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# Groupon, Inc. (GRPN)

Q1 2021 Earnings Call

## CORPORATE PARTICIPANTS

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*Chief Communications Officer, Groupon, Inc.*

**Melissa Thomas**  
*Chief Financial Officer, Groupon, Inc.*

**Aaron Cooper**  
*Interim Chief Executive Officer, Groupon, Inc.*

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## OTHER PARTICIPANTS

**Trevor Young**  
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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day, everyone, and welcome to the Groupon's First Quarter 2021 Financial Results Conference Call. At this time, all participants are in a listen only mode. A question-and-answer session will follow the company's formal remarks. [Operator Instructions] Today's conference call is being recorded.

For opening remarks, I would like to turn the call over to the Chief Communications Officer, Jennifer Beugelmans. Please go ahead.

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**Jennifer Beugelmans**  
*Chief Communications Officer, Groupon, Inc.*

Good morning and welcome to Groupon's first quarter 2021 financial results conference call. On the call today are our Interim CEO, Aaron Cooper; and CFO, Melissa Thomas.

The following discussion and responses to your questions reflect management's views as of today, May 7, 2021 only, and will include forward-looking statements. Actual results may differ materially from those expressed or implied in our forward-looking statements.

Additional information about risks and other factors that could potentially impact our financial results is included in our earnings press release and in our filings with the SEC, including our Annual Report on Form 10-K. We encourage investors to use our Investor Relations website at [investor.groupon.com](http://investor.groupon.com) as a way of easily finding information about the company. Groupon promptly makes available on this website reports that the company files or furnishes with the SEC, corporate governance information, and select press releases and social media postings.

On the call today, we will also discuss the following non-GAAP financial measures: adjusted EBITDA, free cash flow and FX-neutral results. In our press release and our filings with the SEC, each of which is posted on our

Investor Relations website, you'll find additional disclosures regarding the non-GAAP measures, including reconciliations of these measures to the most comparable measures under US GAAP.

And with that, I'm happy to turn the call over to Aaron.

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## Aaron Cooper

*Interim Chief Executive Officer, Groupon, Inc.*

Good morning, everyone, and thank you for joining us to talk about our first quarter results. We've made a lot of progress over the past year from demonstrating the resilience of our business model to launching a new growth strategy, and we continue this momentum into the first quarter. We're excited to highlight our strong first quarter results and to provide you with more insight into our plan to become the destination for Local.

In 2020, we significantly reduced our cost structure and expect to deliver substantial additional savings this year as well. These fixed cost reductions are allowing us to achieve greater flow through to adjusted EBITDA as our top line recovers, giving us an opportunity to deliver \$250 million of adjusted EBITDA in 2022 if we can drive the business to just 80% of our 2019 gross profit levels. Based on this, we believe that we are well-positioned to deliver value to all of our stakeholders over the coming quarters and continue to benefit from the macro recovery.

Our first quarter results demonstrate this potential. We generated \$30 million of adjusted EBITDA and took additional steps to further strengthen our balance sheet. From an operational point of view, we saw acceleration in North America Local in March, underscoring the role Groupon is playing in connecting customers with Local merchants. All of this hard work and results are foundational to our ability to execute on our growth strategy.

In international, both supply and demand remain constrained as restrictions and human interaction and business policies are still stringent. Based on this, we expect a longer recovery cycle in international in North America.

In addition to recovery, as we've discussed over the past few quarters, we have a plan for growth and we're executing on two strategic priorities, expanding our inventory and modernizing our marketplace. These two goals are highly intertwined and successful execution should allow us to fundamentally improve our customer and merchant's value propositions. In doing so, we can unlock our marketplace flywheel, drive billings growth and purchase frequency over time, and take share in our \$1 trillion addressable markets.

Our recent focus has been on launching a new customer experience in North America that we believe will drive greater sell-through of our expanding inventory. So let's start with an update on the progress we've made in this area. As you recall, last quarter we outlined plans to leverage our new CX to drive sell-through of our expanding inventory base, grow purchase frequency over time, and begin to bend the perception of Groupon as a destination for Local experiences.

