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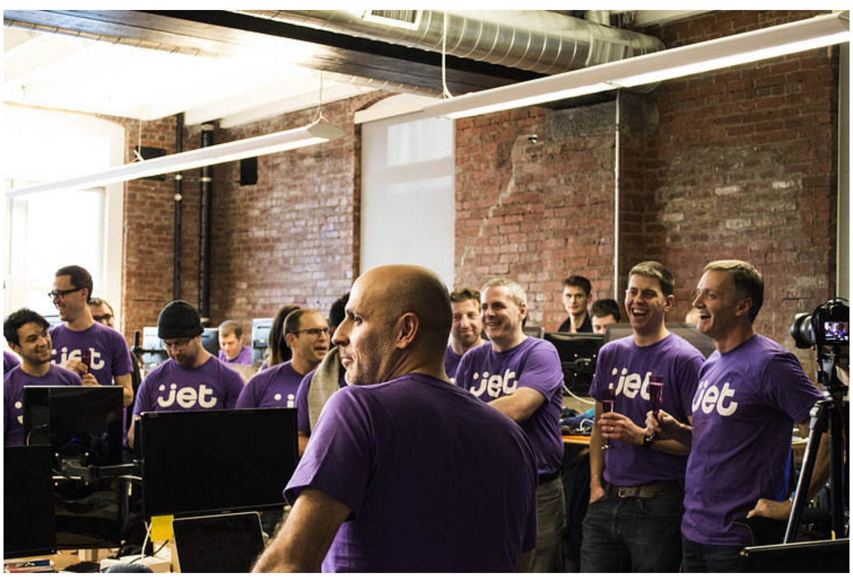
TECH

Facing Cash Crunch, Retailer Jet.com Racing to Complete Funding Round

Investment would prevent the e-commerce startup from running out of money by the end of the year



Jet.com CEO Marc Lore talking to staff ahead of the company's website launch. *PHOTO: THE WALL STREET JOURNAL*

By **ROLFE WINKLER**
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Jet.com Inc. is close to completing a $550 million cash infusion that would prevent the e-commerce startup from running out of money by the end of the year.

The company projected it would have $63 million of cash on hand at the end of October, according to a recent financial plan reviewed by The Wall Street Journal. The plan forecast a cash drain of $76 million in November and December, largely for marketing. A company spokesman said Jet plans to scale back its anticipated marketing over the holidays.

The new round of funding would value Jet, which began operations in July, at $1.55 billion, according to people familiar with the matter. Mutual-fund giant Fidelity Investments is in talks to lead the round with a $90 million investment, according to these people. They said the financing wasn't yet closed.

When Jet began the fundraising effort in October, it had hoped for a $2 billion valuation, the Journal reported earlier. Over the summer, Jet discussed a valuation of $3 billion with investors.

News of the prospective funding round was reported earlier by Fortune.

The lower valuation target reflects a recent cooling toward high-value, late-stage startups after public-market investors gave chilly receptions to recent initial public offerings.

Nearly four months after it launched its site, Jet is facing the harsh reality—and huge expense—of breaking into e-commerce against giants like Amazon.com Inc. and Wal-Mart Stores Inc.

Jet raised $225 million before launching its website, which offers household items, electronics, pet supplies and more. The financial plan reviewed by the Journal projects that Jet will burn through nearly $500 million in the site's first 12 months of operation, and an average of $600 million the following three years, suggesting the company will need additional funding.

In October, for example, the plan projected a cash drain of $40 million, largely to fund $25 million in marketing to draw customers to its website.

Over the summer, the company said it would spend $100 million on ads in the first 12 months after the site opened. In the recent plan, that total had grown to nearly $300 million. The money is fueling television spots, subway posters and online ads—including nearly $10 million spent on Google in October, according to people familiar with the figure.

Jet last month abandoned plans to sell $50 annual memberships for access to discounted prices, in hopes of attracting more customers to the site. It now plans to undercut Amazon on prices by 4% to 5% on average, instead of larger discounts it had previously pitched.

Jet is charting a difficult path: offering sufficient savings to entice customers from Amazon without alienating suppliers who don't want to undercut other distributors, and squeezing out a profit for itself.

In an interview last month, founder Marc Lore said Jet isn't a "discount site." Asked to explain advertisements that tout big discounts, he said Jet is a place for "great values."

Jet initially forecast that it would offer 10 million products when the site opened. Today, the total sits around 7.6 million, according to a person familiar with the matter.

The figure is lower in part because Jet rolled back its costly "concierge" service, which showed millions of product listings for items that Jet didn't sell itself, the person said. When a customer bought one of these items, a Jet employee would order it for the customer from websites operated by Wal-Mart, Walgreens Boots Alliance Inc., Nordstrom Inc. and others, absorbing shipping costs itself.

—Greg Bensinger contributed to this article.

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