

Groupon

What assumptions are necessary to arrive at the \$20 billion value?

In \$ Millions	FY	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Total Revenue	713	\$2,600	\$7,800	\$15,600	\$23,400	\$33,930	\$41,564	\$47,799	\$54,969	\$60,466	\$66,512	\$73,163	\$80,480	\$84,504	\$88,729	\$91,391
<i>Growth %</i>		264.66%	200.00%	100.00%	50.00%	45.00%	22.50%	15.00%	15.00%	10.00%	10.00%	10.00%	10.00%	5.00%	5.00%	3.00%
EBITDA		260	1,170	3,120	6,084	9,161	11,638	13,862	16,491	18,140	19,954	21,949	24,144	25,351	26,619	27,417
<i>EBITDA Margin</i>		10.00%	15.00%	20.00%	26.00%	27.00%	28.00%	29.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Depreciation		130	390	780	1,404	2,375	3,325	4,302	5,497	6,047	6,651	7,316	8,048	8,450	8,873	9,139
EBIT		130	780	2,340	4,680	6,786	8,313	9,560	10,994	12,093	13,302	14,633	16,096	16,901	17,746	18,278
<i>EBIT Margin</i>		5.00%	10.00%	15.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Tax Provision at	40.0%	52	312	936	1,872	2,714	3,325	3,824	4,397	4,837	5,321	5,853	6,438	6,760	7,098	7,311
Net Income		78	468	1,404	2,808	4,072	4,988	5,736	6,596	7,256	7,981	8,780	9,658	10,140	10,647	10,967
Depreciation		130	390	780	1,404	2,375	3,325	4,302	5,497	6,047	6,651	7,316	8,048	8,450	8,873	9,139
CapEx		(390)	(1,170)	(1,950)	(2,340)	(3,393)	(4,156)	(4,780)	(5,497)	(6,047)	(6,651)	(7,316)	(8,048)	(8,450)	(8,873)	(9,139)
<i>%-age of Sales</i>		15.0%	15.0%	12.5%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Change in NWC		(57)	(156)	(234)	(234)	(316)	(229)	(187)	(215)	(165)	(181)	(200)	(219)	(121)	(127)	(80)
Free cash flow to the firm		(239)	(468)	-	1,638	2,738	3,927	5,071	6,381	7,091	7,800	8,580	9,438	10,020	10,521	10,887
Present Value Factor	20.0%	0.9496	0.8232	0.6860	0.5717	0.4764	0.3970	0.3308	0.2757	0.2297	0.1914	0.1595	0.1330	0.1108	0.0923	0.0769
Present Value of Cash Flows		(\$227)	(\$385)	\$0	\$936	\$1,304	\$1,559	\$1,678	\$1,759	\$1,629	\$1,493	\$1,369	\$1,255	\$1,110	\$971	\$838

Terminal Value - Gordon Growth Model	
Terminal Yr Debt Free Cash Flow	\$11,214
Capitalization Rate	17.0%
Terminal Value	65,963
Present Value Factor	0.0769
PV of Terminal Value	\$5,075

Sensitivity Analysis of BEV					
		Discount Rate			
		15.0%	20.0%	25.0%	30.0%
EBIT Margin	5.0%	\$6,000	\$3,000	\$1,000	\$1,000
	10.0%	16,000	9,000	5,000	3,000
	15.0%	26,000	15,000	9,000	6,000
	20.0%	35,000	20,000	13,000	9,000
	25.0%	45,000	26,000	17,000	12,000

Present Value of Forecast Period	\$15,290
Present Value of Terminal Value	5,075
Indication of Business Enterprise Value ("BEV")	<u>20,000</u>

Long-term assumptions:		GOOG	AMZN	EBAY	LNKD
EBIT Margin	20.0%	35.4%	4.1%	22.7%	6.0%
CapEx as % of Sales	10.0%				
Depreciation	10.0%				
NWC as % of Sales	3.0%				
Long-term Growth Rate	3.0%				
Discount Rate	20.0%				
EV/2011 EBITDA		8.9x	28.1x	9.1x	191.6x