In order to become the destination for Local, we believe we need to update our customers' perceptions about how to use the Groupon marketplace. So, we're evolving our brand positioning to reflect our expanded value proposition. While we continue to inspire customers to try experiences available on the Groupon marketplace, we want them to think about us more than episodically, and we need to educate them on how Groupon can play a role in the 80-plus Grouponable moments happening every year.

The first step in this process is to make sure we have the user experience to support this goal. And we're excited to announce that in April we started to roll out our new customer experience to millions of our North American app and mobile web users. So, what does this actually mean for our customers? Let me take you through a simple journey. Our homepage is an important first impression of our brand, and now when our customer opens the

homepage, the look and feel is different. It reflects the content that more closely matches our preferences and includes curation of seasonally relevant inventory.

The homepage also allows for fast access to favorite categories such as nail salon and things to do with her kids and friends, so she can quickly access for favorite experiences. And by bringing category browse front and center on the homepage, we begin to bend her perception of Groupon. She begins to know and understand Groupon as a destination to explore the vast selection of Local experiences in our area.

Next, she starts to search. She's looking for a massage in her area and she quickly is introduced to massages near her location that match her search intent, and she chooses service to purchase. After she redeems, the app intelligently starts to include buy-it-again buttons in strategic areas of the app, reminding her that she should book her next massage. While a simple example, this illustrates how all the new features, including the new homepage, improved search and new repeat purchase flows, come together to support the main goal of the launch.

We're delivering an experience that is familiar with modern consumer marketplaces, one that is uniquely Groupon, and one that we see changing from inspiration to needs-based purchases, more frequent purchases allowing us to attract more customers over time. And to get there, we're moving faster than we have on CX in Groupon's recent history, going from concept to delivery in six months.

Next, I'll provide an update on our inventory initiatives. In the first quarter, we focused on removing restrictions on Deals and launching Offers for Beauty & Wellness merchants in North America. We're on track to achieve our year-end goal of removing restrictions on approximately 80% of Deals in our North American marketplace.

In addition, we have successfully incorporated Offers as an inventory option into our pitch for new Beauty & Wellness merchants, which means that all existing Beauty & Wellness merchants now have access to Offers. For this initiative, we first prioritized our top merchants in our top markets, which allows us to scale more quickly.

This progress demonstrates that our merchant value proposition is resonating. We're hearing from merchants that our new Offers product makes it possible to run more listings on Groupon, because they now have the flexibility to choose the margin structure that works for their business. And it's a very low-risk option for them as they never incur any cost unless Groupon delivers a customer to their door. Offers have even allowed us to reengage with merchants who previously left our platform because our Offers product can address previously unmet needs.

And for customers, they have access to more purchasable inventory, and the success of our test markets demonstrates the positive impact this can have on demand. We believe the work we're doing on the inventory front is providing value for our entire marketplace, from merchants to customers, and positioning Groupon as the destination marketplace.

Next I'll provide insights into the continued progress we're making to modernize our merchant experience. This quarter we launched new features and improvements to self-service deal recommendations in our merchant center. Tools like this provide merchants with more actionable insights created from Groupon's wealth of marketplace data and demand dynamics, and allow Groupon to be a more effective partner.

Bigger picture, I'd like to put a finer point on the power of self-service overall. We're building a new way for all merchants to interact with Groupon, and we think the potential to leverage self-service to drive productivity and growth is considerable. Ultimately, by offering a sophisticated merchant interface, we can become a better partner to our merchants and use our internal resources far more effectively and strategically.

We know that merchants want to have the power to quickly and efficiently self-manage routine updates to their listings, and by facilitating this, we can free up our sales team to focus on higher value interactions. We are freeing up bandwidth for our sales team to educate, pitch, and sign merchants up for more and more Groupon products and services.

