

ZYNGA INC  
Form S-1  
March 14, 2012  
Table of Contents

As filed with the Securities and Exchange Commission on March 14, 2012

Registration No. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM S-1**  
**REGISTRATION STATEMENT**

Under

The Securities Act of 1933

**Zynga Inc.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**7371**  
(Primary Standard Industrial  
Classification Code Number)  
**699 Eighth Street**

**42-1733483**  
(I.R.S. Employer  
Identification Number)

**San Francisco, CA 94103**

**(855) 449-9642**

(Address, including zip code and telephone number, of Registrant's principal executive offices)

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David M. Wehner

Zynga Inc.

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San Francisco, CA 94103

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Approximate date of commencement of proposed sale to the public:

As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

CALCULATION OF REGISTRATION FEE

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<b>Title of Each Class of Securities to be Registered</b>	<b>Proposed Maximum Aggregate Offering</b>	<b>Amount of Registration Fee</b>
Class A Common Stock, \$0.00000625 par value per share	Price <sup>(1)(2)</sup> \$400,000,000	\$45,840

- (1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
- (2) Includes offering price of any additional shares that the underwriters have the option to purchase.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission acting pursuant to said Section 8(a), may determine.**

**Table of Contents**

**The information in this preliminary prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities, and we and the selling stockholders are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.**

*PROSPECTUS (Subject to Completion)*

*Issued March 14, 2012*

## *Shares*

### *Class A Common Stock*

*Certain stockholders of Zynga Inc. are offering                      shares of Class A common stock. We will not receive any proceeds from the sale of shares by the selling stockholders.*

*We have three classes of authorized common stock, Class A common stock, Class B common stock and Class C common stock. The rights of the holders of each class are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to seven votes per share. Each share of Class C common stock is entitled to 70 votes per share. Each share of the Class B common stock and Class C common stock is convertible at any time into one share of Class A common stock. Following this offering, outstanding shares of Class B common stock will represent approximately   % of the voting power of our outstanding capital stock following this offering, and outstanding shares of Class C common stock will represent approximately   % of the voting power of our outstanding capital stock following this offering. Mark Pincus, our founder and Chief Executive Officer, holds shares of Class B common stock and all of the shares of Class C common stock and will control approximately   % of the total voting power of our outstanding capital stock immediately following this offering.*

*Our Class A common stock is listed on the NASDAQ Global Select Market under the symbol ZNGA. On March 13, 2012, the last reported sale price of our Class A common stock on the NASDAQ Global Select Market was \$13.38 per share.*

*Investing in our Class A common stock involves risks. See **Risk Factors** beginning on page 13.*

*PRICE \$ A SHARE*

	<i>Price to Public</i>	<i>Underwriting Discounts and Commissions</i>	<i>Proceeds to Selling Stockholders</i>
<i>Per Share</i>	\$	\$	\$
<i>Total</i>	\$	\$	\$

*The selling stockholders have granted the underwriters the right to purchase up to an additional \_\_\_\_\_ shares of Class A common stock. We will not receive any proceeds from the sale of shares by the selling stockholders.*

*The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.*

*The underwriters expect to deliver the shares of Class A common stock to purchasers on \_\_\_\_\_, 2012.*

**MORGAN STANLEY**  
*BofA MERRILL LYNCH*

**BARCLAYS CAPITAL**  
**ALLEN & COMPANY LLC**

**GOLDMAN, SACHS & CO.**  
**J.P. MORGAN**

, 2012

**Table of Contents****TABLE OF CONTENTS**

	<b>Page</b>
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	13
<u>Special Note Regarding Forward-Looking Statements</u>	31
<u>Market Data and User Metrics</u>	33
<u>Use of Proceeds</u>	34
<u>Dividend Policy</u>	34
<u>Selected Consolidated Financial Data</u>	35
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	39
<u>Business</u>	63
<u>Management</u>	85
<u>Executive Compensation</u>	92
	<b>Page</b>
<u>Certain Relationships and Related Person Transactions</u>	112
<u>Principal and Selling Stockholders</u>	116
<u>Description of Capital Stock</u>	120
<u>Shares Eligible for Future Sale</u>	125
<u>Material United States Federal Income Tax Consequences to Non-U.S. Holders of Our Class A Common Stock</u>	128
<u>Underwriting</u>	131
<u>Legal Matters</u>	137
<u>Experts</u>	137
<u>Where You Can Find More Information</u>	137
<u>Index to Consolidated Financial Statements</u>	F-1

You should rely only on the information contained in this prospectus or contained in any free writing prospectus filed with the Securities and Exchange Commission. Neither we, the selling stockholders, nor the underwriters have authorized anyone to provide you with additional information or information different from that contained in this prospectus or in any free writing prospectus filed with the Securities and Exchange Commission. The selling stockholders are offering to sell, and seeking offers to buy, our Class A common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our Class A common stock.

