

Groupon, Inc.
Form 10-K
February 27, 2013

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

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012

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
(State or other jurisdiction of
incorporation or organization)

27-0903295
(I.R.S. Employer
Identification No.)

600 West Chicago Avenue, Suite 400
Chicago, Illinois
(Address of principal executive offices)

60654
(Zip Code)

312-676-5773
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, par value \$0.0001	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 June 30, 2012, the aggregate market value of shares held by non-affiliates of the registrant was \$3,699,527,694 based on the number of shares held by non-affiliates as of June 30, 2012 and based on the last reported sale price of the registrant's Class A common stock on June 30, 2012.

As of February 25, 2013, there were 656,063,487 shares of the registrant's Class A Common Stock outstanding and 2,399,976 shares of the registrant's Class B Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the Annual Meeting of Stockholders to be held in 2013, which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.

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PART I

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K 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 this Annual Report on Form 10-K, as well as in our 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: BUSINESS

Overview

Groupon is a global leader in local commerce, making it easy for people around the world to search and discover great businesses and merchandise. Our mission is to become the operating system for local commerce. Groupon seeks to reinvent the traditional small business world by providing merchants with a suite of products and services, including customizable deal campaigns, credit card payments processing capabilities and point-of-sale solutions to help them attract more customers and run their operations more effectively. By leveraging the company's global relationships and scale, Groupon offers consumers deals on the best things to eat, see, do, and buy in 48 countries.

We distribute our deals to customers primarily through three channels: email; our mobile platform; and our websites. We use email to deliver deals to our subscribers based on their location and personal preferences, including through our Smart Deals technology, which we currently use throughout North America and in certain International markets. We also distribute our deals through our mobile platform, which we currently offer on iPhones, iPads, Blackberry, Android and Windows devices, as well as through our websites.

Our results from 2012 include the following:

We grew our revenue 45.0% to \$2.3 billion in 2012 from \$1.6 billion in 2011. In 2012, 49.9% and 50.1% of our revenue was generated in our North America and International segments, respectively, compared to 39.4% and 60.6% in 2011.

We increased the number of active customers, or customers that have purchased a Groupon within the last twelve months, from 33.7 million as of December 31, 2011 to 41.0 million as of December 31, 2012.

As of December 31, 2012 we have featured more than 500,000 merchants since our inception.

In our Groupon Goods category, through which we offer deals on merchandise, we often act as the merchant of record, particularly in deals that we run in North America.

We are a Delaware corporation, incorporated on January 15, 2008 under the name "ThePoint.com, Inc." We started Groupon in October 2008 and officially changed our name to Groupon, Inc. by filing an amended certificate of incorporation

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on June 16, 2009. Our principal executive offices are located at 600 West Chicago Avenue, Suite 400, Chicago, Illinois 60654, and our telephone number at this address is (312) 676-5773. Our website is www.groupon.com. Information contained on our website is not a part of this annual report. We completed our initial public offering in November 2011 and our Class A common stock is listed on the Nasdaq Global Select Market under the symbol "GRPN."

GROUPON, the GROUPON logo and other GROUPON—formative marks are trademarks of Groupon, Inc. in the United States or other countries. This annual report also includes other trademarks of Groupon and trademarks of other persons.

Our Strategy

Our primary objective is to become an essential part of everyday local commerce for consumers and merchants. Key elements of our strategy include the following:

Grow the number of merchant partners we feature. Historically, our business model of offering one deal a day in each market had caused us to try to limit repeat merchants. However, as we expand our business into a complete local marketplace, a key part of this strategy is to develop deeper relationships with our merchant partners so that they will have a continuous presence on our websites and mobile applications. To drive merchant partner growth, we have expanded the number of ways in which consumers can discover deals through our marketplace, as well as offering our merchant partners the ability to offer a limited number of vouchers on a rolling basis, with varying expiration dates. Our merchant partner retention efforts are focused on providing merchant partners with a positive experience by offering targeted placement of their deals to our subscriber base, high quality customer service and tools to manage deals more effectively. We also provide merchant partners with an array of tools that they can use to run their businesses more efficiently and compete more effectively. We intend to continue to invest heavily in these efforts.

