a **frictionless customer experience**

From discovery to search to purchase to redemption, **we have to make it easier for our customers to find, buy and redeem a Groupon** and interact with our merchants

## 2021 Goal: Launch new customer experience that highlights new inventory and ways to use Groupon

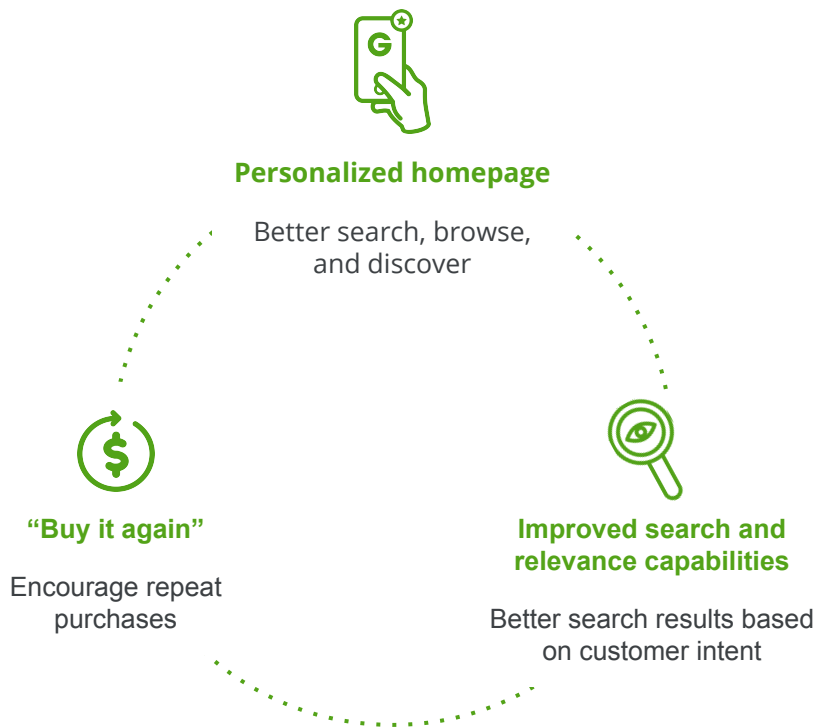
- Began launch in North America in April
- Changing consumer perception from an inspiration-only marketplace to a destination for local experiences



# Reimagining the customer experience

Intended to leverage and amplify our expanding inventory base and drive purchase frequency

✓ In April, started to roll out a new customer experience to millions of our North America app and mobile web users



# Product roadmap

Steady cadence of new features will improve the customer and merchant experiences

## Q1 2021 (launched)

### Merchant Experience

- ✓ Groupon Connect for Beauty & Wellness
- ✓ Self-service Intl expansion
- ✓ Self-service recommendations

## Q2 2021

### Customer Experience

- Reimagined NA consumer experience

### Merchant Experience

- Self-service Sponsored Listings
- Proactive recommendations engine
- Live Event Pod Seating options

## H2 2021

### Customer Experience

- Additional personalization feature
- Full menu optimization
- Increase social sharing and rewards

### Merchant Experience

- Additional self-service tools
- Sponsored Listings
- Extend third-party connectivity & booking
- Embedded self-service



Moving to best-in-class infrastructure on the cloud and simplifying and modernizing our platform will power and accelerate innovation over the next several years



# Reducing our Cost Structure

# Resetting our cost structure

Committed to operational rigor: lower costs, improve speed and leverage

Completed phase one of our restructuring plan in 2020

Began executing phase two in August 2020

- Achieved \$140 million of savings in 2020 from restructuring actions and furloughs
- On track to realize ~\$225M of run rate savings from restructuring actions, once plan is fully implemented

Reduced cost structure expected to drive greater flow-through to Adjusted EBITDA





# First Quarter Results

# Key first quarter results

Active Customers	26M
Units	18M
Billings	\$554M
Revenue	\$264M
Gross Profit	\$167M
Adjusted EBITDA <sup>1</sup>	\$30M
Cash (as of 3/31)	\$677M <sup>2</sup>



(1) Adjusted EBITDA (AEBITDA) is a non-GAAP financial measure. See the appendix for a reconciliation to the most comparable U.S. GAAP financial measure, "Income (loss) from continuing operations"

(2) Includes \$100M of outstanding borrowings under our revolving credit facility; Excludes proceeds from the issuance of the convertible notes due 2026 which are classified as restricted cash

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# Additional insights on first quarter results



Sold 18 million units in the first quarter, demonstrating our scale



NA Local performance accelerated in March, underscoring the role Groupon is playing in connecting consumers with Local merchants



Began to increase marketing investment in March as we aimed to further accelerate recovery



Significantly reduced fixed cost base; delivering strong Adjusted EBITDA flow through in 1Q



# 2Q21 and FY21 Perspective

# 2Q21 perspective

## April 2021 Trends

- North America Local billings were tracking at ~71% of 2019 levels
- International Local billings were tracking at ~35%<sup>1</sup> of 2019 levels

## Factors to Consider

- North America Local: Started to roll out new CX in April; watching closely for any short-term conversion impacts
- International Local: Supply and demand remain heavily impacted by COVID-19; given current government restrictions and vaccination progress, expect volume to continue to be suppressed in 2Q21
- Global Goods: Expect to deliver less gross profit in 2Q21 vs. 1Q21
- Revenue: Expect to begin International Goods transition to third-party marketplace in 2Q21; expect to be substantially complete by early 3Q21
- Marketing Expense: Expect to significantly increase marketing as a % of gross profit as we lean into recovery
- SG&A: Expect expense to be higher than Q1 levels

