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Google Makes Investment in Lending Club

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Google Inc. is making a play into peer-to-peer lending.

The Internet search giant is making the bulk of a \$125 million investment into San Francisco-based Lending Club, in a deal which values the fast-growing startup at \$1.55 billion. Under the investment, in which venture-capital firm Foundation Capital is also participating, Google will get a minority stake in Lending Club and Google executive David Lawee will join the company's board as an observer.

Lending Club, which was valued at just over \$500 million in a funding round last year, connects borrowers and lenders through its website and facilitates lower-cost loans between the parties. The practice is sometimes called peer-to-peer lending.

Google is investing in Lending Club by buying shares of the startup from its existing investors, with those investors selling 15% to 20% of their stakes in the company, in what is known as a "secondary" transaction, said Lending Club Chief Executive Renaud Laplanche.

"We didn't want to dilute" the company further through a direct investment "but we wanted to make room for Google," said Mr. Laplanche. Given Google's status as a leading Internet company, Mr. Laplanche said Lending Club was excited to work together on potential products, among other things.

In a statement, Mr. Lawee said, "Lending Club is using the Internet to reshape the financial system and profoundly transform the way people think of credit and investment" and added, "We are excited to be a part of it." Google said it had no further comment.

This isn't the first time Google has taken a stake in a late-stage company, seemingly for financial reasons. In January, Google said it became a small shareholder of SurveyMonkey Inc., which helps companies do surveys online and was valued at \$1.35 billion at the time. Previously, Google also invested in mature companies such as online-video publisher Machinima Inc. last year and online social-game maker Zynga Inc. in 2010.

Google also has invested in renewable energy companies or initiatives. In the long run, such companies could reduce the cost of energy, thus helping Google, which uses a lot of energy to power its data centers and other operations.

Separately, Google has invested hundreds of millions of dollars through its Google Ventures arm,

primarily related to early-stage technology startups.

Lending Club, whose other investors include venture firms such as Morgenthaler Ventures and Kleiner Perkins Caufield & Byers, is building towards an initial public offering. Mr. Laplanche said Lending Club expects to issue \$2 billion in loans this year, up from \$780 million in 2012, with revenues tripling over the past year. He added that Lending Club just turned profitable.

In recent months, Lending Club has also added some heavyweight financial names to its board, including Kleiner partner Mary Meeker, former Morgan Stanley CEO John Mack, as well as former Treasury Secretary Larry Summers.

"We are continuing to think about taking the company public next year," said Mr. Laplanche, who added that Lending Club is working to scale up the size of its business and beef up the predictability of earnings streams.

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