In addition to self-service, we're also looking at opportunities to help merchants do more in the Groupon marketplace. One key opportunity we're helping merchants leverage is the power of advertising. As we discussed over the past few quarters, we've been piloting our first paid merchant advertising product, sponsored listings. We're excited to see the interest in this product grow, as we build capabilities to offer it to even more merchants later this year. And the most exciting part of sponsored listings is the success we're beginning to drive for our merchants in the form of positive return on ad spend.

As we continue to explore opportunities to refine and scale this ad product, we believe this is a great example of how we can launch paid merchant services that can drive velocity in our marketplace, creating a win-win-win for merchants, customers, and Groupon alike.

As we launch additional merchant products and services, we believe we can significantly increase merchant participation in the Groupon marketplace and create deeper relationships that we believe will help us reach our goal of retention and growth among our merchant base. While we have more work to do in this area, we are prioritizing progress on this front as this is a key component of the modern merchant experience we want to offer.

Everything we're doing, as I said earlier, is focused on improving the customer and merchant value propositions. At the highest level, we want to improve the ease with which merchants can interact with the Groupon marketplace, extend their reach to new and existing customers, and give them the monetization levels they need to achieve healthy unit economics. Likewise, for customers, we intend to expand our wallet share with them by giving them the value, selection, and convenience they want.

For merchants, this means modernizing their experience with self-service, a portfolio of inventory listing options and advertising products like sponsored listings that will allow them to do even more with Groupon. For customers, this means giving them a more compelling inventory and re-imagined CX that makes the customer journey more intuitive and fun. We're confident that success across these focus areas will allow us to achieve our goal of becoming the destination for Local.

Lastly, I want to provide you with some insights on our marketing plans. As we mentioned in the past, we are prepared to lean back into marketing spend when the time is right, essentially when we begin to see the green shoots of recovery take hold. During the first quarter, we saw opportunity in North America to do just that. And in March, we began to lean into both our lower funnel transaction channels as well as mid-funnel spend.

Throughout the rest of the year, we intend to increasingly lean into recovery with marketing spend and gradually move up the funnel with a focus on reshaping our brand perception as the destination for Local. Additionally, we'll continue to leverage our owned media channels, including e-mail, mobile push, to drive engagement, new customer acquisition and purchase frequency.

One great example of how our marketing strategy is coming to life is our So #@\$%ing Ready campaign that we launched in April. The idea behind this campaign is simple. We're tapping into the raw emotion and pent-up demand for activities and services we've all been missing. We're just still in the frustrations, the missed experiences and the collective joy we are feeling as parts of the world reemerge from the loneliness of the

pandemic and we all begin to find our new normal. And there is no better destination for customers and merchants to reconnect than Groupon.

This is just one example of how we're leveraging Groupon's unique position to help reconnect millions of consumers who are ready to get back to enjoying Local experiences with all the Local small businesses who are ready to serve them.

Before I turn the call over to Melissa, I want to take a moment and reflect on the strong progress we've made since the onset of the pandemic. Over the past few quarters, we've seen that as restrictions lift and supply returns, consumer demand is returning. We believe that we are well on our way to improving our customer and merchant value propositions. As we continue to make progress towards recovering to pre-COVID levels, we're executing on our strategy that we believe will put Groupon on a path to long-term profitable growth.

With that, I'll turn the call over to Melissa to provide insights on our financial performance.

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## Melissa Thomas

*Chief Financial Officer, Groupon, Inc.*

Thanks Aaron, and thanks to everyone for joining us today. First, I want to echo what Aaron said. We made important progress in 2020 and I'm encouraged by the momentum we brought into 2021. We feel an exciting energy at Groupon that we believe is fueling our success.

Today, I'll spend my time updating you on our financial and operating progress, including a review of our first quarter results, business drivers and recent trends, the status of our restructuring plan and liquidity, and an update on our full-year 2021 financial guidance. I encourage you to review our slides and press release, which each contain additional detail on our outlook for the remainder of the year.

