



## Overview

Founded in 2008, Groupon is the largest daily deal website that features discounted gift coupons usable at local or national companies. Each day Groupon emails its subscribers with discounted offers for third-party, goods and services that are targeted by location and personal preference. Consumers access the deals directly through Groupon's website or mobile applications. Based in Chicago, Illinois, Groupon brings buyers and sellers together in a collaborative way that offers the consumer daily savings and businesses a large number of new customers. To date, Groupon has saved consumers more than \$300 million and claims to have generated millions in revenue for the businesses it features. According to Groupon's October 21, 2011 S-1 filing, the company has sold over 90 million Groupon's and has 142.9 million subscribers. Groupon has approximately 10,418 employees worldwide as of September 30, 2011.

Groupon filed with the SEC to raise up to \$750 million in an initial public offering in June 2011. According to Groupon's October 21, 2011 S-1 filing, the company plans to sell 30 million shares (around 5% of its capitalization) between \$16 and \$18 each raising \$480 million to \$540 million from the IPO.

According to Groupon's October 21, 2011 S-1 filing, the company has expanded from five North American markets as of June 30, 2009 to 175 North American markets and 45 countries as of September 30, 2011. Groupon's revenue from its international and North American operations was \$161.5 million and \$268.7 million, respectively, in Q3 2011. In the first half of 2011, Groupon featured deals from over 135,000 merchants worldwide across over 140 categories of goods and services.

According to Groupon's October 21, 2011 S-1 filing, the company increased its revenue from \$1.2 million in Q2 2009 to \$430.2 million in Q3 2011. Groupon generated these revenues from gross billings of \$3.3 million in Q2 2009 compared to gross billings of \$1.16 billion in Q3 2011. According to the Wall Street Journal, Groupon is "on pace to make \$1 billion in sales faster than any other business, ever." According to daily-deal aggregator Yipit, Groupon saw its market share increase to 53% in August 2011, while its largest competitor, LivingSocial has an estimated market share of 20%. Groupon's revenue also increased by 13% in

## MidasLP Preliminary Strategic Insights And Analysis on Groupon – + Groupon Road Show Presentation

### Groupon Quick Stats

2011E Revenues: **\$1.5 billion+**  
2012E Revenues: **\$4 billion+**

Last **Institutional** Direct  
Valuation (\$950 million round):  
**\$4.75 billion**

A more detailed analysis of Groupon is available to MidasLP accredited investors. For accreditation see: [investors.midaslp.com](http://investors.midaslp.com)

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Email: [investors@midaslp.com](mailto:investors@midaslp.com)  
LinkedIn: <http://www.linkedin.com/company/midas-lp>  
Tel. (202) 536-5864

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August 2011 from the previous month to \$120 million, while LivingSocial's revenue declined by 3% to \$45 million, according to Yipit.

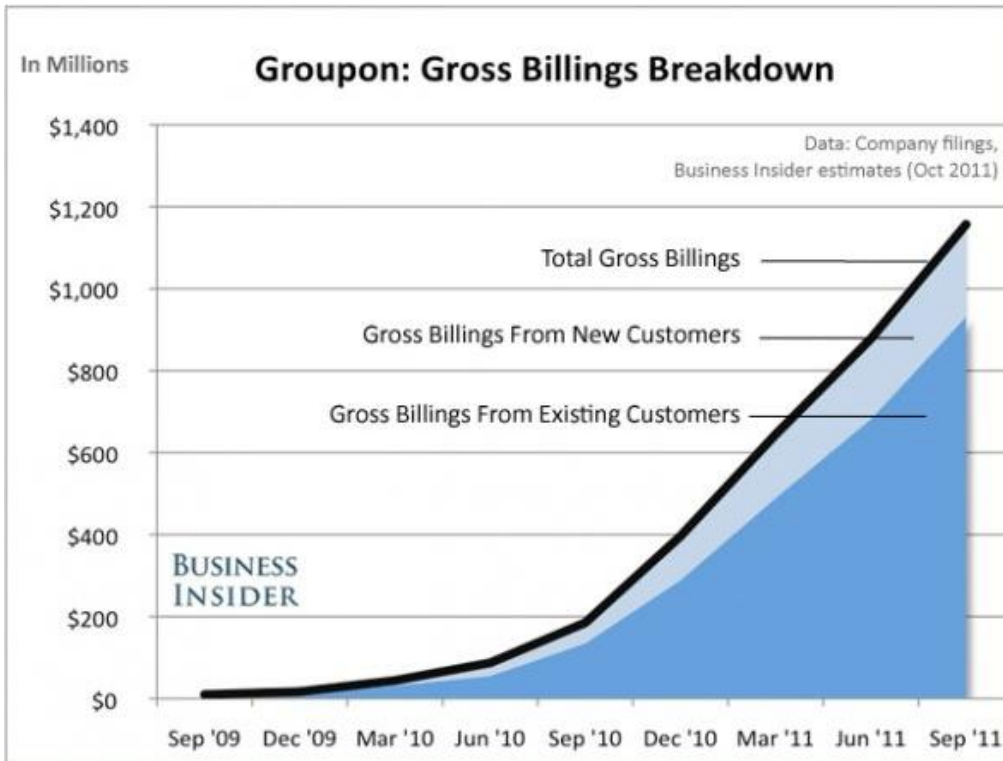


Image: Business Insider, Groupon filings.

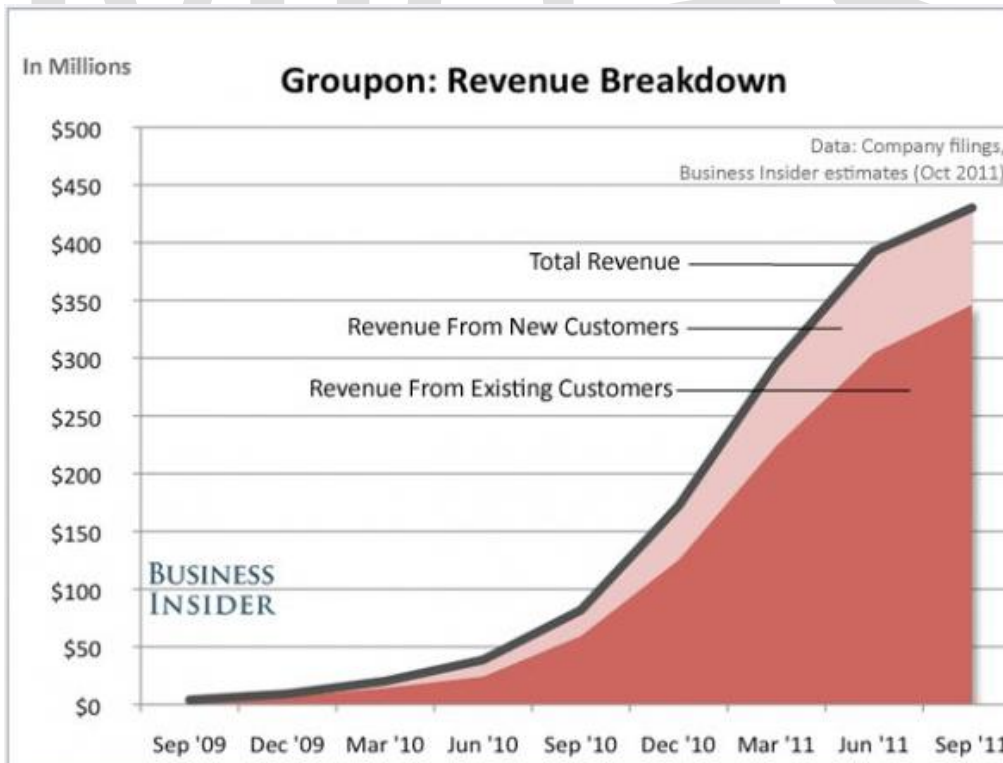


Image: Business Insider, Groupon filings.