Globalize our platforms and processes. Because our international expansion was accomplished largely through acquisitions, we inherited a host of different technology platforms and business processes. During 2012, we launched a company-wide program aimed at globalizing our technology platforms and processes, and we also began rolling out a number of internal tools aimed at increasing our efficiency. For example, we recently launched a system that matches subscriber demand with our comprehensive database of merchants to maximize inventory of relevant deals and the incremental value of each call made by our merchant sales representatives. We are also continuing to automate our support functions in order to improve the efficiency of our business.

Grow our active customer base. Growing our active customer base requires that we add new customers at a rate which will offset the loss or inactivation of existing customers. Early in our existence, we focused our marketing efforts on acquiring subscribers who would sign up to receive emails alerting them to our deal. As we have matured into a more complete marketplace and expanded our delivery channels, we have also begun to focus more of our efforts toward converting subscribers into customers who purchase our deals, and retaining existing customers. We do so by providing more targeted and real-time deals, delivering high quality customer service and expanding the number and categories of deals we offer, as well as offering discounts on purchases to new and existing customers. We intend to continue investing in the development of increased relevance of our service as the number and variety of the deals we offer our subscribers increase and we gain more information about our subscribers' interests. As of December 31, 2012, we had 41.0 million active customers.

Position ourselves to benefit from, and drive, technological changes that may affect consumer behavior. During 2012, we invested significantly in expanding and improving our mobile technology in order to capitalize on the growing trend of consumers making purchases through smartphones and tablets. Our mobile channel accounted for approximately 37.5% of all purchases made in December 2012 in North America. We have launched a variety of enhancements to our marketplace in the past 12 months and we plan to make additional enhancements to increase the number of customers and merchant partners that transact business through our marketplace. For example, we have expanded our distribution of deals by including a search function in many of our markets. As an evolution of our Groupon Now! offering, our marketplace enables customers to search for products and services on their own terms, rather than being dependent on a single daily email to see which deals are available to them. As our local commerce

marketplace grows, we believe consumers will use Groupon not only as a discovery tool for local merchant partners, but also as an ongoing connection point to their favorite merchants.

Expand with acquisitions and business development partnerships. Historically, the core assets we gained from acquisitions were local management teams and small subscriber and merchant partner bases, to which we then apply our expertise, resources and brand to scale the business. During 2012, our focus expanded to acquiring businesses with technology and technology talent that can help us expand our business. For example, during 2012 we acquired FeeFighters and Breadcrumb, companies that have enabled us to roll out our payments and point of sale offerings, respectively. We also acquired Savored, a yield management solution for reservation-taking restaurants. We intend to continue to expand our business

with acquisitions and business development partnerships.

Our Business

Groupon is a local commerce marketplace that connects merchants to consumers by offering goods and services at a discount. Traditionally, local merchants have reached consumers through a variety of methods, including online advertising, the yellow pages, direct mail, newspaper, radio, television, and promotions. By bringing the brick and mortar world of local commerce onto the Internet and mobile devices, Groupon is creating a new way for local merchant partners to attract customers and sell goods and services.

As our business has evolved, we have begun to establish a more extensive local commerce marketplace where customers can purchase discount vouchers ("Groupons") for a variety of products and services from local, national and online merchants that can be redeemed immediately upon purchase. We have also expanded beyond local commerce to provide deals on consumer goods, travel, and entertainment events. This expansion has allowed us to serve more merchant partners each day by separating our current and potential customer base, offering more relevant, targeted deals and increasing the rate at which deals are purchased.

In many of our markets, we employ an algorithmic approach to deal targeting based on data we collect about our subscribers, merchant partners and deals. In addition to targeted deals, instead of featuring one deal per city each day, we feature multiple deals per city each day matched to different groups of current and potential customers based on what we know about their personal preferences. In many of our North American markets, we now offer customers a searchable inventory of deals available across multiple categories. We intend to continue to build our international infrastructure to enable us to offer targeted deals worldwide, as targeting increases the number of deals that we can offer across our marketplace. While we will continue to offer deals with time restrictions on when the deal can be redeemed, we are phasing out the use of a separate Groupon Now! category to differentiate deals for our customers. In our Groupon Goods category, through which we offer deals on merchandise, we often act as the merchant of record, particularly in deals that we run in North America.

