

Zynga to kick off IPO roadshow next week: sources

Liana B. Baker, Reuters

Zynga Inc embarks on a road show to promote its initial public offering next Monday, two sources familiar with the matter said, the latest dotcom name to try and whet investors' appetites.

The social gaming leader behind "FarmVille" follows in the footsteps of recent tech companies to test public markets, including Groupon Inc and Angie's List. It could be the biggest Internet debut ahead of Facebook's, which a source said is planning to go public in 2012.

Chief Executive Officer Mark Pincus will lead presentations to investors, along with Chief Operating Officer John Schappert and Chief Financial Officer David Wehner, the two people told Reuters.

Zynga spokeswoman Cynthia Saw declined to comment.

Four-year-old Zynga, which filed for an IPO of up to \$1 billion on July 1, is one of the most hotly anticipated IPOs in technology. It rose to prominence on the strength of viral games such as "FarmVille" and CityVille."

The plan is to price its shares on Nasdaq before the New Year under the symbol "ZNGA," one of these people said. Sterne Agee analyst Arvind Bhatia said attention will center on the company's valuation, estimated at around \$14 billion.

That would price Zynga higher than videogame heavyweight Activision Blizzard's \$13.85 billion market capitalization, or Electronic Arts' \$7.2 billion.

Bhatia said the company will need to outline a clear growth strategy during its roadshow to justify that rich price tag.

Some analysts have remarked on Zynga's heavy reliance on Facebook as the main platform for its games. Facebook takes a 30 percent cut of any revenue earned on the world's largest social network.

Others point to a track record of profitability.

"Relative to some of the recent IPOs, I would think Zynga will do better," Bhatia said. "But it will boil down to what the valuation is. The company might be doing well but if the stock price becomes overpriced, that's the bigger issue."

TOO RICH?

Zynga to kick off IPO roadshow next week: sources

Published on Electronic Component News (<http://www.ecnmag.com>)

In its latest filing with the Securities and Exchange Commission on November 17, the company said a third party performed an analysis that valued the company at \$14.05 billion. Bhatia estimated that marked a tripling in under nine months.

Zynga -- named after Pincus' late American Bulldog -- dominates social gaming but has to contend with a growing pool of deep-pocketed rivals, including Walt Disney Co.

With more than 260 million monthly active users on Facebook, it has proven adept at herding current players to its free games. Zynga has said its unique paying players for the 12 months ended September 30 stood at approximately 7.7 million.

While its games are free, revenue comes mainly from selling virtual items such as tractors and weapons that people employ in its game worlds.

But Zynga will debut at a time of weakness in the dotcom stock universe, with Groupon and Pandora Media Inc both trading below their IPO prices.

Morgan Stanley and Goldman Sachs are the lead underwriters of the IPO. Fortune.com reported the news earlier on Tuesday.

(Editing by Edwin Chan; Editing by Tim Dobbyn)

Posted by Jason Lomberg, Technical Editor

Source URL (retrieved on 09/18/2014 - 7:18am):

<http://www.ecnmag.com/news/2011/11/zynga-kick-ipo-roadshow-next-week-sources>