Zynga holders plan to sell up to $400M in stock

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Zynga shareholders may sell up to $400 million of stock through a public offering, three months after the online game maker went public, to try to avoid a drop in its stock price.

The San Francisco-based company said Wednesday that shareholders are selling stock to "facilitate an orderly distribution of shares." This means the company wants to make sure its stockholders don't sell a lot of stock all at once when the post-IPO "lock-up" period expires. Early investors typically must wait about six months to sell off parts of their stakes after an initial public offering. The expected wave of share sales can weigh on a newly public company's stock price.

But the company said it is releasing the selling stockholders from the lock-up, which was set to end on May 28. In exchange, selling shareholders, which could include company directors and executives, will agree to longer lock-up agreements for shares that they are not selling. This should stagger stock sales over a longer period so that many stockholders aren't shedding their shares on one day and driving down Zynga's stock price.

Besides stabilizing stock sales, the company also wants to increase the number of its outstanding shares with the offering. Zynga Inc. won't receive any proceeds from the sales.

Zynga, whose games are played mainly on Facebook, went public in mid-December at $10 per share. The stock closed at $13.38 on Tuesday and climbed 8 cents to $13.46 in late morning trading Wednesday.

The company has about 721 million shares outstanding, according to FactSet, and a market capitalization of $9.6 billion. The planned stock sale comes ahead of Facebook's initial public offering, expected to take place later this spring. The IPO could value Facebook between $75 billion and $100 billion.

Morgan Stanley and Goldman Sachs are managing the Zynga offering.