

# Zynga posts 4Q net loss on IPO-related stock costs

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In this Dec. 16, 2011 file photo, the corporate logo for Zynga, center, is shown on an electronic billboard at the Nasdaq MarketSite, in New York. Zynga Inc., releases quarterly financial results Tuesday, Feb. 14, 2012, after the market close. (AP Photo/Mark Lennihan, File)

(AP) -- Online game maker Zynga Inc. reported a net loss in the last three months of 2011, weighed by hefty stock-compensation expenses and other costs in its first quarter as a public company.

Its adjusted earnings and revenue skidded past Wall Street's expectations, but that wasn't enough to lift the stock of the company behind the most popular games played on Facebook. Zynga's stock fell 6 percent in after-hours trading following its report.

San Francisco-based Zynga said Tuesday that it lost \$435 million, or

\$1.22 per share, in the fourth quarter. That's down from earnings of \$16.1 million, or 5 cents per share, a year earlier when it was still privately held.

Adjusted earnings were 5 cents per share in the latest quarter, surpassing Wall Street's expectations by 2 cents. This figure excludes one-time items, including \$510 million in stock-compensation expenses triggered by Zynga's initial public offering of stock in mid-December.

Revenue rose 59 percent to \$311 million as Zynga grew its user base, ad revenue and the money it makes from games such as "CityVille," "FarmVille and "Zynga Poker." Analysts surveyed by FactSet were expecting \$302 million.

Zynga's IPO raised \$1 billion, at the time the largest U.S. IPO by an Internet company since Google's in 2004. Facebook, though, is expected to dwarf both when it goes public in the next few months. The world's largest online social network plans to raise \$5 billion in an IPO that could value the company at as much as \$100 billion. In comparison, Zynga's market capitalization was about \$10 billion as of Tuesday.

Zynga relies on its Facebook games for nearly all of its revenue, though it has been working on expanding to other areas, notably mobile devices. "Words With Friends," a Scrabble-like game played mainly on smartphones, is one of its best-known titles. Of the 12 games Zynga launched last year, eight were for mobile devices.

The company said it had 54 million daily active users in the fourth quarter, up 13 percent from 48 million a year earlier.

"Zynga set new records in the year in terms of audience size, revenues and bookings," CEO Mark Pincus said in a statement. "We saw great momentum in mobile and advertising and ended the year with a strong

pipeline of new games."

For all of 2011, Zynga lost \$404 million, or \$1.40 per share, down from earnings of \$27.9 million, or 11 cents per share, in 2010. Revenue nearly doubled to \$1.14 billion from \$597 million.

The company expects adjusted earnings of 24 cents to 28 cents in 2012. Analysts are forecasting earnings of 23 cents per share.

Getting no Valentine's Day love from investors, Zynga's stock fell 87 cents, or 6.1 percent, to \$13.48 in after-hours trading Tuesday. The stock closed up 93 cents, or nearly 7 percent, at \$14.35. Zynga's stock price has ranged from \$7.97 to \$14.44 since its IPO, which priced at \$10.

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