

Zynga hopes to raise about \$1 billion in IPO

BARBARA ORTUTAY - AP Technology Writer - Associated Press

Hoping to harvest some fresh cash, the online game company behind "FarmVille" said Friday that it plans to raise \$1 billion in an initial public offering of up to 100 million shares.

Zynga Inc. is the latest in a spate of IPOs by Internet companies this year, ranging from professional networking service LinkedIn Corp. to the online deals site Groupon Inc. They're all precursors to Facebook's public debut expected sometime after April next year and possibly fetching as much as \$10 billion for the social networking service.

Zynga, whose games are played mainly on Facebook, plans to sell its shares at \$8.50 to \$10 each. If the shares are priced at \$10, Zynga will be valued at \$7 billion based on the number of its total shares. That's a smaller valuation than the company's shares have traded recently on SharesPost, a secondary stock exchange used to trade the stock of privately held companies. There, a recent trade valued Zynga at \$11.7 billion.

The company expects to sell 14.3 percent of its available stock, according to a filing with the Securities and Exchange Commission. That's a relatively high "float," and could give investors confidence that the company isn't trying to artificially inflate its value. Groupon raised some concerns when it sold just 5.5 percent of its outstanding stock. Though not unprecedented, the amount was below that of many prominent tech companies, such as Google (7.2 percent), Amazon (12.6 percent) and LinkedIn (8.2 percent).

The offering gives investors the option to buy an additional 15 million shares to cover over-allotments, bringing the total number of shares for sale to 115 million.

Tech IPOs aren't always hits. Shares of Internet radio company Pandora Media Inc., are trading below their IPO price and Groupon is slightly above and has fluctuated wildly. Unlike those two, however, Zynga is profitable. The company makes most of its revenue by charging small amounts of money for virtual items in its games. Players pay for new crops in "FarmVille," for example, or new buildings in "CityVille," its most popular game.

The company plans to use the proceeds from the offering for general corporate purposes such as game development, marketing and other expenses. It also plans to use part of it for its philanthropic venture, Zynga.org.

Zynga has about 2,300 employees. It was founded in 2007 by CEO Mark Pincus.

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

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Source URL (retrieved on 11/28/2014 - 10:15am):

<http://www.ecnmag.com/news/2011/12/zynga-hopes-raise-about-1-billion-ipo>