
UPDATE 2-Nipping at Groupon, LivingSocial raises \$400 mln

by Jennifer Saba

* LivingSocial raises additional \$400 mln in funding

* Latest round values the company at \$3 bln - source

* Expects to make \$1 bln in revenue this year (Adds Amazon declines to comment)

Online coupon site LivingSocial said it raised \$400 million in a round of funding, bringing the total to more than \$600 million as investors flock to companies that provide socially driven discounts.

The latest round values the company at about \$3 billion, according to a source familiar with situation, and underscores the popularity of social deal sites where consumers seek out discounts at restaurants and retailers.

LivingSocial plans to use the investment to carry on its "aggressive domestic and international growth and continued product innovation," spokeswoman Maire Griffin said on Tuesday.

LivingSocial is still far smaller than the No. 1 player in the market, Groupon, which has been valued at up to \$25 billion, joining a collection of social web companies with sky-high valuations, including Facebook and Twitter. [ID:nN17197426]

Groupon has 70 million users in 500 global markets. It generated more than \$760 million in 2010 revenue.

Based in Washington D.C., LivingSocial has 26 million members in more than 250 worldwide markets and expects to make \$1 billion in gross revenue this year.

"They have an exceptional management team that impressed us with their command of the business," said Todd Chaffee, a general partner in Institutional Venture Partners, one of the investors behind the \$400 million financing round.

"We're investors in Zynga and Twitter. We have seen high growth companies and LivingSocial is just growing at an incredible rate and they are profitable," said Chaffee. LivingSocial is IVP's largest investment in its 30-year history.

Lightspeed Venture Partners was also involved in the latest round, investing another \$20 million, according to managing director Jeremy Liew.

"It's the biggest position we have in our portfolio at this moment," he said.

Last December Lightspeed Venture and Amazon (AMZN.O) invested \$8 million and \$175 million in LivingSocial, respectively.

The \$400 million round of funding was earlier reported by the Wall Street Journal, which said Amazon was among the companies that took part in this round. Amazon declined to comment.