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LivingSocial Is Said to Raise \$400 Million to Fuel Coupon Site's Expansion

by Joseph Galante and Douglas MacMillan

LivingSocial, the second-largest website devoted to daily coupons, raised \$400 million to fuel expansion in its quest to overtake Groupon Inc., according to two people with knowledge of the funding.

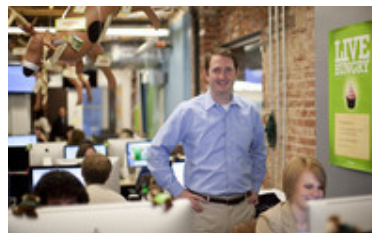
The investment values the company at about \$3 billion, said the people, who requested anonymity because the transaction was private.

The investors included Institutional Venture Partners -- backers of Twitter Inc. -- as well as T. Rowe Price Group Inc. and earlier funders Amazon.com Inc. and Lightspeed Venture Partners, the people said. The market for daily deals is heating up, with larger rival Groupon said to be considering an initial public offering that could value it at as much as \$25 billion.

"This is a land grab and an opportunity to dominate a high-growth market," said Todd Chaffee, a partner at Institutional Venture Partners. "You essentially have a rivalry that's shaping up to look like Coke and Pepsi's."

Before completing the transaction, Washington, D.C.-based LivingSocial had authorized the sale of up to 100 million shares of Series E stock at \$5.65 a share, according to a March 31 filing with the Delaware Secretary of State.

LivingSocial, which may generate \$1 billion in revenue this year, plans to use the money to hire staff and make acquisitions, the people said. The company will more than triple its employees this year to 1,800, Chief Executive Officer Tim O'Shaughnessy said in December, and expects to more than double the number of cities where it offers deals to 400. Groupon serves about 500 cities and has more than 3,000 employees.



Tim O'Shaughnessy, chief executive officer of LivingSocial, at the company's headquarters in Washington, D.C. The company raised \$400 million to fuel expansion.

Maire Griffin, a LivingSocial spokeswoman, declined to comment on specific details of the transaction. The investment was reported earlier by the New York Times.