Categories

Local Deals. Within Local, we offer deals for local merchant partners across multiple categories, including food and drink, events and activities, beauty and spa, fitness, health, home and auto, shopping, and education. We increasingly distribute deals using our targeting technology, which distributes deals to current and potential customers based on their location and personal preferences. Our targeting technology is also used to inform our search engine marketing and other transactional marketing spending that may attract potential customers who have not yet subscribed to our emails.

Groupon Goods. Goods offers customers the consistent ability to find deals on a rotating selection of well-known brands across multiple product lines, including electronics, sports, outdoors & fitness, toys, home, and clothing. We can sell products either directly, or as agent on behalf of the merchant. During the fourth quarter of 2012, we began offering free shipping and free returns on orders over \$15, subject to size limitations and our return policy, as well as an online return center. As the Goods category continues to grow, we expect that we will continue our focus on adding new curated brands to our platform in order to increase the mix of deals, as well as continuing to streamline our order fulfillment process.

Groupon Getaways. Through Getaways, we feature personally curated offers from travel partners, including hotels, airfare and package deals covering both domestic and international travel.

GrouponLive. Live is a partnership with LiveNation whereby Groupon serves as a local resource for LiveNation events and clients of its global ticketing business, Ticketmaster. In 2012, we began offering G-Pass, currently available for events in our North American markets, which allows customers who purchase deals through Live to be able to bypass the box office and use the bar code on their voucher to enter the event. In late 2012, we also entered into an agreement to become MLB.com's official daily deals site, and Groupon will host deals from a number of Major League Baseball clubs through the Live events platform.

National Deals. National merchant partners also have used our marketplace as an alternative to traditional marketing and brand advertising. Although our primary focus continues to be on local deals, we use national deals from time to time to build our brand awareness, acquire new customers and generate additional revenue. In 2012, we featured deals from over 100 national merchant partners, including Reebok, Toys R Us, Brookstone, The Body Shop, Smashburger,

and FTD across our North American markets.

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Distribution

Our primary distribution channels are email, mobile applications and our websites. We also utilize various online affiliates to display and promote Groupon deals on their websites. We also have agreements with several large online brands to distribute our deals. Other partnerships allow us to distribute daily deals to the partner's user base.

In addition, we have partnered with thousands of smaller online affiliates. Affiliates can embed our widget onto their website and earn a commission when their website visitors purchase Groupons through the affiliate link. Our commission rate varies depending on whether the customer is new or existing and the website's overall sales volume. We also offer commissions to affiliates when they refer a customer to Groupon. We expect to continue to leverage affiliate relationships to extend the distribution of our deals.

We also use various incentive programs to build brand loyalty, generate traffic to the website and provide customers with incentives to buy Groupons. When subscribers perform qualifying acts, such as providing a referral to a new subscriber or participate in certain promotional offers, we grant the subscriber credits that can be applied to future purchases.

We also publish our daily deals through various social networks, and our notifications are adapted to the particular format of each of these social networking platforms. Our website and mobile application interfaces enable our consumers to push notifications of our deals to their personal social networks. To date, social networks are not a material portion of our customer acquisition.

Email. Historically, we ran one deal per day in each market, and would send out an email to all subscribers within that market describing that deal. As our business has evolved, we have targeted our subscribers based on their personal preferences. In addition, as our operations grow and the number of deals that we have available continues to expand, we are continuing to vary the timing and content of our emails. A subscriber who clicks on a deal within our email is directed to our website or mobile application to learn more about the deal and make a purchase.

Websites. Visitors are prompted to register as a subscriber when they first visit our website and thereafter use the website as a portal for our daily deals. Groupon Now!, a category that we launched in 2010, was intended to create an on demand, real time marketplace to supplement our existing daily deal model, as well as give our merchant partners control over when to run their deals. As our operations have grown, we have incorporated this concept into creating a complete local commerce marketplace where customers can purchase Groupons for a variety of products and services from local, national and online merchants that can be redeemed immediately upon purchase. This expansion has allowed us to serve more merchant partners each day by separating our current and potential customer base, offering more relevant, targeted deals and increasing the rate at which deals are purchased within each category. In many of our North American markets, our website includes featured deals of the day and also a complete, searchable local commerce marketplace, including deals organized into the following deal types: food and drink, events and activities, beauty and spa, fitness, health, home and auto, shopping, and education. In addition, we typically display separate tabs for Getaways and Goods, as well as a gift finder and seasonal offerings.