Starting with our consolidated first quarter results. We delivered \$554 million of gross billings, \$264 million of revenue, \$167 million of gross profit, and \$30 million of adjusted EBITDA. We ended the quarter with \$677 million in cash, which reflects the repayment of \$100 million of revolver borrowings in the first quarter.

We are excited about our first quarter financial results, which, as Aaron mentioned, included an acceleration in North America Local performance beginning in March. While it's still early and we believe recovery will continue to ebb and flow, our first quarter results highlight how compelling our financial and business models are even before we see the benefits from our growth strategy. With improving top line performance and a significantly lower fixed cost base, we were able to deliver strong adjusted EBITDA flow-through.

Next, I'll provide more details on our first quarter results, including key operating metrics. We ended the quarter with 26 million active customers, consistent with our expectations, as we lap the onset of the pandemic. As we noted with our fourth quarter results, we expect our active customer balance, which is a trailing 12-month metric, to stabilize mid-year. We sold a total of 18 million units during the first quarter, including 10 million Local units and 7 million Goods units.

Moving into our segment and category results. Starting with North America Local. As I mentioned, performance began to accelerate in March, where we delivered our strongest rate of recovery since the start of the pandemic. As a result, our North America Local billings recovery increased to 56% of 2019 levels in the first quarter and gross profit recovered to 70% of 2019 levels. The improved performance was largely driven by our Beauty & Wellness and Things to Do verticals. From a geographic perspective, the list was broad-based across the US.

We believe there were a few key factors contributing to this accelerating performance. One, there were macro factors at play. Restrictions were lifted in many US markets, vaccinations rollout was accelerating and we believe there was pent-up demand. In addition, many states experienced warmer weather and their annual spring break in March. Two, in anticipation of this demand, we leaned into marketing spend, both lower and mid-funnel, to further stimulate demand.

In international Local, the restrictions on consumers and businesses that were put in place in late October 2020 continued to heavily impact results throughout the first quarter. As Aaron mentioned, it's important to note that the international restrictions have been more prolonged and stricter and the vaccination rollout slower. Therefore, we expect a longer recovery cycle in international than North America. That said, we believe the trends in international are transient, as they were in North America, and we remain focused on what we can control.

In our Goods category, our global transition to a third-party marketplace model is on track. North America Goods successfully completed its first full quarter on the third-party model, which allows us to run the category at a lower cost. In international, we are beginning to transition into second quarter and expect to be substantially complete early in the third quarter.

Turning to our operating expenses, marketing expense was \$34 million for the first quarter. As I just mentioned, in March, we started to lean more into marketing spend in anticipation of accelerating Local demand in North America. SG&A was \$127 million for the first quarter, which was favorable compared with our expectations as we remained prudent with our spend.

Moving to our restructuring plans, we remain on track to realize \$200 million of savings in 2021 from our restructuring actions. And once fully implemented, we continue to expect to deliver \$225 million of run rate savings from our restructuring actions.

Now for an update on our liquidity. We recently issued new convertible notes to address our upcoming \$250 million convertible notes maturing in April 2022. And we also paid down \$100 million of revolver borrowings. Recently, we reached an agreement to repurchase the convertible notes in April 2022 by May 14 of this year. We intend to use the net proceeds from our new convertible notes issuance, which is included in our restricted cash balance as well as cash on hand to fund the repurchase.

We believe these actions, coupled with the cash preservation steps we took in 2020, have allowed us to create ample financial flexibility to execute on our growth strategy. Looking ahead into the second quarter and beyond, we feel confident that we can continue navigating the uncertainty of COVID recovery and, at the same time, execute on our strategy to return Groupon to growth.

Following our first quarter performance, we are raising our full-year 2021 guidance. We now expect to deliver \$950 million to \$990 million of revenue, and \$110 million to \$120 million of adjusted EBITDA.

