

Zynga founder's return as CEO drags down game maker's stock

April 9 2015, by Michael Liedtke



In this Tuesday, June 26, 2012, file photo, Zynga CEO Mark Pincus talks about the Zynga logo during an announcement at Zynga headquarters in San Francisco. Effective Wednesday, April 8, 2015, Pincus is back as CEO of Zynga, the online game company he founded and two years ago turned over to Don Mattrick, the former head of Microsoft's Xbox division. (AP Photo/Paul Sakuma, File)

The return of Zynga founder Mark Pincus as the digital game maker's CEO is bringing back bad memories about the problems that prompted

him to step down as the company's leader nearly two years ago.

Zynga's stock shed 52 cents, or nearly 18 percent, to close Thursday at \$2.38 as investors reacted to an abrupt change in command announced late Wednesday. It marked the largest one-day drop in Zynga's stock price since July 2012, one of the low points during Pincus' first stint as CEO.

Former Microsoft executive Don Mattrick replaced Pincus in 2013, but his turnaround attempt ended with his resignation late Wednesday. Pincus, Zynga's controlling shareholder, reclaimed the CEO job instead of bringing in another outsider.

With Pincus at the helm, Zynga lost more than \$600 million in 2011 and 2012 as once-trendy games like "FarmVille" fell out of favor. The downturn caused Zynga's stock to drop more than 70 percent from its December 2011 initial public offering price of \$10, pressuring Pincus to get help from a new CEO.

Mattrick laid off Zynga workers and cut other costs while sharpening the San Francisco company's focus on developing games tailored for smartphones and tablets in an effort to adapt to a mobile computing shift that Pincus missed.

Now that he is back in charge, Pincus is pledging to continue Zynga's mobile push with upcoming games like "Empires & Allies" and "Dawn of Titans" while innovating in other areas, as well.

Analysts, though, are skeptical that Pincus is any better suited for the job this time than he was when he relinquished the reins in July 2013.

In a Thursday research note, Cowen and Company analyst Doug Creutz called Pincus' return as CEO surprising because of the lack of innovation

and uninspiring games that emerged during his first time running Zynga.

"We suspect Pincus' return will bring more internal disruption to a company that has had few moments of peace over the last three years, and as we have often said, disruption is not conducive to a successful creative process," Creutz wrote.

Sterne Agee analyst Arvind Bhatia is worried Mattrick's departure will prod other key Zynga executives to leave, too.

Zynga described Mattrick's departure as a voluntary move, but he is receiving severance pay that he is entitled under a "constructive termination," according to regulatory documents. Mattrick's parting payout includes \$4 million in cash and accelerated vesting of 5.1 million shares of restricted stock currently worth about \$12.5 million.

Pincus is expected to address investors May 7 when Zynga Inc. is scheduled to release its first-quarter earnings report.

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