Mobile Applications. Consumers can also access our deals through our mobile applications, which are available at no cost on the iOS, Android, Blackberry and Windows mobile operating systems, as well as through their mobile browser. These applications enable consumers to browse, purchase, manage and redeem deals on their mobile devices. In addition, in our North American markets, consumers have a "Nearby" tab, which shows the deals that are closest to the consumers' location.

Marketing

While our marketing spend has decreased, both in absolute dollars and as a percentage of revenue, in 2012, marketing remains an important element of our business operations. Online marketing consists of search engine marketing, display advertisements, referral programs and affiliate marketing. Our offline marketing programs include traditional television, billboard and radio advertisements, public relations as well as sponsored events to increase our visibility and build our brand.

Historically, we invested heavily in customer acquisition, which contributed to our net losses during prior years. Once acquired, subscribers have been relatively inexpensive to maintain because our interaction is largely limited to emails and our mobile applications. For example, our marketing expense during the fourth quarter of 2012 was \$60.9 million, a decrease of 61% in absolute dollars compared to the fourth quarter of 2011 and down 14% from the third quarter of

2012. In addition, marketing expense as a percentage of revenue was 10% in the fourth quarter of 2012, as compared to 12% in the third quarter of 2012 and 32% in the fourth quarter of 2011. We continue to shift the focus of our marketing efforts to activating customers

and retaining existing customers, rather than customer acquisition, including through programs such as limited time discounts on purchases and referral incentives.

Our Merchant Partners

To drive merchant partner growth over the long term, we have expanded the number and variety of product and service offerings available through our marketplace and invested in our sales force. Our sales force includes over 4,500 inside and outside merchant sales representatives, as well as our sales support professionals, who build merchant partner relationships and provide local expertise. Our North American merchant sales representatives are primarily based in our offices in Chicago and our international merchant sales representatives work from our international offices. As of December 31, 2011, we employed approximately 1,000 North American merchant sales representatives and approximately 4,100 international merchant sales representatives. We slightly increased our North American sales force to approximately 1,100 merchant sales representatives and decreased our international sales force to approximately 3,500 sales representatives as of December 31, 2012.

	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011	June 30, 2011	Mar. 31, 2011
North America	1,151	1,230	1,139	1,194	1,062	1,004	990	661
International	3,526	3,857	4,448	4,541	4,134	3,849	3,860	2,895
Total	4,677	5,087	5,587	5,735	5,196	4,853	4,850	3,556

The number of sales representatives is higher as a percentage of revenue in our International segment due to the need to have separate sales organizations for most of the different countries in which we operate. Due to local economic conditions, however, the average cost of each sales representative is lower in most countries in our International segment as compared to the costs in our North America segment.

During 2012, we have continued to expand our suite of tools that we make available to merchants. For example, merchants may use our Scheduler application, which allows customers to schedule appointments directly through our website at the time that they purchase a Groupon. Our merchant partners also have access to our Merchant Center, through which they can track redemptions and view other information about Groupons sold. In addition, during 2012, we launched Payments, a low-fee credit card processing service that merchants can use through an attachment to their smartphones, and Breadcrumb, a point of sale solution for restaurants.

We routinely solicit feedback from our merchant partners to ensure their objectives are met and they are satisfied with our services. Based on this feedback, we believe our merchant partners value the profitability of the immediate deal, potential revenue generated by repeat customers and increased brand awareness for the merchant partner and the resulting revenue stream that brand awareness may generate over time. Some merchant partners view our deals as a marketing expense and may be willing to offer deals with little or no immediate profitability in an effort to gain future customers and increased brand awareness.

Our standard contractual arrangements grant us the exclusive right to feature deals for a merchant's products and services for a limited time period and provide us with the discretion as to whether or not to offer the deal during such period.

Operations

Our business operations are divided into the following core functions to address the needs of our merchant partners and customers.

City Planners. City Planners are responsible for sales inventory management, deal packaging, deal approval and deal scheduling. City Planners manage each market's deal pipeline in order to maximize deal quality and variety within our markets. They work with the sales teams to optimize each deal structure and deal pricing to satisfy our merchant partners' expectations, maximize customer engagement and optimize company revenue. City Planners also manage the category/discount/geographic mix and cadence of deals in our markets. They use deal performance historical data to analyze and identify trends and opportunities for revenue improvement.