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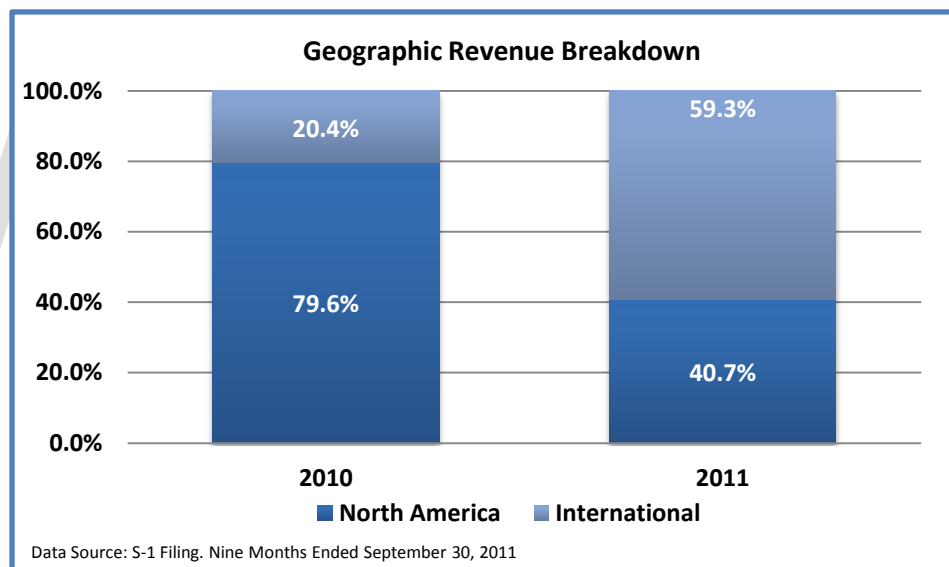
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## **Business Model(s)**

Groupon's business model consists of offering one "Groupon" per day in each of the markets it serves. Using its platform, if a certain number of people sign up for the deal, then the deal becomes available to everyone. However if the predetermined minimum is not met, no one receives the deal that day. Groupon makes money by keeping approximately half the sale the customer pays for the coupon and the retailer receives the other half.

Groupon selects successful local businesses by sending a group of employees to research the local market. When it finds a business with outstanding reviews, Groupon's salespeople approach it and discuss the business model. Groupon also utilizes social networking sites to further promote the idea.

Groupon's merchant payment terms and revenue growth provides them with operating cash flow to fund its working capital needs. Groupon's merchant arrangements are generally structured such that they collect cash up front when customers purchase Groupons and make payments to the merchants at a following date. In North America, they typically pay merchants in installments within sixty days after the Groupon is sold.



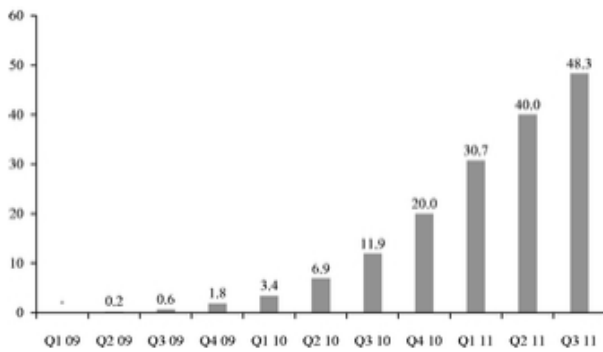
Data Source: Groupon's S-1 Filing	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2009	2010	2010	2011
<b><u>Groupon's Operating Metrics</u></b>					
Gross Billings (In Thousands of USD)	\$ 94	\$ 34,082	\$ 745,348	\$ 330,079	\$ 2,754,633
Subscribers	-	1,807,278	50,583,805	21,369,608	142,865,836
Cumulative Customers	-	375,099	9,031,807	4,623,267	29,504,314
Featured Merchants	-	2,695	66,289	31,190	190,795
Groupons Sold	-	1,248,792	30,296,070	14,060,589	93,629,524
Average Revenue Per Subscriber	-	\$ 8.0	\$ 11.9	\$ 12.1	\$ 11.6
Average Cumulative Groupons Sold Per Customer	-	3.3	3.5	3.3	4.2
Average Revenue Per Groupon Sold	-	\$ 11.6	\$ 10.3	\$ 10.0	\$ 11.9
Cumulative Repeat Customer	-	162,323	4,483,976	2,186,791	16,045,533

**Scale**

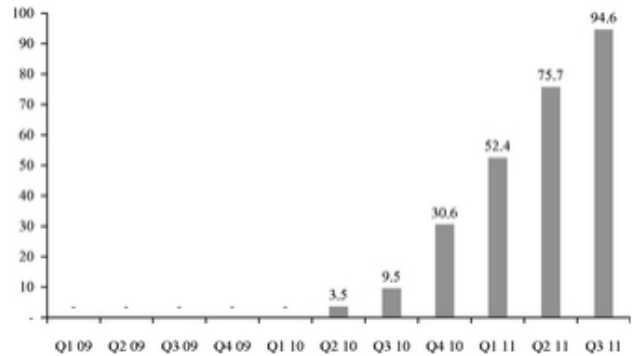
Groupon has increased its subscriber base of 0.2 million for the six months ended June 30, 2009 to 142.9 million subscribers worldwide as of September 30, 2011. Groupon has increased the number of merchants in its marketplaces from 212 in 2009 to 78,649 in Q3 2011. Groupon sold 116,231 deals in the second quarter of 2009 compared to 33 million Groupon’s sold in Q3 2011. There were 12,066,676 total customers who purchased more than one Groupon for the first half of 2011. There were 4,483,976 total customers who purchased more than one Groupon in 2010. Groupon is highly suitable for businesses with high customer acquisition costs, high fixed costs and repeat customers.

The charts below represent Groupon’s growing subscriber base from Q1 2009 to Q3 2011. (S-1 filing)

**North American Subscribers (in millions)**

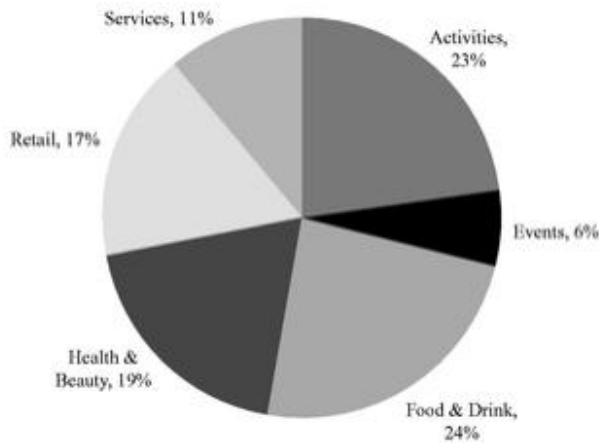


**International Subscribers (in millions)**

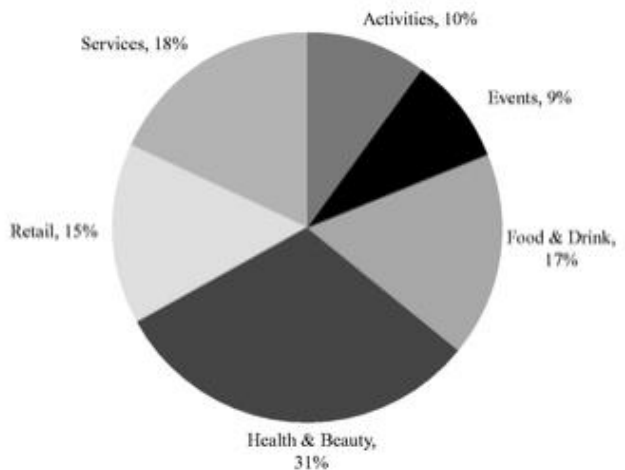


Groupon has offered deals involving over 190 different types of businesses, services and activities. The following charts from the company’s S-1 show the percentage of deals Groupon offers across different categories during the nine months ended September 30, 2011 in its North America and International segments:

**North America**



**International**



## **Management Team**

### **Andrew Mason | Founder and CEO**

- Andrew is the founder of Groupon and The Point, the collective action platform from which Groupon was started. The Point was a revolutionary approach to online collective action and fundraising. By leveraging the collective buying technology of The Point, Andrew was able to start Groupon.