Let me provide some additional context around our full-year outlook. First, North America Local accelerated faster than our expectations in both March and April. We're watching these trends closely. And while performance may ebb and flow, we are cautiously optimistic. Second, while North America's performance accelerated, international Local remains challenged, as supply and demand have been hit harder and, as I mentioned, we expect the recovery to be more prolonged. Lastly, we intend to lean into marketing and expect marketing as a percentage of gross profit to significantly step up beginning in the second quarter and for the remainder of the year.

Based on these drivers, we continue to believe we will be able to deliver sequentially improving gross profit as we progress throughout 2021. That said, based on the timing of SG&A savings and our intention to increase marketing spend to accelerate our recovery, we no longer expect adjusted EBITDA to increase sequentially every quarter, but we continue to expect our adjusted EBITDA performance to be back-half weighted. As a reminder, our outlook still does not assume a material contribution from our growth strategy.

Before I open the call for questions, I want to send a big thank you to our employees. The team has been hard at work on the most important priorities and their efforts are showing up in our financial results and in the progress we're making on our growth strategy. We feel an exciting energy at Groupon and we hope our shareholders feel it too.

With that, let's open the call for questions.

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## QUESTION AND ANSWER SECTION

**Operator:** [Operator Instructions] Our first question comes from the line of Trevor Young from Barclays. Your line is open.

**Trevor Young**

*Analyst, Barclays Capital, Inc.*

Q

Hi. Thanks for taking the questions. Two from me. I guess, the first one more of a high-level strategy question. You noted being able to deliver upwards of \$250 million in EBITDA if you get back to 80% of pre-COVID GP and then some upside from there. How should we think about balancing profitably versus this \$1 trillion TAM, which seems like it's not all that well [ph] mended (24:13) or consolidated?

Is the gating factor for going after that TAM more aggressively just getting the value prop right for merchants and customers? And it seems like you could take profitability down over the medium-term to accelerate the top line and it sounds like maybe we're getting a little bit of that in 2Q.

Second question, could you provide some color on in-quarter customer trends to help us frame possibly getting to that stabilizing trend later in the year? I know this is a TTM metric and now we're capturing kind of the full year of the COVID impact, but are you seeing kind of any sort of stabilization in trends there? Thanks.

**Aaron Cooper**

*Interim Chief Executive Officer, Groupon, Inc.*

A

Thanks, Trevor. Let me start and I'll ask for Melissa's thoughts as well. So, your first question related to the strategy and the longer arc here, so let's take that in context. What we're talking about, and as you mentioned, is this \$1 trillion TAM and the large Local marketplace. And we're a market leader. So, over the past year, you've seen us stabilize the business and invest heavily in the value prop components that you talked about. And this is really where our energy is. So, the suites of tools will bring forward new merchants, more inventory and, obviously, yes, that will bring forward new customers.

So, as we begin to roll these things out starting this year and they're going to roll more and more throughout the year. Right now, this is happening right into recovery, and we see recovery very much as being a marketing opportunity for us in order to help customers and merchants understand all the changes that we've made to help them do more with Groupon. So, for merchants, it's more services, more tools to work with us, easier ways to



work with us. For customers, it's more inventory that they can buy and buy again on the interface that makes it more intuitive.

So, very much right now the recovery is a core focus and that's what's driving a lot of the energy on our platform. And we see that recovery as being the catalyzing factor to advance our marketing and help customers and merchants understand. So, you take the order, it's stabilization, which is now behind us, right now we're into recovery, and it's rollout components of our value prop and they become more core in the way customers and merchants think about us, and then growth and taking share in the TAMs on the other side of that.

As it relates to our customer trends, one, I would very much relate that to your first question. So there's two opportunities to consider in our customer base and they relate exactly to what we were just talking about. So, one, with our customers, we're changing the composition of our customer base. If you take the Grouponable and the Groupon that we envision in the future, we're focusing on this core Local customer. This is a customer that's worth two times the value of other customers. And we talk about the value propositions that we're changing for the merchants that can put on more supply for that. We talk about the changes we're making for the customers as more inventory she can buy and buy again with an interface that's communicative of that, is we're doing this for this customer who will make up a greater share of our customer base.