Editorial. Our editorial department is responsible for creating the written and visual content on all the deals we offer. Each featured merchant is researched, and then a written profile is crafted and edited through a series of creative stages in order

for the deal description to meet our standards for accuracy, clarity, vivid visual description, and our humorous "Groupon voice". Editorial staff also develop top merchant lists and other non-deal content to help engage users and capture more search engine traffic.

Merchant Services. Once a contract is signed, one of our merchant services representatives initiates the first of several communications with the merchant partner to introduce the merchant partner to the tools that we provide and plan for Groupon redemptions through expiration. Typically, a merchant services representative communicates with merchant partners before, during, and after a daily deal is featured. Before the deal is run, the representative works with the merchant partner to prepare staffing and inventory capacity in anticipation of increased customer traffic. The representative communicates with the merchant partner on the day the deal is featured to review deal performance. After the deal has closed, the representative maintains contact with the merchant partner to support the merchant partner's redemption efforts and to address any issues or questions that may arise. We also offer several merchant tools to help merchant partners manage their deals. These tools include status updates on deal performance, analytics that measure purchase traffic and demographic information of purchasers, a capacity calculator to estimate demand for the deal ahead of its feature date, and a return on investment calculator that estimates the return on investment that the merchant partner may receive from the deal. Each of these tools is accessible through an online account that is personal to the merchant partner and accessed through our website.

Customer Service. Our customer service department is responsible for answering questions from customers. They process requests via phone, email, and on our public discussion boards. The customer service team also works with our information technology team to improve the customer experience on the website and mobile applications based on customer feedback.

Technology. We employ technology to improve the experience we offer to subscribers and merchant partners, increase the rate at which our customers purchase deals, and enhance the efficiency of our business operations. A component of our strategy is to continue developing and refining our technology.

We currently use a common information technology platform across our North American operations that includes business operations tools to track internal workflow, applications and infrastructure to serve content at scale, dashboards and reporting tools to display operating and financial metrics for historical and ongoing deals, and a publishing and purchasing system for consumers. Over time, we plan to merge our North American information technology platform with our International information technology platforms and we expect this to enable greater efficiencies and consistency across our global organization.

Our websites are hosted at a U.S. data center in Santa Clara, California and international data centers in Asia and Europe. Our data centers host our public facing websites and applications, as well as our back-end business intelligence systems. We employ industry standard security practices to protect and maintain the systems located at our data centers. We have invested in intrusion and anomaly detection tools to try and recognize intrusions to our website. We engage independent third party Internet security firms to test regularly the security of our website and identify vulnerabilities. In financial transactions between our website and our customers, we use industry standard (SSL) Secure Socket Layer to provide encryption in transferring data. We have designed our websites to be available, secure and cost-effective using a variety of proprietary software and freely available and commercially supported tools. We believe we can scale to accommodate increasing numbers of subscribers by adding relatively inexpensive industry standard hardware or using a third party provider of computing resources.

We devote a substantial portion of our resources to developing new technologies and features and improving our core technologies. Our technology team is focused on the design and development of new features and products, maintenance of our websites and development and maintenance of our internal operations systems.

Competition

Since our inception, a substantial number of competing group buying sites have emerged around the world attempting to replicate our business model, from very small startups to some of the largest companies in the world. Some of our competitors offer deals as an add-on to their core business, and others have adopted a business model similar to ours. As we expand our business into additional categories such as Goods, Getaways and Live, we also compete with online and offline merchant partners offering those same products and services. We also compete with businesses that focus

on particular merchant categories or markets, such as payment processing and point-of-sale products. In addition, we compete with traditional offline coupon and discount services, as well as newspapers, magazines and other traditional media companies that provide coupons and discounts on products and services. We believe the principal competitive factors in our market include the following:

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breadth of active customer base and merchant partner relationships;
local focus and understanding of local business trends;
ability to structure deals to generate positive return on investment for merchant partners; and
strength and recognition of brand.