### **Joseph Del Preto II | Chief Accounting Officer**

- Joseph has served as Groupon's Chief Accounting Officer since April 2011. From January 2011 to April 2011, Joseph served as the company's Global Controller. Prior to Groupon, Joseph served as Controller and Vice President, Finance of Echo Global Logistics, Inc. from April 2009 to December 2010. Before Echo Global Logistics, Joseph served as Controller of InnerWorkings, Inc.

### **Jason Child | Chief Financial Officer**

- Before Groupon, Jason worked as CFO and VP of Finance for Amazon's international division. Prior to Amazon, Jason spent seven years at Arthur Andersen as a CPA and consulting manager.

### **Jason Harinstein | Senior Vice President of Corporate Development**

- Jason's responsibilities include evaluating and executing investment and acquisition opportunities. Before joining Groupon, Jason worked at Google.

### **Brian Totty | Senior Vice President of Engineering**

- Brian was the CEO of Ludic Labs, Inc., a venture start-up that develops a new class of software applications before it was acquired by Groupon. Brian was also co-founder and senior vice president of research and development of Inktomi Corporation.

### **Jeffrey Holden | Senior Vice President of Product Management**

- Jeffrey has served as Groupon's Senior Vice President of Product Management since April 2011. In 2006, Jeffrey co-founded Pelago, Inc. and served as its Chief Executive Officer until Groupon acquired Pelago in April 2011. Prior to founding Pelago, Jeffrey served in several capacities at Amazon.com, Inc., including Senior Vice President, Worldwide Discovery from March 2005 to January 2006.

## Investors And Valuation

Firm	Board Member	# Shares	Unit Share Price	Approx. Investment Amount	Valuation Est.	Date	Notes
	Eric Lefkofsky and Brad Keywell			\$1 Million		November 2008	Angel investment
NEA	Peter Barris	6,560,174	\$0.73	\$4.8 Million		January 2008	Series A financing
NEA ACCEL PARTNERS	Kevin Efrusy	4,406,160	\$6.82	\$30 Million		December 2009	Series B financing
NEA ACCEL PARTNERS DST BV Battery Ventures		4,202,658	\$32.12	\$135 Million	\$1.35 Billion	April 2010	Series C financing to support rapid growth of social commerce.
BV DST Battery Ventures ANDREESSEN HOROWITZ		30,072,814	\$31.59	\$950 Million	\$4.75 Billion	January 2011	Series D financing for expansion, technology, and liquidity for employees and early investors.
GREYLOCK PARTNERS Maverick SILVERLAKE TCV KP CB	Howard Schultz	1,090,830	\$15.795	\$17.2 Million		February 2011	Howard Schultz's venture capital firm, Maveron, invests \$17.2 million for non-voting common shares.
maveron							

### Summary of Ownership Table (Estimated)

Name	Class A		Class B		Preferred Stock	Voting Common Stock	Non-Voting Common Stock
	Shares	%	Shares	%	Shares	Shares	Shares
Andrew Mason	22,967,252	7.6	499,992	41.7			1,800,000
Eric Lefkofsky	64,119,712	21.3	499,992	41.7			
New Enterprise Associates	43,726,536	14.5			8,026,450		
Bradley Keywell/Rugger Ventures	20,412,515	6.8	200,004	16.7			
Oliver and Marc Samwer	19,584,480	6.5				25,441,194	1,454,428
Accel Partners	16,601,964	5.5			2,932,552		
Robert Solomon	2,027,500	< 5%					
Kenneth Pelletier	1,349,472	< 5%					
Howard Schultz	964,668	< 5%					949,668
Theodore Leonsis	924,385	< 5%					63,331
Brian Totty	301,748	< 5%					
Mellody Hobson	5,000	< 5%					

## **Board Of Directors**

Andrew Mason – Co-Founder and CEO

Peter Barris – Managing Partner at New Enterprise Associates

Kevin Efrusy – Partner at Accel Partners

Mellody Hobson – President of Ariel Investments

Brad Keywell – Co-Founder of Groupon

Eric Lefkofsky – Co-Founder of Groupon

Ted Leonsis – Vice Chairman Emeritus of AOL

Howard Schultz – Chairman, President and CEO of Starbucks Coffee

## **Management Equity/Commitment**

Co-founders Andrew Mason, Eric Lefkofsky and Brad Keywell have a combined ownership of 35.7% of Class A common stock and 100% of Class B common stock. We believe that each co-founder is firmly committed to the long-term success of Groupon.

## **Selected Acquisitions And M&A Risk Assessment**

Groupon has been targeting small, local acquisitions to expand globally and to develop partnerships. Typically, the core assets from these acquisitions are a local management team, and small subscriber and merchant bases.

August 2011 – **Obtiva** – Software development

July 2011 – **Zappedy** – Online advertisement through social media

April 2011 – **Pelago** – Consumer web and mobile utility

April 2011 – **Disdus** – Group buying site

December 2010 – **Ludic Labs** – Local marketing services

June 2010 – **ClanDescuento.com** – Chilean deal site

May 2010 – **Mob.ly** – Mobile application service

May 2010 – **Citydeal** – Daily deal site

## **Acquisition/Partnership/Investment/Integration Opportunities**

Groupon has the opportunity to expand its presence with acquisitions and business development partnerships. An acquisition would allow Groupon to launch new products, increase its number of subscribers and merchants, and add technology features and management teams. An investment in technology and product features will enable Groupon to provide a more relevant customer experience, help manage the flow of customers, and open the Groupon marketplace to more merchants. Groupon's extensive subscriber and merchant base also provides an opportunity to allow reviews and ratings of local businesses. The increasingly popular local review industry would provide Groupon with an additional



revenue stream and subscribers. In addition to acquisitions, Groupon could develop strategic partnerships to expand its international presence. For example, in February 2011, Groupon entered into a partnership with Tencent, a Chinese internet company, to operate a Chinese e-commerce website. Groupon has also signed partnership agreements with companies such as eBay, Microsoft, Yahoo and Zynga, to which these partners display, promote and distribute Groupon deals to its users in exchange for a share of the revenue generated from the deals.

### **Product/Technology/Platform**

Groupon employs an algorithmic approach to deal targeting based on data collected on subscribers, merchants and deals. Groupon launched its first targeted deals in June 2010 in the largest North American markets. The combination of Groupon's sales force, technology platform, and merchant pool allow the ability to target deals to subsets of North American subscribers within a specific market. Groupon will continue to build its international infrastructure to offer targeted deals worldwide. Groupon's current products include:

**Featured Daily Deals** - Groupon distributes a featured daily deal by email on behalf of local merchants to subscribers using its targeting technology, which distributes deals to subscribers based on their location and personal preferences. Additionally, Groupon offers daily deals from more than 40 national merchants, including Bath & Body Works, The Body Shop, Hyatt Regency, InterContinental Hotels, Lions Gate, Redbox, Shutterfly and Zipcar across subsectors of the North American market.

**Deals Nearby** - Each Deal Nearby is summarized next to the Featured Daily Deal. Deals Nearby often extends beyond the subscriber's closest market or buying preferences. Deals Nearby can also be targeted to certain subscribers, where access to the deal can only be obtained through an emailed hyperlink. Upon clicking the hyperlink, a subscriber is directed to a full description of the deal that is presented in the same layout as the subscriber's Featured Daily Deal.

**National Deals** - National merchants use Groupon's marketplace as an alternative to traditional marketing and brand advertising. Groupon uses National Deals from time to time to build brand awareness, acquire new customers and generate additional revenue. As an example on August 19, 2010, Groupon emailed and posted a Groupon daily deal offering \$50 of apparel at Gap for \$25 to 9.2 million subscribers across 85 markets in North America. Groupon sold approximately 433,000 Groupon's in 24 hours, generating over \$10.8 million in revenue. Of the consumers who purchased Groupon's, approximately 200,000 were new subscribers. Groupon has also featured deals from Barnes & Noble, FTD and Nordstrom.

