

# FarmVille's Zynga files for \$1 billion IPO (Update)

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Online game creator Zynga plans to file for an initial public offering shortly, in a new test of US investors' appetites for Internet companies, media reports said on Tuesday.

Zynga, maker of FarmVille and other popular online games, filed paperwork Friday for an initial public offering aiming to raise about \$1 billion from the markets.

"By offering our shares to the public we hope to enable Zynga to invest more in play than any company in history," Zynga founder and chief executive Mark Pincus said in the company's IPO registration statement, posted on the website of the US Securities and Exchange Commission.

Zynga expects to raise \$1 billion from the IPO, based on a figure used to calculate its registration fee.

Recent media reports have suggested the company could sell about 10 percent of its shares and command a market valuation of between \$15 and \$20 billion or even higher.

The number of shares to be sold and the price range for the offering have yet to be determined, Zynga said in a statement. The date of the IPO has not been set either.

Founded in 2007, the San Francisco-based software company makes notoriously addictive games which run on top of social networking site Facebook, including Zynga Poker and Mafia Wars.

The company boasts more than 250 million players per month, dwarfing its competitors in the social gaming space.

According to its SEC filing, Zynga enjoyed \$235.4 million in revenue in the first three months of the year, compared to just \$100.9 million in the same period of 2010.

The company turned profitable last year, with a net income of \$27.9 million on total annual revenues of \$597.5 million.

"Zynga financials remind me of Google," Josh Stein, managing director at the venture capital firm Draper Fisher Jurvetson, said on Twitter. "Although perhaps a little less noble in what they do."

More than 2,000 employees work at Zynga developing games such as FarmVille, which allows users to run virtual farms with crops and livestock, including unusual creatures such as purple sheep.

Though the game is free to play, FarmVille players can spend real money to buy virtual goods for their farms, and Zynga has come under criticism for deceptive schemes designed to get players to spend more.

Zynga's filing comes at a time when tech companies, particularly those in social media, have once again become darlings of the stock market.

Zynga will hope to follow in the footsteps of LinkedIn, the professional networking site whose shares more than doubled in price after they debuted on the New York Stock Exchange in May.

Investors are also keeping a close eye on Facebook, which has been rumored to be moving towards going public, and Groupon, which filed its IPO paperwork with the SEC last month.

"Zynga's widely anticipated filing adds to the list of high profile names in the IPO pipeline, including Dunkin' Brands, Toys R Us and Groupon," said Renaissance Capital, a research firm that specializes in public stock offerings.

"With these potential deals, the global IPO market is on track to see a resurgence in activity in the coming months."

While some recent IPOs have faltered -- like Prada's debut on the Hong Kong Stock Exchange -- high-profile tech flotations like that of Zynga or Groupon are likely to do well, said Bill Buhr, an analyst with Morningstar.

"Everybody's been waiting for them, so they have a chance to do well in what's becoming a weaker environment in general for IPOs. I expect Zynga to be successful at this stage," Buhr said.

Some critics say, however, that the recent enthusiasm for initial tech company listings on the markets is not justified by the companies' fundamental valuations and may be part of a new tech bubble, along the lines of the dot-com boom of 1999-2000.

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