

“WILDLY PROFITABLE” – Pandora be FREE

June 9, 2011

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On June 2nd, [Groupon](#) CEO Andrew Mason barred employees in a memo from making comments about the company. *“For the next 90 days or so, we are in a ‘quiet period’ where we can’t make any forward-looking statements about the company,”* Mason wrote in the memo, obtained by *Bloomberg News*. *“Anything we say now can be perceived as ‘fluffing the stock’ or something like that. So please don’t say anything like ‘Groupon is awesome’ around anyone you don’t fully trust.”*

Perhaps Mr. Lefkofsky missed the memo, because in less than 24 hours later Groupon Chairman Eric Lefkofsky had this to say:

“I’m going to be in technology for a long time. I’m going to start a lot of companies. These are not sham companies. These are great businesses. InnerWorkings is profitable. Echo is profitable. Groupon is going to be wildly profitable.”

Even though Lefkofsky made his remarks in response to questions about the companies he has run or founded, including Starbelly.com, InnerWorkings Inc. and Echo Global Logistics Inc., IT DOESN’T MATTER!! Eric, these are what reporters are paid to do! As a former broker/analyst, when we brought a company public, one of our goals was to get someone within the company to spill the beans. A comment like that is ALL we needed to begin salivating. Forget about the 90 day quiet period sanctioned by the SEC (Security Exchange Commission). Bring on the IPO and let the feeding frenzy begin!

So now what? Most likely the company (that wanted to go public as fast as possible with or without the help of investment banking) may be forced to make NEW filings or best case scenario amend the existing ones. Marc Morgenstern, lawyer and managing partner of [Blue Mesa Partners](#), a San Francisco-based investment firm had this to say:

“To reconcile Lefkofsky’s comments with SEC rules, the company could file regulatory documents that say Groupon may be “profitable” over the next decade or two, without saying exactly when. In effect, you have let Pandora out of her box, so, so you need to construct a new box around Pandora.”

Does ANY of this sound familiar? It should. Remember Google? Just before they went public, Playboy published an interview that raised concern about “selective disclosure”. This actually prompted the SEC in 2005 to adopt new rules that “executives may speak to the media provided they file a copy of the remarks with the SEC.”

Regardless of ALL this, the cat is out of the bag and at this stage at least initially it doesn’t matter if Groupon is “wildly profitable” or not. It’s like being in court when you hear a statement a witness makes and the judge instructs everyone to “strike that comment”. Uhh yeah, right!!

It’s not a matter of IF this will affect the price on opening day but rather HOW much. Initial valuations are now coming in at \$20 billion plus (with a B). This valuation is a FAR cry beyond the \$4 Billion and \$6 billion dollar offers that were on the table.