**Groupon NOW** - Groupon NOW is a deal initiated by a merchant on demand and offered instantly to subscribers through mobile devices and its website. Groupon NOW targets subscribers within close proximity of the merchant and the purchased Groupon's typically expire within a few hours of the deal launch. Merchants launch Groupon NOW deals from Groupon's platform and can use this product to attract customers when they have excess capacity.

**Deal Channels** - Deal Channels are aggregate daily deals from the same category and are accessible through the Groupon website and through email alerts that subscribers sign up to receive. Groupon currently offers Deal Channels for home and garden, event tickets, and travel. Merchants can also register its deals to be included in a Deal Channel.

**Self-Service Deals** - Self-Service Deals allows merchants to use a self-service platform to create and launch deals at their discretion. The platform is free and allows merchants to establish a permanent e-commerce presence on Groupon that can be visited and followed by subscribers. Groupon receives a portion of the purchase price from deals sold through Self-Service Deals based on the extent to which Groupon marketed the deal.

**Groupon Getaways** – Groupon Getaways is a travel deals channel in partnership with Expedia. Similar to Daily Deals, subscribers receive roughly 50% off on hotel fares, airfares and car rental rates.

**GrouponLive** – GrouponLive is an online ticketing deals channel in collaboration with Live Nation. Subscribers will be able to buy limited-time discounts to Live Nation events including concerts, sports, theatre, arts and other live events.

**Groupon Goods** – Groupon Goods features daily deals on ecommerce products like TV's, coffee makers, or sunglasses. Subscribers can buy them as they would buy other Groupon deals. Once the subscriber purchases the Groupon, it can be redeemed by entering a code given by Groupon and entered on the website of the merchant selling the product. The merchant will then ship the product directly to the subscriber. Additionally, the subscriber can provide Groupon with their address at the time of purchase, and Groupon will pass along the shipping information to the merchant who will ship the product directly to the purchaser.

Groupon deploys a common technology platform across its North American operations that include business operations tools to track internal workflow, applications and infrastructure to serve content at scale, and dashboard and reporting tools. The dashboard and reporting tools also display operating and financial metrics for historical and ongoing deals, and a publishing and purchasing system for consumers. Groupon plans to merge its North American technology platform with its international technology platform to enable greater efficiency and consistency across its global organization.

# MidasLP

## SWOT Analysis

### Strengths

- Unprecedented scale
- Significant value add to buyers (savings to consumers, low upfront marketing costs to businesses)
- Sophisticated management team with depth of knowledge of the market
- Strong e-commerce market
- Growing customer and merchant base
- Brand name recognition
- Strong partnerships with local businesses
- Significant revenue growth

### Weaknesses

- Not financially profitable
  - Working capital deficit
- High customer acquisition cost
- No switching costs for merchants or customers
- Local businesses that offer Groupon's have low repeat customer percentage of 20%
- High operating expenditures

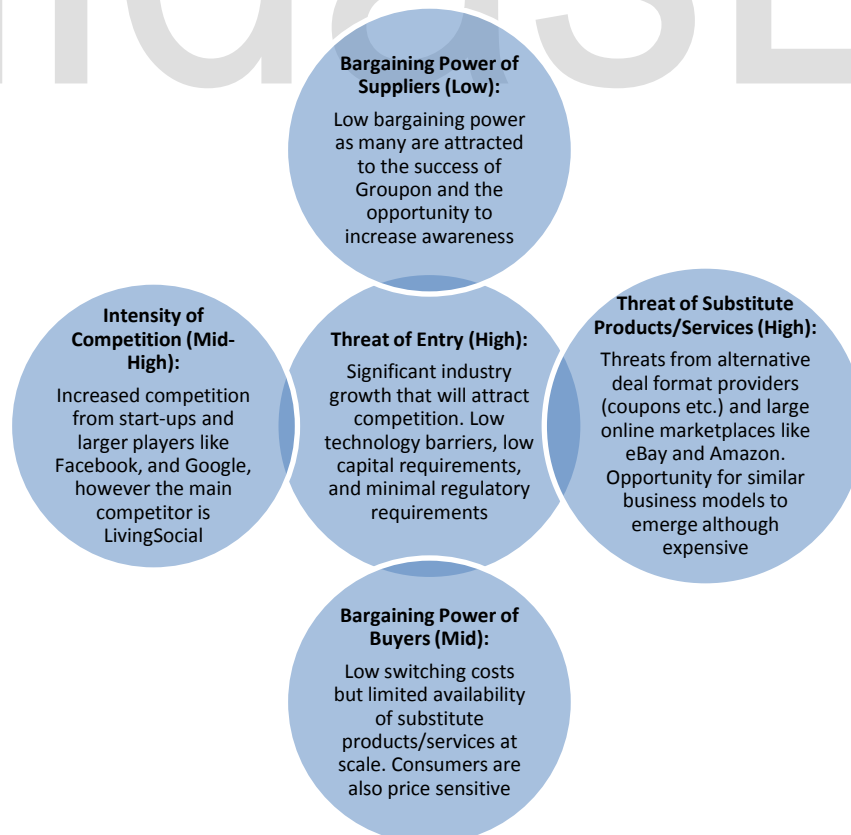
### Opportunities

- Emerging markets and expansion abroad
  - Europe
  - Asia
  - South America
- Growing e-commerce market
- Mobile application market
- Local business review and search service

### Threats

- Potential competition from Google, Facebook and Amazon
- Competitive pressure on profit margins
- U.S. market saturation, growth would slow down
- Groupon's 40-50% revenue sharing agreement with local businesses may not be sustainable

## Competitive Analysis



## Industry Growth

Groupon mainly addresses the worldwide local commerce markets in the leisure, recreation, food service and retail sectors. According to Euromonitor, the leisure, recreation and food service market is expected to be \$1.4 trillion in the U.S. and \$5.3 trillion internationally in 2011. Additionally, the retail market is expected to be \$2.9 trillion in the U.S. and \$12.2 trillion internationally in 2011. Groupon also addresses the online advertising market serving these merchants. The size of the U.S. online advertising market is estimated to be \$51.9 billion in 2011, of which \$16.1 billion is estimated to be spent by local merchants according to Borrell Associates. According to IDC, the size of the global online advertising market is estimated to be approximately \$79 billion in 2011.

According to Forrester Research, "online retail sales in the U.S. will grow solidly in coming years, helped in part by consumers' broad internet connectivity options and their increased familiarity and satisfaction with e-shopping." In 2010 U.S. online retail sales totaled \$176.2 billion, an increase of 12.6% from the previous year. Additionally, sales are expected to grow at a compounded annual growth rate of 10% through 2015.

According to Yipit Data, the North American Daily Deal industry grew by 9% in August 2011 to an estimated \$228 million, up from \$209 million in July 2011. The number of daily deals offered increased in August 2011 to 31,646, up from 29,020 in July 2011. Additionally, Yipit reports that 170 of the 530 daily deal sites across the U.S. have shut down or been sold in 2011.

According to research firm BIA/Kelsey, daily-deal websites will generate \$4.17 billion in U.S. sales in 2015. The market will be worth \$1.97 billion in 2011 and grow at a CAGR of 35.1%. BIA/Kelsey also predicts smaller sales for the rest of 2011 but a faster growth rate from 2011 to 2015.

## Selected Competitors



LivingSocial is the social commerce leader providing group buying programs that allow people and their friends to save up to 90% each day at local businesses. LivingSocial offers daily deals on handpicked experiences that can be shared with friends. Based in Washington, D.C. LivingSocial has more than 85 million subscribers.



Google Offers is a deal-of-the-day website that is localized to major geographic markets in the U.S. and abroad. Users receive an email with a local deal of the day and then have an opportunity to buy that deal within a specific time limit. Google Offers is powered by Google Checkout and integrates with Google Wallet. Google Offers also integrates with Facebook, Twitter, Google Reader, Google Buzz and email sharing options.



