



Groupon Attract Bullish Positioning

Ticker/Price: GRPN (\$23)

Analysis:

Groupon (GRPN) with 1,000 April \$22 puts sold to open today \$4.60 to \$4.70 and follows buyers of more than 4,350 December \$22 calls last week around \$3.20 and sellers in the December \$20 puts as well. GRPN shares gapped out of a small base yesterday and now back-testing that range with room above \$25 to the September highs around \$35. Shares are in a longer-term base since March with a gap above to \$56. The \$715M company trades 16X FY22 earnings and 0.5X sales with a very well-capitalized balance sheet and limited near-term maturities. GRPN has been a self-help story in 2020 as they focus on cost-savings during the pandemic and a new, aggressive strategy to grow scale within the \$1T local market. The company remains in a leadership position in the space with 12M local units sold in Q3 but they see opportunity to move beyond their current strategy and laid out a growth plan earlier this year to focus on “unlocking their marketplace flywheel.”. They have executed well early on by focusing on expanded inventory, reducing deeply discounted deals, and giving merchants more flexibility on listings and test markets have already shown it translating into units and billings growth. GRPN expects to expand this strategy into new markets and hot categories like health and wellness and beauty in 2021. Analysts have an average target for shares of \$30. DA Davidson with a \$36 PT citing an improved customer experience, better international results, as well as the reduced conversion gap between mobile and desktop platforms as some of the company's potential catalysts. Short interest is 11% and up from around 4% earlier this year. Hedge fund ownership rose 2% in Q2, PAR Capital a top holder.

Hawk Vision:



Hawk's Perspective: GRPN has a nice base to trade against but bigger picture there are much better growth stories for internet commerce.

Confidence Ranking: \$