# Zynga posts 3Q loss, shares jump after-hours

BARBARA ORTUTAY - AP Technology Writer - Associated Press

Battered shares of Zynga Inc. soared in after-hours trading Wednesday after the social gaming company posted stronger-than-expected revenue for the third quarter and said it will enter the gambling business.

The past few months have been tough for the company known for games such as "FarmVille" and "Words With Friends." Interest in many of its Facebook games has waned, and Zynga has had trouble making money from mobile games. It laid off workers for the first time on Tuesday to cut costs, and on Wednesday posted an outlook for the year that fell short of analysts' forecast.

As it had earlier warned, Zynga booked a loss in the July-September quarter due largely to a charge marking down the value of mobile game company OMGPop, which it acquired in March for $183 million.

The company lost $52.7 million, or 7 cents per share. That's down from earnings of $12.5 million — break-even on a per-share basis — from a year earlier, when it was still privately held.

On an adjusted per-share basis Zynga broke even in the most recent quarter, matching analysts' expectations.

Revenue grew 3 percent to $316.6 million. According to FactSet, analysts expected lower revenue of $291 million.

Despite its troubles, Zynga is still by far the No. 1 maker of games for Facebook. As such, it relies on its Facebook games for nearly all of its revenue, though it has been working on expanding to other areas, notably mobile devices. This has been a challenge. Though "Words With Friends" is popular, it doesn't bring in as much money as games on Facebook. And Zynga lost its gamble on OMGPop, whose Pictionary-like "Draw Something" game was explosively popular, but then quickly faded away.

The company is trying to convince investors that it can revive growth, and on Wednesday said that it's signed a deal to offer online poker and casino games, played with real money, in the U.K. It plans to launch those games in the first half of 2013.

The bet on gambling games comes a day after Zynga announced that it is closing studios, killing off 13 games and cutting about 150 jobs, 5 percent of its workforce, to cut costs.

In another attempt to appease investors, Zynga also said Wednesday that it will repurchase up to $200 million of its shares. Buybacks increase the value of the

remaining shares traded on the stock market and can lift per-share earnings since results are divided among fewer shares.

For the rest of its fiscal year, Zynga's prediction falls short again. It forecast 2012 adjusted earnings of 2 to 3 cents per share, while analysts are expecting 4 cents.

The company backed a previous forecast for its bookings, which reflect in-game purchases of virtual goods in the period they occur. It still expects $1.09 billion to $1.1 billion in annual bookings.

Shares of San Francisco-based Zynga jumped 28 cents, or 13 percent, to $2.41 in after-hours trading. The stock had closed down 7 cents at $2.13 in regular trading after touching an all-time low of $2.10. Zynga's stock began trading in December after pricing at $10 in its initial public stock offering.

**Source URL (retrieved on *05/19/2013 - 9:29am*):**
http://www.ecnmag.com/news/2012/10/zynga-posts-3q-loss-shares-jump-after-hours