BuyWithMe is a leading online local community that offers exclusive limited time offers to members of the BuyWithMe group. BuyWithMe negotiates group discounts for its customers to access at local businesses around the U.S. BuyWithMe currently publishes deals in 12 major DMAs, including Austin, Boston, Chicago, Dallas, Houston, Los Angeles, Philadelphia, Phoenix, New York and San Diego. BuyWithMe was founded by the serial entrepreneur and investor Andrew Moss. In May 2011, they acquired Chicago-based DealADayOnline.



ScoutMob provides location-based coupons to subscribers that are tailored to the user's location and city. ScoutMob is a way to get the curious urban explorers out and about and exploring the city with the incentive of free mobile deals. ScoutMob's mobile application allows the coupons to be delivered directly to the iPhone without having to print or download. ScoutMob was founded by the creators of Skyblox, a Wi-Fi provider based in Atlanta.

## Cursory, Long Term Valuation Thoughts And Valuation Comparables

Providing Groupon is able to reach profitability targets in a timely fashion, MidasLP is seeking long term (10 year+) IRR to late stage pre-IPO investors of 30%. eBay's estimated IRR for late stage pre-IPO investors was 31.64% (eBay is the world's largest online marketplace with a presence in more than 1,000 cities around the world. According to Quantcast, eBay attracts 67.2 million U.S. monthly visitors). Groupon is expected to be one of the fastest companies in history to attain \$1 billion in revenues. Groupon has established one of the most (and only) capital efficient means available for many consumer businesses to market at enormous scale. *Deep valuation thoughts/cash flow models and analysis are available to MidasLP registered accredited investors. Please fill out our accredited investor form at [investors.midaslp.com](http://investors.midaslp.com) to access deep insights and information.*

### Local E-Commerce Comparable Company Analysis

Company	Ticker (10.31.11)	Price (10.31.11)	Shares Outstanding (In Millions)	Market Valuation (In Millions)		Earnings Per Share			Forward P/E		
				Equity Value	Enterprise Value	2011	2012	2013	2011	2012	2013
Amazon	AMZN	\$213.51	453.94	\$96,920.73	\$94,873.73	\$1.95	\$3.20	NA	109.49x	66.72x	NA
eBay Inc.	EBAY	\$31.83	1290	\$41,060.70	\$40,340.57	\$2.00	\$2.33	NA	15.92x	13.66x	NA
<b>Mean</b>		\$122.67	\$871.97	\$68,990.71	\$67,607.15	\$1.98	\$2.77	NA	62.70x	40.19x	NA
<b>Median</b>		\$122.67	\$871.97	\$68,990.71	\$67,607.15	\$1.98	\$2.77	NA	62.70x	40.19x	NA

Company	Financial Statistics (In Millions)					
	LTM Sales	LTM Gross Profit	LTM Operating Income	LTM Depreciation/Amortization	LTM EBITDA	LTM Net Income
Amazon	\$40,278.00	\$9,042.00	\$1,265.00	\$0.00	\$1,265.00	\$1,039.00
eBay	\$10,050.72	\$7,205.54	\$2,163.95	\$184.96	\$2,348.91	\$1,750.40
<b>Mean</b>	\$25,164.36	\$8,123.77	\$1,714.48	\$92.48	\$1,806.96	\$1,394.70
<b>Median</b>	\$25,164.36	\$8,123.77	\$1,714.48	\$92.48	\$1,806.96	\$1,394.70

Company	Financial Statistics		LTM Profitability Margins			Enterprise Value	
	LTM EPS	LTM PE	Gross Profit	EBITDA	Net Income	LTM Sales	LTM EBITDA
Amazon	\$2.28	93.64x	22.45%	3.14%	2.58%	2.36x	75.00x
eBay	\$1.52	20.94x	71.69%	23.37%	17.42%	4.01x	17.17x
<b>Mean</b>	\$1.90	57.29x	47.07%	13.26%	10.00%	3.18x	46.09x
<b>Median</b>	\$1.90	57.29x	47.07%	13.26%	10.00%	3.18x	46.09x

## Market Capitalization/Sales

Company	Ref.	Market Valuation (In Millions)		
		Market Capitalization	LTM Sales	Market Capitalization/Sales
Twitter	1	\$8,000.00	\$45.00	177.78x
Facebook	2	\$50,000.00	\$1,860.00	26.88x
Zynga	3	\$10,000.00	\$888.47	11.26x
Groupon	4	\$4,750.00	\$1,290	3.68x
eBay	5	\$39,393.14	\$13,312.60	2.96x
Amazon	6	\$93,629.48	\$43,594.00	2.15x
LinkedIn	7	\$8,205.55	\$413.36	19.85x
Mean		\$30,568.31	\$8,771.92	34.94x
Median		\$10,000.00	\$1,290.00	11.26x

Ref.

(1) Twitter's Enterprise Value is based off last direct financing round. Twitter's sales are based off eMarketer's revenue estimates for 2010

(2) Facebook's Enterprise Value is based off last direct financing round. Facebook's sales are based off eMarketer's revenue estimates for 2010

(3) Zynga's Enterprise Value is based off last direct financing round. Zynga's LTM Sales are based off its

(4) Groupon's Enterprise Value is based off last direct financing round. Groupon's LTM Sales are based off its S-1 filing

(5) Source: eBay's 10-Q filing on 10/21/2011

(6) Source: Amazon's 10-Q filing on 10/26/2011

(7) Source: LinkedIn's 10-Q filing on 8/9/2011

## Profitability Margins

Company	Ref.	LTM Financial Statistics (In Millions)			LTM Profitability Margins		
		LTM Gross Profit	LTM Operating Profit	LTM Net Income	Gross Profit	Operating Profit	Net Income
Zynga	1	\$641.22	\$154.95	\$88.36	72%	17%	10%
Groupon	2	\$1,103.00	(\$554.54)	(\$527.71)	86%	-43%	-41%
eBay	3	\$9,455.40	\$2,775.24	\$2,284.83	71%	21%	17%
Amazon	4	\$9,819.00	\$1,076.00	\$871.00	23%	2%	2%
LinkedIn	5	\$341.65	\$27.58	\$20.16	83%	7%	5%
Mean		\$4,272.05	\$695.85	\$547.33	67%	1%	-1%
Median		\$1,103.00	\$154.95	\$88.36	72%	7%	5%

Ref.

(1) Source: Zynga's Amended S-1 filing on 10/13/2011

(2) Source: Groupon's Amended S-1 filing on 11/1/2011

(3) Source: eBay's 10-Q filing on 10/21/2011

(4) Source: Amazon's 10-Q filing on 10/26/2011

(5) Source: LinkedIn's 10-Q filing on 8/9/2011

## Concerns

For the nine months ended September 30, 2011 Groupon lost \$238 million on revenue of \$1.12 billion. Groupon also spent \$613 million in the nine months ended September 30, 2011 on marketing, leading to an operating loss of \$218 million. The company also has a working capital deficit with \$466 million in current assets and \$767 million in current liabilities.

Groupon's first version of its S-1 was criticized by the SEC for a valuation metric called Adjusted Consolidated Segment Operating Income. This metric excluded several major expenses, including marketing and acquisition-related costs from the company's operating income. For example in 2010, Groupon reported an Adjusted CSOI of \$60.6 million which excludes the company's \$263 million in marketing expenses. With standard accounting practices that include the \$263 million of marketing expenses, Groupon posted an operating loss of \$413 million in 2010.

