

Zynga stock sinks after lowered 2012 outlook

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(AP)—Troubled Zynga's stock is trading near its lowest level ever Friday after the online game maker behind "FarmVille" forecast a third quarter loss amid weak demand for its Web-based games. It's also taking a hefty charge related to its March acquisition of mobile game company OMGPop.

Zynga Inc., also known for "Words With Friends" and "Mafia Wars," said late Thursday that it expects to post a loss for the third quarter, largely because of the \$85 million to \$95 million charge on the OMGPop purchase. It bought the company behind "Draw Something" for \$183 million.

Baird analyst Colin Sebastian said Zynga's transition from Web-based Facebook games to mobile is "more painful than expected." He downgraded the company to "Neutral" from "Outperform" and cut his target price to \$3 from \$6.

"Despite our mis-timed upgrade earlier in the summer, it is clear that Zynga will not be able to counterbalance social gaming (challenges) this year with its success in mobile and its broader network buildout," the analyst wrote in a note to investors.

Zynga is trying to reduce its dependence on Facebook, where the bulk of its games are played, by focusing on mobile games and Zynga.com, its online game network.

Wedbush analyst Michael Pachter also cut his target price, to \$4 from

\$7, but kept an "Outperform" rating on Zynga. He thinks the stock has a "significant" potential to trade higher, which is why he decided not to downgrade it following the disappointing outlook.

Sterne Agee analyst Arvind Bhatia, who's been one of the most bearish analysts on Zynga and does not have a target price, said he expects "significant layoffs in the coming months" at the company. He called the size of the company's 2012 guidance reduction "surprising."

Zynga now expects 2012 bookings of nearly \$1.09 billion to \$1.1 billion, down from earlier expectations of between \$1.15 billion to \$1.23 billion. Bookings reflect in-game purchases of virtual goods in the quarter they occur.

Zynga's stock fell 48 cents, or 17.1 percent at \$2.33 in afternoon trading. It hit an all-time low of \$2.21 earlier in the session. The San Francisco company went public Dec. 16. Its stock had priced at \$10 the night before, but Zynga was one of the few social media companies to close lower on its first trading day, at \$9.50.

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