And then with this customer, this is where we envision the ability to take greater wallet share as well. So, over time, we expect us to build a greater concentration of this type of customer that's more valuable to us.

Melissa?

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**Melissa Thomas**

*Chief Financial Officer, Groupon, Inc.*

A

Thanks, Aaron. Trevor, two things I'd add on. First, on your question around balancing profitability and growth and around the \$250 million, what I see there is really given the significant reductions that we've made to our cost structure, we believe we are well positioned to deliver substantial adjusted EBITDA levels if our business just recovers to 80% of 2019 gross profit levels.

The \$250 million of adjusted EBITDA is really intended to illustrate the power of our financial model on a significantly reduced cost structure. And we'll look to provide actual guidance for 2022 once we get further down the path of recovery and start to have more visibility into recovery post-COVID. That will likely be in connection with the reporting of our fourth quarter results. What we are most excited about though is the progress we're making on the strategy and executing there and how that positions the company for growth.

And then on the second point, on customers, as I mentioned in my prepared remarks, we did take a step down in Q1 in our customer balance. That was expected. We just lapped because that is a trailing 12-month metric. It does take time to have the full impact of initial onset of COVID in there. So we just lapped the onset of the pandemic this quarter and we still expect our customer balance to stabilize by the middle of this year.

Maybe to echo Aaron's point, one thing here is that we don't believe we need to get to pre-COVID customer levels in order to deliver substantial gross profit and adjusted EBITDA for this business. There's a lot of power in just being able to drive more engagement and purchase frequency out of our existing scaled customer base that we have.

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**Trevor Young**

*Analyst, Barclays Capital, Inc.*

Q

That's really helpful. Thank you both.

**Operator:** Our next question is from Ygal Arounian with Wedbush Securities. Your line is open.

**Ygal Arounian**

*Analyst, Wedbush Securities, Inc.*

Q

Hey. Good morning, guys. I want to go back to the growth initiatives around inventory. Last quarter, you took them out of the four test markets and expanded them – or expanded that nationally. So, maybe just an update on that as that progresses.

And then, in North America Local, as you're seeing the acceleration in March and April, is there any way to think about how much those initiatives are helping the growth versus just the reopening and then also versus the step-up in marketing, or is it too difficult to do that and you kind of think of it holistically? Thanks.

**Aaron Cooper**

*Interim Chief Executive Officer, Groupon, Inc.*

A

Sure. Thank you. Again, thanks for asking about the strategy. So, when we look at the test, we're just bringing everybody back to what we talked about. We launched our test in the second half of last year. We laid out milestones and we hit the milestones. When we concluded the test, we told everybody that we were going to roll out Offers for our Beauty & Wellness merchants and we were going to renew restrictions so that we could have 80% of our inventory be inventory that customers could repeat on. And we're making progress against both those goals.

So, why? One, we told our customers – we know that customers are picking on things that they want to buy in our site and our merchants have been saying no, and we want to be able to say yes. And we know that our merchants want to be able to do more with us, so they can have always-on inventory with us.

Now, the results that we saw in our test was that we saw new merchants coming on, with 80% of them didn't have these types of restrictions, so the customers could buy and buy again. As we're rolling this out, we're seeing 80% of new merchants coming on are happy to not have restrictions and want more customers. And the other 80% number is – our target for this year by the end of the year is that we want to make sure that we have 80% of our inventories repurchasable. So, all of that is working and all of that's on track.

The other thing that we've done is we rolled out Offers to our Beauty & Wellness merchants. The key metrics to take a look at there is our inventory per merchant was about 75% to 80% higher in our test market results. And as we're rolling that out now, our new merchants are coming in, in the same range, actually a little bit better. So, everything we're doing in our inventory test and the things we said we were going to roll out are happening and are on track.