### MidasLP Valuation Analysis Social Media Cross Segment Leaders (Preliminary Draft Estimates)

	Users	LTM or available	Valuation (Recent)		Source: www.MidasLP.com			Ref.
		Est. Revenues	Non-Sec.	Round Or Filing	Revenues/User	Value/User	Revenues Multiple	
<b>Facebook</b>	750 m	\$3,000 m	\$50,000 m	\$4.00	\$66.67	17 x	1-3	
<b>Twitter</b>	200 m	\$150 m	\$8,400 m	\$0.75	\$42.00	56 x	4-6	
<b>Skype</b>	663 m	\$860 m	\$8,500 m	\$1.30	\$12.82	10 x	7-9	
<b>Zynga</b>	232 m	\$839 m	\$17,500 m	\$3.62	\$75.43	21 x	10-12	
<b>LinkedIn</b>	120 m	\$400 m	\$7,500 m	\$3.33	\$62.50	19 x	13	
<b>GroupON</b>	116 m	\$2,500 m	\$25,000 m	\$21.55	\$215.52	10 x	14-15	
<b>LivingSocial</b>	43 m	\$1,000 m	\$2,900 m	\$23.26	\$67.44	3 x	16-17	
<b>Yelp</b>	20 m	\$57 m	\$500 m	\$2.85	\$25.00	9 x	18-19	
<b>Gilt Groupe</b>	3.5 m	\$500 m	\$1,000 m	\$142.86	\$285.71	2 x	20-21	

Ref.

(1) Facebook Users - Source Facebook Website

(2) Facebook 2010 revenues - Source - Womack, Brian (December 16, 2010). "Facebook 2010 Sales Said Likely to Reach \$2 Billion Retrieved January 5, 2011.

**MidasLP Facebook revenue estimate is average of 2010 and 2011 estimated revenues**

(2b) Facebook 2011 revenues - eMarketer - [http://www.emarketer.com/Reports/All/Emarketer\\_2000757.aspx](http://www.emarketer.com/Reports/All/Emarketer_2000757.aspx)

(3) Facebook valuation from Goldman Sachs/DST purchase from Facebook of class A stock

(4) Twitter Revenues - Wired - <http://www.wired.com/epicenter/2011/01/twitter-revenues/>

(5) Twitter Valuation - <http://allthingsd.com/20110801/twitter-confirms-funding-with-dst/> 12/10 received \$200 m from KPCb at \$3.7 b value

(6) Twitter number of users, Media Bistro. - [http://www.mediabistro.com/alltwitter/how-many-twitter-users\\_b13110](http://www.mediabistro.com/alltwitter/how-many-twitter-users_b13110) also - <http://socialmediatoday.com/imckeevocaniccom/282916/how-many-users-does-twitter-really-have>

(7) Skype number of users - SEC filing - <http://www.sec.gov/Archives/edgar/data/1498209/000119312511056174/ds1a.htm>

(8) Skype revenues - SEC filing - <http://www.sec.gov/Archives/edgar/data/1498209/000119312511056174/ds1a.htm>

(9) Skype valuation: Microsoft agreed to acquire Skype for \$8.5b. Skype has approx 10% active user base ie. less than stated # of users

(10) Zynga - Users - SEC Filing - <http://www.sec.gov/Archives/edgar/data/1439404/000119312511219334/ds1a.htm>

(11) Zynga Valuation, CNBC, [http://www.cnbc.com/id/43564083/Zynga\\_IPO\\_Implies\\_a\\_15\\_20\\_Billion\\_Valuation](http://www.cnbc.com/id/43564083/Zynga_IPO_Implies_a_15_20_Billion_Valuation)

(12) Zynga revenues - WSJ et al, utilizes a non-GAAP measure that is accepted but non-GAAP see - <http://www.businessinsider.com/chart-of-the-day-zynga-revenue-net-income-2011-7>

(13) LinkedIn users, revenues and valuation are all public information (NYSE:LKND)

(14) GroupOn Revenues And Users Estimates, SEC + MidasLP, <http://www.sec.gov/Archives/edgar/data/1490281/000104746911007178/a2204399zs-1a.htm>

**MidasLP 12 month revenues estimate based on 6 months ending June 2011 revenues of \$1.5 billion.**

(15) GroupOn Valuation Estimates, Reuters, - <http://www.reuters.com/article/2011/08/12/us-groupon-valuation-idUKTRE77B5QL20110812>

(16) LivingSocial Financials and Valuation - <http://techcrunch.com/2011/04/15/livingsocial-financials-exposed-2-9-billion-valuation-50-million-in-revenue-per-mor>

(17) LivingSocial Users - <http://livingsocial.com/bythenumbers>

(18) Yelp Revenue and Valuation - <http://www.businessinsider.com/yelp-ipo-2010-10>

(19) Yelp number of reviews - <http://www.yelp.com/about>

(20) Gilt Groupe Revenue and Valuation - <http://online.wsj.com/article/SB10001424052748703730804576313330486181732.html>

(21) Gilt Groupe Members - <http://www.gilt.com/press>

Source - www.MidasLP.com





## Offering Summary

<b>Issuer</b>	Groupon, Inc.
<b>Listing / Ticker</b>	NASDAQ / "GRPN"
<b>Shares Offered</b>	30MM Shares (100% Primary)
<b>Overallotment Option</b>	15% (100% Primary)
<b>Price Range</b>	\$16 to \$18 per Share
<b>Expected Pricing Date</b>	Week of October 31, 2011
<b>Use of Proceeds</b>	Working capital and other general corporate purposes, which may include the acquisition of other businesses, products or technologies
<b>Lock-Up Period</b>	180 day lock-up
<b>Lead Bookrunners</b>	Morgan Stanley   Goldman, Sachs & Co.   Credit Suisse
<b>Other Managers</b>	Allen & Company   BofA Merrill Lynch   Barclays Capital   Citigroup Deutsche Bank   J.P. Morgan   Wells Fargo   William Blair   Loop Capital Markets   RBC Capital Markets   The Williams Capital Group

**GROUPON**

**ANDREW  
MASON**  
Founder and CEO

## Investment Highlights

### Drivers

-  Powerful Model
-  Enormous Market
-  Deep Moats
-  Expanding the Platform

### Results

-  Record Growth
-  Significant Leverage
-  Rapid CSOI Margin Improvement

## Why Seviche Loves Groupon



- \$25 for \$60, 50% margin
- \$100 average check size
- 33% COGS
- \$19.50 Gross Profit/Unit
- 12,916 sent, 793 sold

~\$15,000 Gross Profit + Repeat Visits + Exposure

**GROUPON** Model Market Moats Advantages Results

## Why Merchants Love Groupon

### Old Way

Pay Up Front & Hope for Customers

Icons: Email Marketing, Online Marketing, Print, Broadcast

### Groupon Way

Cash & Customers Up Front

- ✓ Risk Free
- ✓ Large Volume
- ✓ High ROI
- ✓ Simple



### Growing Return on Investment



Notes: Quarterly revenue generated by North American subscribers signed in Q2 2010

### Two-Sided Marketplace



**GROUPON** Model Market Moats Advantages Results

### Applies to All Categories

<b>Local Deals</b> 	<b>National Deals</b> 	<b>Now! Deals</b> 
<b>Travel</b> 	<b>Events</b> 	<b>Products</b> 
<b>More to Come...</b> 		

**GROUPON** Model Market Moats Advantages Results

### Enormous Market Opportunity



Int'l Retail	\$9.3T
Int'l Leisure, Recreation & Food	\$3.9T
US Retail	\$2.9T
US Leisure, Recreation & Food	\$1.4T
Global Online Advertising	\$79B