# FY21 outlook and perspective

## Outlook

- Revenue expected to be \$950 million to \$990 million
- Adjusted EBITDA expected to be \$110 million to \$120 million

## Factors to Consider

- Reflects current expectation for Local recovery, including our expectation for a prolonged International Local recovery, and our Goods revenue being largely reflected on a net basis
- Outlook does not assume a material contribution from the success of our growth strategy
- Expect active customer balance to stabilize mid-year
- Expect gross profit to improve sequentially as we progress throughout 2021
- Expect marketing as a % of gross profit to significantly step up starting in 2Q21 and for the remainder of the year
- Expect our 2021 fixed cost base (ex SBC/D&A) to be \$200 million lower vs. our 2019 cost base
- Based on timing of SG&A savings and marketing spend increase, we no longer expect Adjusted EBITDA to increase sequentially every quarter; continue to expect Adjusted EBITDA performance to be H2 weighted



# Unlocking the power of our financial model

- Durable business model and strong balance sheet provide a foundation for growth
- Strengthening our marketplace offering and closing the gap between our large market opportunity and business performance
- Executing on our priorities to **Expand Inventory** and **Modernize the Marketplace** by improving merchant and customer experiences
- Substantially reduced fixed cost base is allowing us to deliver strong Adjusted EBITDA even in a challenging operating environment
  - Actions underway to achieve \$225 million in cost savings by 2022 from restructuring plan
  - Believe we can grow while sustaining reduced cost structure
  - With new cost structure, if we grow GP to 80% of pre-COVID levels, believe we can deliver ~\$250M of Adjusted EBITDA in 2022, and at 90% of pre-COVID GP levels believe we can deliver ~\$300M of Adjusted EBITDA
- Success means returning **Groupon to top-line growth and stronger profitability**



# Appendix

# Goods revenue presentation 1P vs. 3P example<sup>1</sup>: \$100 customer purchase

	First Party Goods	▶ Third Party Goods	
<b>Billings</b>	\$100	\$100	Billings don't change; this is what our customer pays to Groupon
<b>Revenue</b>	\$100	\$17	In 3P model, Groupon revenue is the commission from the sale (net of merchant payment)
<b>Gross Profit</b>	\$15	\$15	Gross Profit dollars are not impacted

- NA transition completed in 4Q 2020
- Expect to begin Int'l transition to 3P model in 2Q 2021 and to be substantially complete by early 3Q 2021
- 3P revenue take rate is lower because it is presented on a net basis

(1) Example is for illustrative purposes only and does not reflect any forward looking perspective on Goods margins or volume

# Non-GAAP Reconciliations\*

Adjusted EBITDA - Quarterly (in thousands)

The following is a quarterly reconciliation of Adjusted EBITDA to the most comparable U.S. GAAP performance measure, Income (loss) from continuing operations.

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
<b>Income (loss) from continuing operations</b>	\$ (210,860)	\$ (73,112)	\$ (16,561)	\$ 13,971	\$ 14,448
Adjustments:					
Stock-based compensation	14,015	8,543	8,379	8,073	7,179
Depreciation and amortization	25,909	24,434	18,023	19,156	17,019
Acquisition-related expense (benefit), net	4	2	—	—	—
Restructuring and related charges <sup>(1)</sup>	6	40,478	20,559	3,799	7,422
Goodwill impairment	109,486	—	—	—	—
Long-lived asset impairment	22,351	—	—	—	—
Strategic advisor costs	3,626	—	—	—	—
Other (income) expense, net	18,987	1,695	867	(4,581)	(18,123)
Provision (benefit) for income taxes	(5,988)	(696)	(486)	(334)	2,427
Total adjustments	188,396	74,456	47,342	26,113	15,924
<b>Adjusted EBITDA</b>	<b>\$ (22,464)</b>	<b>\$ 1,344</b>	<b>\$ 30,781</b>	<b>\$ 40,084</b>	<b>\$ 30,372</b>

- (1) Restructuring and related charges includes \$13.9 million, \$3.3 million and \$4.4 million, of long-lived asset impairments for the three months ended June 30, 2020, September 30, 2020 and December 31, 2020. It also includes \$1.4 million and \$0.3 million of additional stock-based compensation for the three months ended June 30, 2020 and September 30, 2020.

# Non-GAAP Reconciliations\*

Free Cash Flow (in thousands)

Free cash flow is a non-GAAP liquidity measure. The following is a reconciliation of free cash flow to the most comparable U.S. GAAP liquidity measure, Net cash provided by (used in) operating activities from continuing operations.

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Net cash provided by (used in) operating activities from continuing operations	\$ (236,408)	\$ 87,112	\$ 4,792	\$ 80,906	\$ (46,405)
Purchases of property and equipment and capitalized software	(10,596)	(14,321)	(11,745)	(12,049)	(12,040)
Free cash flow	\$ (247,004)	\$ 72,791	\$ (6,953)	\$ 68,857	\$ (58,445)
Net cash provided by (used in) investing activities from continuing operations	\$ 19,564	\$ (15,568)	\$ (12,469)	\$ (12,873)	\$ (12,744)
Net cash provided by (used in) financing activities	\$ 141,312	\$ 42,862	\$ (3,617)	\$ (3,759)	\$ 62,618

\*See Q1 2021 earnings release press release posted on our Investor Relations website for additional information regarding non-GAAP financial measures