Now, to your question of timing and impact, these things are rolling out now. So you have both Offers are rolling out, [ph] more (32:40) restrictions are rolling out and then other components as well, such as our new CX. So, as these things gradually roll out, we expect the impact to engagement to ramp, but that's not the type of impact that you're seeing in March and April.

**Ygal Arounian**

*Analyst, Wedbush Securities, Inc.*

Q

Okay. Thanks.

**Melissa Thomas**

*Chief Financial Officer, Groupon, Inc.*

A

And just – oh, I'm sorry, Ygal, just to add on there on March and April and was attributed to reopening versus growth, just to add a little bit more color there. As you think about the acceleration that we saw, there certainly were a lot of factors, as you highlighted and as I highlighted in my prepared remarks, both macro on what we're seeing in terms of restrictions being lifted, pent-up demand, vaccines, as well as marketing side. So, hard to tease out there.

But if you just step back and think about 2021 and what's going to be driving our results, we continue to believe that recovery will be the biggest driver of our results for this year, with the growth strategy really having the opportunity to accelerate that recovery for us and while on the North America Local side in particular, we're cautiously optimistic there.

What I would say is we do still expect performance to ebb and flow. And one example of that, Ygal, would be as we think about the second and third quarter of the year, we typically mix into categories like Things to Do. Those are still much more heavily impacted by capacity constraints and other restrictions.

So we certainly feel good about what we drove in March and April and we're more optimistic on the North America side, but we still expect some ebb and flow there.

**Ygal Arounian**

*Analyst, Wedbush Securities, Inc.*

Q

Okay. Thanks for that color. Just one quick follow-up on that. I just wanted to speak – you took this national, right, so you're doing this kind of in Health & Beauty on a national basis at this time. And last quarter, we talked about not really moving into restaurants yet. Looks like we're still not doing that. But anymore thoughts as we get closer to kind of a full-scale reopening on moving across more categories than beauty? Thanks.

**Aaron Cooper**

*Interim Chief Executive Officer, Groupon, Inc.*

A

Yeah, great question. So, as we look at all the themes that we're rolling out, yes, we're rolling out Offers at scale in Beauty & Wellness as we saw outsized engagement from those merchants even in the midst of COVID. As we think about our strategy overall, we see huge opportunity in all of our verticals and we've very much designing value proposition that's going to work for all of Local. And what we learned in our tests and what we continue to see is that it's not going to be a one-size-fits-all approach as you point out.

So now if you take that and contrast it with the fact that we've kind of had only a Deals product, that it can only work with us one way for all of our history, hindsight's 20/20. But the fact is it's not going to be a one-size-fits-all approach. That's why we're making all of these changes to the value proposition, so that merchants can be able to partner with us in more ways. And that's what we're seeing from them and that's how we show up to be a better partner.

So we're rolling out a full suite of products and tools that had numerous components and dimensions. So, just to put them together, these are all things you're aware of. But we know that all merchants want it to be easier. And you know what, we make it easier, you're going to want to it even more easier. And that's why we're rolling out self-service. That takes the cost down from them to working with us.

The nice thing about self-service is that once they're engaged with it, things like the recommendations tools that we've rolled out can actually make their Deals perform better with everything that you're doing. Also, we want to give them the ability to do more. And so, that shows up in the sponsored listings. And you know what else all merchants want, they want better unit economics. And so, that's why we have multiple listing types such as Deals, Offers and Market Rate.

So, once you realize that all merchants are unique no matter which categories they're in, and that's clear and that's why we've rolled out this broad suite of tools, we're now watching week-by-week greater adoption of all of these across our merchant base. And we expect that to continue more and more into recovery.

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**Ygal Arounian**

*Analyst, Wedbush Securities, Inc.*



Great. Thanks for all that color.

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**Operator:** [Operator Instructions] There are no further questions at this time. That concludes today's conference call. Thank you, everyone, for participating. You may now disconnect.

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