

# Lending Club Files for IPO; Startup Emerged During Credit Crisis

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LendingClub Corp. founder and Chief Executive Renaud Laplanche

Lending Club Corp. on Wednesday filed for an initial public offering, a deal that's likely to be closely watched as online nonbank lenders continue to gain market share from traditional banks.

The number of shares and price range is yet to be determined, the San Francisco company said in a filing with the Securities and Exchange Commission. Lending Club was valued at nearly \$4 billion in a fundraising earlier this year but could seek a higher valuation in the IPO, people familiar with the matter said in June.

The company said its initial fundraising target is \$500 million, though that figure is likely to change. It said it may use a portion of the IPO proceeds to repay a term loan it used to fund an acquisition earlier this year.

Lending Club primarily collects money from outside investors and lends it to individuals, a practice known as “peer-to-peer” lending. It recently began funding loans to small businesses.

Other Web-based lenders are expected to follow in Lending Club’s footsteps. OnDeck Capital Inc., an online lender to small business, is preparing to file for an IPO that could value the business at roughly \$1.5 billion, The Wall Street Journal reported earlier this month. Executives from Kabbage Inc., another small-business lender, earlier this year indicated an IPO may be on the agenda in 2015.

Online nonbank lenders have seen their share of business and personal loans rise as big banks have scaled back lending due in part to regulatory pressure. Some borrowers unable to get traditional bank loans have turned to online lenders.

The biggest stakeholders in the company are Norwest Venture Partners and Canaan Partners, which each own about 16% of company shares. Foundation Capital owns 12.8% and Morgenthaler Venture Partners owns 9.2%.

Larry Summers, former U.S. treasury secretary and a Lending Club board member, owns a small percentage of shares.

Rebecca Lynn, general partner of Morgenthaler spinout Canvas Venture Fund, invested in the company’s Series B round in 2009, just a few months after the credit crisis of late 2008.

“There was no better time for the company to emerge than when the banks were essentially frozen for a couple of years,” she said.

The company has raised about \$168 million in venture financing.

Lending Club said it has facilitated more than \$5 billion in loans since its inception in 2007. More than \$1 billion of those loans were made in the second quarter of 2014, according to the IPO filing.

The company posted a net loss of \$16.5 million for the first six months of 2014, down from a profit of \$1.7 million in the first half of 2013, according to the filing. Total net revenue for the six months that ended June 30 was \$86.9 million, a 134% increase from the year-earlier period.

In April, Lending Club sold shares privately to mutual fund investors T. Rowe Price Group Inc., BlackRock Inc., Sands Capital and Wellington Management Co. The deal helped fund Lending Club’s \$140 million cash-and-stock purchase of Springstone Financial LLC, which lends money for elective medical procedures and private-school tuition.

—Telis Demos and Ianthe Jeanne Dugan contributed to this article.