Although we believe we compete favorably on the factors described above, we anticipate that larger, more established companies may directly compete with us. Many of our current and potential competitors have longer operating histories, significantly greater financial, technical, marketing and other resources and larger customer bases than we do. These factors may allow our competitors to benefit from their existing customer base with lower acquisition costs or to respond more quickly than we can to new or emerging technologies and changes in customer requirements. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them to build a larger subscriber base or to monetize that subscriber base more effectively than we do. Our competitors may develop products or services that are similar to our products and services or that achieve greater market acceptance than our products and services. In addition, although we do not believe that merchant payment terms are a principal competitive factor in our market, they may become such a factor and we may be unable to compete effectively on such terms.

Seasonality

We believe that some of our offerings experience seasonal buying patterns mirroring that of the larger consumer and e-commerce markets, where demand declines during customary summer vacation periods and increases during the fourth quarter holiday season. We believe that this seasonality pattern has affected, and we expect will continue to affect, our business and quarterly sequential revenue growth rates.

Regulation

We are subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the Internet. As a company in a new and rapidly innovating industry, we are exposed to the risk that many of these laws may evolve, or be interpreted by regulators or in the courts in ways that could materially affect our business. These laws and regulations may involve taxation, unclaimed property content, intellectual property, product liability, travel, distribution, electronic contracts and other communications, competition, consumer protection, the provision of various online payment and point of sale services, employee, merchant and customer privacy and data security.

The Credit Card Accountability Responsibility and Disclosure Act of 2009 (the "CARD Act"), as well as the laws of most states, contain provisions governing gift cards, gift certificates, stored value or pre-paid cards or coupons ("gift cards"). Groupon vouchers may be included within the definition of "gift cards" under many laws. In addition, certain foreign jurisdictions have laws that govern disclosure and certain product terms and conditions, including restrictions on expiration dates and fees that may apply to Groupon vouchers as well as warranty requirements. There are also a number of legislative proposals pending before the U.S. Congress, various state legislative bodies and foreign governments that could affect us, and our global operations may be constrained by regulatory regimes and laws in Europe and other jurisdictions outside the United States that may be more restrictive and adversely impact our business.

Various US laws and regulations, such as the Bank Secrecy Act, the Dodd-Frank Act, the USA PATRIOT Act, and the CARD Act impose certain anti-money laundering requirements on companies that are financial institutions or that provide financial products and services. These laws and regulations broadly define financial institutions to include money services businesses such as money transmitters, check cashers, and sellers or issuers of stored value. Requirements imposed on financial institutions under these laws include customer identification and verification programs, record retention policies, and procedures and transaction reporting. We do not believe that we are a financial institution subject to these laws and regulations.

Intellectual Property

We protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We control access to our proprietary technology by entering into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with third parties.

In addition to these contractual arrangements, we also rely on a combination of trade secrets, copyrights, trademarks, service marks, trade dress, domain names and patents to protect our intellectual property. As of December 31, 2012, Groupon and its related entities owned approximately 337 trademarks and servicemarks registered or pending in approximately 68 countries, including protection of trademarks related to GROUPON, the GROUPON logo, other GROUPON formative marks and other marks. Groupon also uses a number of other source indicators which it believes are protectable. In addition, as of December 31, 2012, we owned a number of issued U.S. patents, had additional pending patent applications, and owned copyright registrations.

Circumstances outside our control could pose a threat to our intellectual property rights. For example, effective intellectual property protection may not be available in the United States or other countries in which we operate. Also, the efforts we have taken to protect our proprietary rights may not be sufficient or effective. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Also, protecting our intellectual property rights is costly and time-consuming. Any unauthorized disclosure or use of our intellectual property could make it more expensive to do business and harm our operating results.

Companies in the Internet, social media technology and other industries may own large numbers of patents, copyrights and trademarks or other intellectual property rights and may request license agreements, threaten litigation or file suit against us based on allegations of infringement or other violations of intellectual property rights. We are currently subject to, and expect to face in the future, lawsuits and allegations that we have infringed the intellectual property rights of third parties, including our competitors and non-practicing entities. As we face increasing competition and as our business grows, we will likely face more claims of infringement, and may experience an adverse result which could impact our business and/or our operating results.

Employees

As of December 31, 2012, we had 3,212 employees in our North America segment, consisting of 1,151 sales representatives and 2,061 corporate, operational, and customer service representatives, and 8,182 employees in our International segment, consisting of 3,526 sales representatives and 4,656 corporate, operational, and customer service representatives.

Officers

The following table sets forth information about our officers as of December 31, 2012:

Name	Age	Position
Andrew D. Mason	32	