

Groupon files for IPO, seeks to raise \$750 million

June 2 2011, By MICHAEL LIEDTKE , AP Technology Writer



Groupon headquarters in Chicago, Illinois. Daily deals site Groupon said Thursday that it was seeking to raise as much as \$750 million in an initial public offering.

Rapidly growing online coupon seller Groupon Inc. is offering its most tantalizing deal yet - an initial public offering of stock likely to intensify a debate about whether an investment bubble is forming around promising but still unproven Internet companies.

Groupon took the first step toward selling its stock on Wall Street by filing its IPO papers Wednesday. The much-anticipated filing with the Securities and Exchange Commission comes just two weeks after another LinkedIn Corp., a popular Internet service for professional networking service, saw its shares double in their first day of trading, evoking memories of the early stages of the dot-com boom in the 1990s.

Groupon, based in Chicago, offers its subscribers the chance to purchase daily discounts targeted to their city and preferences. For example, a subscriber might pay \$20 for a \$40 gift certificate to a spa, restaurant, car wash or yoga studio.

The initial price of Groupon's shares won't be set until the company gets closer to going public. That process typically takes three to four months.

But the shares won't be cheap, based on the confidence that Groupon showed last year when it rejected a \$6 billion takeover offer from Internet search leader Google Inc. Groupon hopes to raise at least \$750 million in the IPO, but that figure often changes as investment bankers get better idea on the demand for the stock.

Venture capitalists and other investors already have poured \$1.1 billion into Groupon, a huge amount for a service founded just 2 1/2 years ago by Andrew Mason and Eric Lefkofsky as a side project to another website called The Point that helped raise funds for various causes. Mason, 30, remains Groupon's CEO.

Groupon ended up creating a new marketing phenomenon catering to people's hunger for bargains. The service has become so popular that it now has 83 million subscribers in 43 countries, requiring a work force of 7,100 employees. It's bringing in lots of money, but not enough so far to defray the costs of its rapid expansion.

Last year, Groupon lost \$413 million on revenue of \$713 million. By comparison, Google earned \$106 million on revenue of \$1.5 billion in the last full year before it went public in 2004.

Groupon, though, is growing at a much faster pace than Google was. Its revenue in the first quarter rose more than 13-fold from the same last year to \$644 million.

Groupon's growth is "nothing short of staggering," said David Menlow, president of research company IPOfinancial.com. "Is this a pattern that has a short shelf-life?"

Mason signaled he intends to run Groupon as an unorthodox, fun-loving company, much like Google co-founders Larry Page and Sergey Brin did when they included a letter outlining their philosophy with the IPO papers.

"We want the time people spend with Groupon to be memorable," Mason wrote in his own letter. "Life is too short to be a boring company. Whether it's with a deal for something unusual, such as fire dancing classes, or a marketing campaign ... we seek to create experiences for our customers that make today different enough from yesterday to justify getting out of bed."

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Citation: Groupon files for IPO, seeks to raise \$750 million (2011, June 2) retrieved 2 May 2024 from <https://phys.org/news/2011-06-groupon-ipo-million.html>

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