**Multi-Trillion**

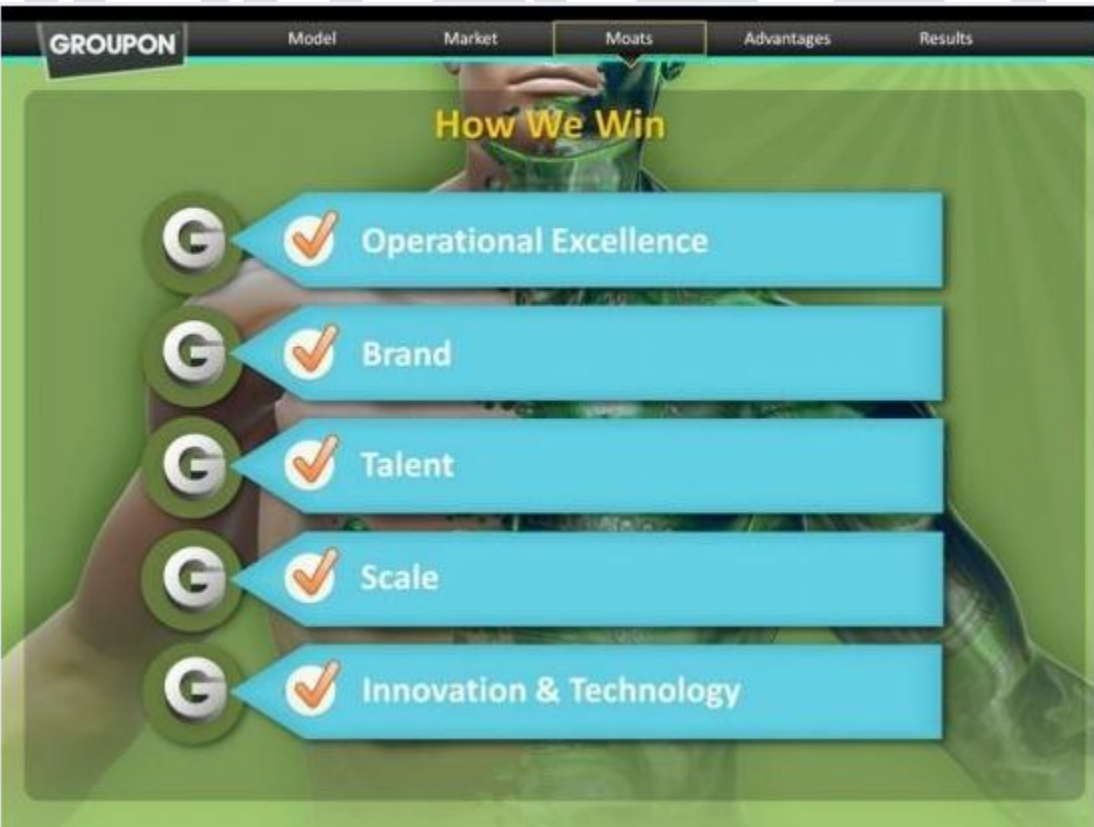
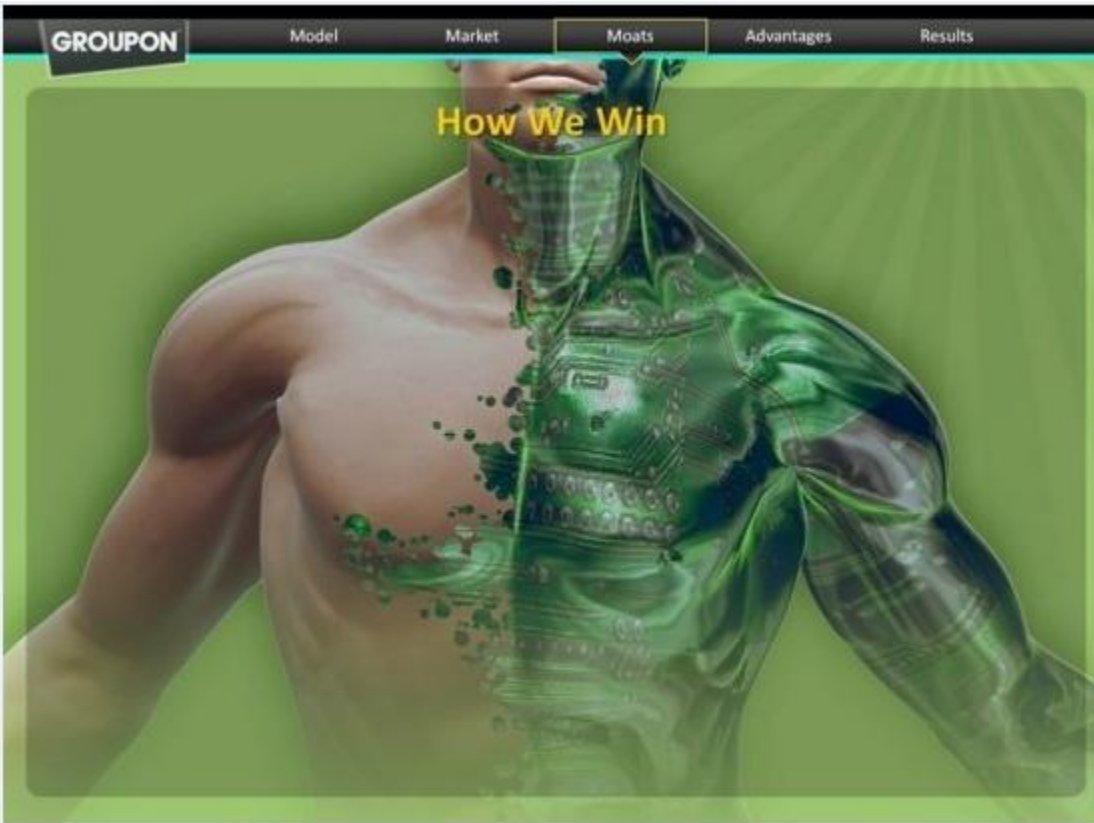
**Local + Online + Advertising**

**Seismic Shift in How Commerce is Conducted**

Note: Represents the 2011 estimates of Global internet retail, leisure & recreation, food service and online advertising. Source: Groupm.com, 2011 and ITC 2011.











GROUPON Model Market **Moats** Advantages Results

## A Great Team to Lead Us

- Operational Excellence
- Brand
- Talent**
- Scale
- Innovation & Technology

**Andrew Mason**  
CEO  
GROUPON

**Rich Williams**  
SVP Global Marketing  
amazon

**Brian Totty**  
SVP Engineering & Operations  
Facebook

**Jeff Holden**  
SVP Product Management  
amazon

**Brian Schipper**  
SVP Human Resources  
Cisco

**Jason Harinstein**  
SVP Corporate Development  
Google

**David Schellhase**  
General Counsel  
salesforce.com

**Jason Child**  
CFO  
amazon

GROUPON Model Market **Moats** Advantages Results

## Executing on Previously Unaddressable Opportunities

- Operational Excellence
- Brand
- Talent
- Scale**
- Innovation & Technology

**GROUPON 1.0**

**GROUPON 2.0**

Customers  
Merchants  
Operations  
Data

GROUPON Model Market **Moats** Advantages Results

Operational Excellence  
Brand  
Talent  
Scale  
Innovation & Technology

### Products

- Merchant Mobile App
- Consumer Mobile App
- Deal Types
- Rewards
- ROI Calculator
- Rubberband Marketing
- Places
- Earnings Calculator
- Tools
- Now!

### Merchant Center

**ROI Calculator**

\$20 for \$40 Worth of Peruvian Fare and Drinks at Wasiki Peruvian Restaurant in San Mateo [Change Deal](#)

Introduction Cost Revenue **Your ROI**

**Projected ROI per Customer**

Your cost per Groupon customer: **\$26.05** → Your revenue per Groupon customer: **\$52.57**

Percentage of new repeat customers from Groupon: **9%**

\$26.05 - Cost per Groupon

\$52.57 - Revenue per Groupon

**GROUPON**

**JEFF HOLDEN**  
SVP Product Management

**GROUPON** Model Market Moats Advantages Results

## The Density Advantage

### Locating Subscribers

### Targeting Deals

**GROUPON** Model Market Moats Advantages Results

## Groupon 2.0: Now!

- On-demand, highly perishable deals
- Location-based solution for consumers
- Inventory management opportunity for merchants



**GROUPON**

**JASON  
CHILD**

Chief Financial Officer

**GROUPON**

### Investment Highlights

#### Drivers



Powerful Model



Enormous Market



Deep Moats



Expanding the Platform

#### Results



Record Growth



Significant Leverage



Rapid CSOI Margin Improvement

### Unprecedented Growth

(\$ millions)

496% Y/Y Gross Billings

426% Y/Y Revenue



Note: Gross Billings represents the gross amount we collect from customers for discounts sold

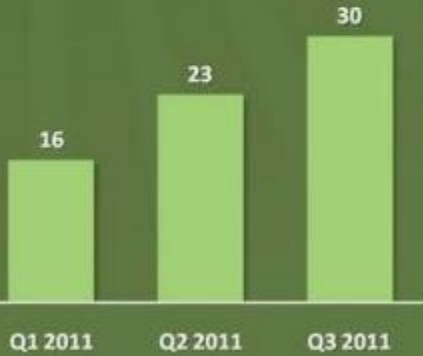
### Diversifying Through New Categories

Revenue Composition



### Proven Marketing Leverage

Cumulative Customers (in millions)



Marketing Spend as % of Revenue



### Significant Customer ROI

(\$ millions)

Contribution Profit



Q2 2010

(\$18)

Q2

Q3

Q4

Q1

Q2

Q3

Q4

Q1

Q2

Q3

Q4

Q1

Q2

Q3

Q4



+\$43 Million

Contribution Profit  
By Q3 2011

139%

ROI

-\$18 Million

Investment  
In Q2 2010

Our Average Customer Spent Over \$170 Per Year as of Q3 2011

Note: Contribution profit defined as revenue less cost of revenue, search and commission costs and office and other marketing costs. Average customer spend calculated as TTM gross billing divided by average cumulative customers.



