

Groupon seeks to raise up to \$621 million from IPO



By Charlotte Raab | AFP News – 11 hours ago

US online daily deals sensation Groupon said Friday that it hopes to raise as much as \$621 million from its initial public offering, less than previously expected.

In a filing with the US Securities and Exchange Commission (SEC), the Chicago-based Groupon said it plans to offer between 30 million and 34.5 million shares priced between \$16 and \$18.

That would value the company, which reportedly turned down a \$6 billion takeover offer from Google last year, at around \$10.7 billion, significantly lower than previous estimates of between \$25 billion and \$30 billion.

The IPO is expected within the next two weeks although Groupon did not reveal an exact date.

Groupon has enjoyed phenomenal growth since its founding in 2008 and initially planned to raise up to \$750 million from its share offering.

But the markets have plunged since June, when Groupon initially announced plans to go public, and questions have been raised about the company's business model and accounting methods.

According to the latest SEC filing, Groupon's revenue has grown from \$1.2 million in the second quarter of 2009 to \$430.2 million in the third quarter of this year.

Groupon said it is still not profitable but it cut its net loss to \$10.6 million in the third quarter.

Groupon is present in 175 North American markets and 45 countries and has 142.9 million subscribers, it said. It sold 33 million "Groupons," or discount coupons, in the third quarter of the year.

The company had 37 employees in June 2009 and now employs 10,418.

In a letter accompanying the filing, Groupon chief executive Andrew Mason said the company would continue to "aggressively invest in growth."

"When we see opportunities to invest in long-term growth expect that we will pursue them regardless of the short-term impact on our profitability," Mason said, adding that Groupon would maintain its quirky side.

"We are unusual and we like it that way," he said. "Life is too short to be a boring company."

Mason also cautioned that "success for our investors is not guaranteed.

"We have yet to reach sustained profitability and we have no shortage of competition," he said. "Our path will include some moments of brilliance and others of sheer stupidity."

Some analysts have expressed concerns about Groupon's business model and competition from rivals such as Living Social, Google and Amazon, which are also offering online local deals.

Trip Chowdhry of Global Equities Research expressed doubt that Groupon could enjoy sustained profitability.

"The competition is very intense, it's very imitable," Chowdhry said.

"If you're (focused on) fundamentals you should stay away, but if you're a momentum player, go for it," Chowdhry said.

Forrester Research analyst Sucharita Mulpuru was also skeptical.

"My suspicion is that they reduced the valuation because their bankers took a look off the radar of the market receptivity to the initial offer and it was so cold that they took the drastic step of reassessing," Mulpuru said.

"This valuation is a bit more in line with other recent tech valuations but the reality is that the business model is still challenged and it's not something I would encourage anyone to invest in at any valuation," she said.

Groupon's stock offering will be closely watched by investors eagerly awaiting IPOs by social games maker Zynga and social networking giant Facebook.