

Groupon, Inc.
Form 10-Q
May 07, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-353335

Groupon, Inc.

(Exact name of registrant as specified in its charter)

Delaware

27-0903295

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

600 West Chicago Avenue, Suite 400

60654

Chicago, Illinois

(Address of principal executive offices)

(Zip Code)

312-334-1579

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of May 2, 2014, there were 679,794,637 shares of the registrant's Class A Common Stock outstanding and 2,399,976 shares of the registrant's Class B Common Stock outstanding.

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PART I. Financial Information

FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, 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, among others, those discussed in "Item 1A: Risk Factors" of our 2013 Annual Report on Form 10-K and Part II, Item 1A of this Quarterly Report on Form 10-Q, as well as in our condensed consolidated financial statements, related notes, and the other financial information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission, or the SEC. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

As used herein, "Groupon," "we," "our," and similar terms include Groupon, Inc. and its subsidiaries, unless the context indicates otherwise.

ITEM 1. FINANCIAL STATEMENTS

GROUPON, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (in thousands, except share and per share amounts)

	March 31, 2014 (unaudited)	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$1,038,824	\$1,240,472
Accounts receivable, net	125,527	83,673
Deferred income taxes	29,897	27,938
Prepaid expenses and other current assets	234,102	210,415
Total current assets	1,428,350	1,562,498
Property, equipment and software, net	159,649	134,423
Goodwill	447,370	220,827
Intangible assets, net	140,738	28,443
Investments	24,450	20,652
Deferred income taxes, non-current	44,559	35,941
Other non-current assets	35,490	39,226
Total Assets	\$2,280,606	\$2,042,010
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$45,524	\$27,573
Accrued merchant and supplier payables	816,329	752,943
Accrued expenses	253,015	226,986
Deferred income taxes	48,368	47,558
Other current liabilities	134,315	132,718
Total current liabilities	1,297,551	1,187,778
Deferred income taxes, non-current	12,331	10,853
Other non-current liabilities	147,197	131,697
Total Liabilities	1,457,079	1,330,328
Commitments and contingencies (see Note 6)		
Stockholders' Equity		
Class A common stock, par value \$0.0001 per share, 2,000,000,000 shares authorized, 687,288,634 shares issued and 679,780,134 shares outstanding at March 31, 2014 and 670,149,976 shares issued and 665,717,176 shares outstanding at December 31, 2013	69	67
Class B common stock, par value \$0.0001 per share, 10,000,000 shares authorized, 2,399,976 shares issued and outstanding at March 31, 2014 and December 31, 2013	—	—
Common stock, par value \$0.0001 per share, 2,010,000,000 shares authorized, no shares issued and outstanding at March 31, 2014 and December 31, 2013	—	—
Additional paid-in capital	1,768,271	1,584,211
Treasury stock, at cost, 7,508,500 shares at March 31, 2014 and 4,432,800 shares at December 31, 2013	(76,048) (46,587
Accumulated deficit	(886,665) (848,870
Accumulated other comprehensive income	20,020	24,830

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Total Groupon, Inc. Stockholders' Equity	825,647	713,651	
Noncontrolling interests	(2,120) (1,969)
Total Equity	823,527	711,682	
Total Liabilities and Equity	\$2,280,606	\$2,042,010	

See Notes to unaudited Condensed Consolidated Financial Statements.

GROUPON, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended March 31,		
	2014	2013	
Revenue:			
Third party and other	\$426,429	\$439,108	
Direct	331,208	162,294	
Total revenue	757,637	601,402	
Cost of revenue:			
Third party and other	62,351	70,016	
Direct	309,565	152,377	
Total cost of revenue	371,916	222,393	
Gross profit	385,721	379,009	
Operating expenses:			
Marketing	78,924	49,557	
Selling, general and administrative	324,965	308,206	
Acquisition-related expense, net	1,785	68	
Total operating expenses	405,674	357,831	
(Loss) income from operations	(19,953) 21,178	
Other expense, net	(840) (5,083)
(Loss) income before provision for income taxes	(20,793) 16,095	
Provision for income taxes	14,570	19,337	
Net loss	(35,363) (3,242)
Net income attributable to noncontrolling interests	(2,432) (750)
Net loss attributable to Groupon, Inc.	\$(37,795) \$(3,992)
Net loss per share			
Basic	\$(0.06)	\$(0.01)	
Diluted	\$(0.06)	\$(0.01)	
Weighted average number of shares outstanding			
Basic	682,378,690	658,800,417	
Diluted	682,378,690	658,800,417	

See Notes to unaudited Condensed Consolidated Financial Statements.

GROUPON, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)