## Demonstrated Operating Leverage

Quarterly CSOI (\$ millions)



Note: CSOI is a non-GAAP financial measure that represents the consolidated operating (loss) income of our two regions, North America and International, adjusted for acquisition-related costs and stock-based compensation expense, for a reconciliation of CSOI to our GAAP operations, see our Registration Statement on Form S-1 filed with the Securities and Exchange Commission.

## Strong Balance Sheet

(\$ millions)	September 30, 2011	Pro Forma For Offering
Cash and Cash Equivalents	\$243.9	\$722.7
Accounts Receivable, Net	109.9	
Property and Equipment, Net	41.4	
Goodwill and Other Intangibles, Net	219.3	
Other Assets	181.1	
<b>Total Assets</b>	<b>\$795.6</b>	<b>\$1,274.4</b>
Accounts Payable	\$40.3	
Accrued Merchant Payable	465.6	
Other Liabilities	305.3	
<b>Total Liabilities</b>	<b>\$811.2</b>	<b>\$811.2</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$795.6</b>	<b>\$1,274.4</b>

## Investment Highlights

### Drivers

-  Powerful Model
-  Enormous Market
-  Deep Moats
-  Expanding the Platform

### Results

-  Record Growth
-  Significant Leverage
-  Rapid CSOI Margin Improvement

**GROUPON**

Thank You

## Financial Statements

### Summary of Balance Sheet (In Thousands)

	Year Ended December 31		
	<u>2009</u>	<u>2010</u>	<u>30-Sept-11</u>
<b>Assets</b>			
Total Current Assets	14,207	173,855	465,643
Other Assets	755	207,715	329,924
<b>Total Assets</b>	<b>14,962</b>	<b>381,570</b>	<b>795,567</b>
<b>Liabilities And Stockholder's Equity</b>			
Total Current Liabilities	10,219	370,419	766,693
Other Liabilities	-	1,621	44,507
Total Stockholder's Equity	4,743	9,530	(15,633)
<b>Total Liabilities And Stockholder's Equity</b>	<b>14,962</b>	<b>381,570</b>	<b>795,567</b>

### Summary of Income Statement (In Thousands)

	Year Ended December 31			Nine Months Ended September 30	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
<b>Revenue</b>	\$ 5	\$ 14,540	\$ 312,941	\$ 140,717	\$ 1,118,266
Total Costs and Expenses	1,637	15,617	733,285	224,932	1,336,680
Operating Income	(1,632)	(1,077)	(420,344)	(84,215)	(218,414)
Interest Income	90	(16)	284	1,930	9,808
Other Income (Expense)	-	-	-	-	(19,974)
Income (Loss) Before Income Tax Expense	(1,542)	(1,093)	(420,060)	(82,285)	(228,580)
Provision For Income Taxes	-	248	(6,674)	(4,502)	9,503
<b>Net Income (Loss)</b>	<b>(1,542)</b>	<b>(1,341)</b>	<b>(413,386)</b>	<b>(77,783)</b>	<b>(238,083)</b>

### Summary of Cash Flow Statement (In Thousands)

	Year Ended December 31			Nine Months Ended September 30	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
<b>Cash Flow Operations</b>	\$ (1,526)	\$ 7,510	\$ 86,885	\$ 34,966	\$ 129,511
<b>Cash Flow Investing</b>	(19)	(1,961)	(11,879)	(104)	(120,667)
<b>Cash Flow Financing</b>	4,408	3,798	30,445	20,144	120,292
<b>Net Change in Cash</b>	<b>2,863</b>	<b>9,347</b>	<b>106,520</b>	<b>56,322</b>	<b>125,102</b>

## MidasLP Accredited Investor Form

PLEASE FILL OUT THE ATTACHED SUITABILITY FORM IF YOU ARE INTERESTED IN:

- (1) More detailed access to our research offerings
- (2) Current or future opportunities with our funds; or
- (3) Gaining access to our public due diligence data room (this contains a sample of our detailed analysis including collected data from third parties on companies that we may invest in or target as well as investment reports)

You can also fill out this form online at [investors.midaslp.com](http://investors.midaslp.com). Otherwise you can email it to [investors@midaslp.com](mailto:investors@midaslp.com). You may fax it to (202) 478-2809 attention "Midas Investor Relations." You may also mail this form to 2751 Hennepin Avenue South, Suite 30, Minneapolis, MN 55408.

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Country \_\_\_\_\_

**Do one or more of the following apply to you? Please click the check box if applicable.**

- You are a natural person whose individual, net worth or joint net worth with your spouse exceeds \$1,000,000.
- You are a natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with your spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same level in the current year.
- The investor is a bank as defined in Section 3(a)(2) of the Act or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company as defined in Section 2(13) of the Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that act; Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Administration Act of 1958; any plan established and maintained by a state, its political subdivisions or instrumentality of a state or its political subdivisions for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; employee benefit plan within the meaning of the Employee Retirement Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with decisions made solely by accredited investors.
- The investor is a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.
- The investor is an organization described in Section 501(c)(3) of the Internal Revenue Code or a corporation, a Massachusetts or similar business trust, or partnership) not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.
- The investor is an entity in which all of the equity owners are Accredited Investors.
- The investor is a trust with total assets in excess of \$5,000,000, not formed the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in rule 506(b)(2)(ii) of the Act.

Signature \_\_\_\_\_

Date \_\_\_\_\_

You can also fill out this form online at [investors.midaslp.com](http://investors.midaslp.com). Otherwise you can email it to [investors@midaslp.com](mailto:investors@midaslp.com). You may fax it to (202) 478-2809 attention "Midas Investor Relations." You may also mail this form to 2751 Hennepin Avenue South, Suite 30, Minneapolis, MN 55408.

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The information in this document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often include words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance in connection with discussions of future operating or financial performance. Examples of forward-looking statements include, but are not limited to statements regarding the investment plans and expected performance of Midas.

Our forward-looking statements are based on our current expectations and assumptions regarding our business and performance, the economy and other future conditions and forecasts of future events, circumstances and results. As with any projection or forecast, they are inherently susceptible to uncertainty, error and changes in circumstances. Our actual results may vary materially from those expressed or implied in these forward-looking statements. Important factors that could cause our actual results to differ materially from those in our forward-looking statements include but are not limited to government regulation, economic, strategic, political and social conditions and the following factors: our ability to deal effectively with an economic slowdown or other economic or market difficulty; decreased liquidity in the capital markets, changes in tax or monetary policy and changes in stock and capital markets performance and outlook. It is not our intention now or at any other time to update or correct any errors or any other information in this document.

## MidasLP

MidasLP invests in the world's best pre-IPO companies. For us, the best companies have high gross and/or net margins, an enormous number of customers (often > 1 million customers or users), significant global growth prospects and limited competition. Some of the companies that we invest in have more customers or users than the populations of countries like the United States, United Kingdom or Switzerland. In general, we target private companies that are vastly superior to many public companies.