

# Groupon fails to turn profit as revenue grows

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Daily deals site Groupon on Wednesday issued its first earnings report as a publicly traded company, saying its loss in the quarter shrank to about \$43 million as revenue nearly tripled from a year earlier.

Daily deals site Groupon on Wednesday issued its first earnings report as a publicly traded company, saying it failed to turn a profit despite revenue nearly tripling from a year earlier.

Groupon's stock price plunged more than 14 percent to \$21 a share in after-hours trading that followed release of the earnings figures, which disappointed investors who had expected the young company to show a profit.

"Groupon had a strong fourth quarter and we finished 2011 having helped 250,000 local merchants across 47 countries grow their businesses while saving Groupon customers billions of dollars," said

chief executive Andrew Mason.

"We will continue to invest in new services and tools that help our merchant partners be more successful and drive local commerce around the world," the Chicago-based company's co-founder added.

Groupon revenue climbed to \$506.5 million, a 194 percent increase from the same quarter a year earlier.

The company had a net loss of \$42.7 million as compared with a \$378.6 million loss in the final three months of 2010. Groupon trimmed about \$100 million from its loss figure in the prior quarter to end the year \$350.85 million in the red.

Groupon said the profit miss resulted from an unexpectedly high overseas tax rate prompted by the opening of an international headquarters in Switzerland.

Investor chagrin was heightened by a forecast that Groupon revenue in the current quarter would rise only slightly in a possible sign that the daily deal craze may be ebbing.

Groupon shares were listed on the Nasdaq at \$20 on November 4 in a blockbuster public offering that raised a whopping \$700 million and triggered fears that investors may be foolishly overvaluing hot Internet startups.

Shares of the company soared as high as \$31.14 on the first day of trading but they have lost ground since then.

Groupon, which rejected a \$6 billion takeover offer from Google a year ago, has enjoyed phenomenal growth since its founding in 2008 but has been dogged by questions about its business model and accounting

methods.

Groupon chief financial officer Jason Child predicted that the company would be profitable in all regions of operation "in the next year or two."

He said there were plans to roll the service out soon in more parts of Britain and the United States.

Groupon has more than a billion dollars in its coffers, due in large part to the success of the initial public offering, according to Child.

Mason opened an earnings call with analysts by saying Groupon had a "phenomenal year" and that "we are on the cusp of a sea change" in which technology will transform the way local commerce is conducted.

He touted the successes of a Christmas-themed promotion and said that more occasion-themed deals were in store. He added that an alliance with Expedia to offer travel deals under the banner of Groupon Getaways has been a hit.

"One thing that shocked us was the high percentage of purchases that came from mobile devices the weekend we launched Groupon Getaways," Mason said during the earnings call.

Groupon recently opened a Silicon Valley office and planned to "snap up" engineering talent as it invests in technology, according to the executives.

Mason closed his first quarterly earnings call with "This was a lot of fun; we look forward to many more of these."

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