For investors outside of the United States: Neither we, the selling stockholders, nor the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus outside of the United States.

References in this prospectus to "DAUs" mean daily active users of our games, "MAUs" mean monthly active users of our games, "MUUs" mean monthly unique users of our games, "MUPs" mean monthly unique payers of our games and "ABPU" means average daily bookings per average

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DAU. Unless otherwise indicated, these metrics are based on internally-derived measurements across all platforms on which our games are played. For further information about DAUs, MAUs, MUUs, MUPs and ABPU as measured by us, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Key Metrics – Key Operating Metrics.” We also refer in this prospectus to DAUs and MAUs as measured and published by AppData, an independent service that publicly reports traffic data for games and other applications on Facebook. For further information about DAUs and MAUs as measured by AppData, including an explanation of differences between these metrics as measured by AppData and the corresponding metrics as measured by us, see the section titled “Market Data and User Metrics – User Metrics.”

**Table of Contents**

**PROSPECTUS SUMMARY**

*The following summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our Class A common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes included in this prospectus and the information set forth under the headings Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations.*

**ZYNGA INC.**

**Our Vision for Play**

We founded Zynga in 2007 with the vision that play like search, share and shop would become one of the core activities on the Internet. As a pioneer of online social games, we have made them accessible, social and fun. We are excited that games have grown to become the second most popular online activity in the United States by time spent, even surpassing email. We have a lot of hard work, innovation and growth ahead of us to create a future where social games are a daily habit for nearly everyone.

**Our mission is to connect the world through games.**

**Overview**

We are the world's leading provider of social game services with 240 million average monthly active users, or MAUs, in 175 countries. We have launched the most successful social games in the industry in each of the last three years and have generated over \$1.85 billion in cumulative revenue and over \$2.35 billion in cumulative bookings since our inception in 2007. Our games are accessible to players worldwide on Facebook and other social networks, mobile platforms and Zynga.com, wherever and whenever they want. Currently, substantially all of our revenue is generated from players accessing our games via the Facebook platform. We operate our games as live services, by which we mean that we continue to support and update games after launch and gather daily, metrics-based player feedback that enables us to continually enhance our games by adding new content and features. Most of our games are free to play, and we generate revenue primarily through the in-game sale of virtual goods and advertising.

We believe our leadership position in social games is the result of our significant investment in our people, content, brand, technology and infrastructure. Our leadership position in social games is defined by the following:

***Large and Global Community of Players.*** According to AppData, as of December 31, 2011, we had the largest player audience on Facebook, with more MAUs than the next 15 social game developers combined. Our players are also more engaged, with our games being played by 57 million average daily active users, or DAUs, worldwide as of December 31, 2011. According to AppData, as of December 31, 2011, our games were played by more DAUs than the next 14 social game developers combined.

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**Leading Portfolio of Social Games.** We have many of the most popular and successful online social games, including *CityVille*, *FarmVille*, *CastleVille*, *Hidden Chronicles*, *Words with Friends* and *Zynga Poker*. As of December 31, 2011, according to AppData, we had the top five social games on Facebook based on DAUs. On mobile platforms, we have several of the most popular games, including *Words with Friends* and *Hanging with Friends*, which were the top two games in the word category based on the number of downloads from the Apple App Store for iPhone as of December 31, 2011. In February 2012, Apple announced that *Words with Friends* was the number one free game app of all time on the iPhone.

## **Table of Contents**

**Rapid Game Growth.** Our games have achieved rapid and widespread adoption. *FarmVille* grew to 43 million MAUs in its first 100 days and *CityVille* grew to 61 million MAUs in its first 50 days. *CastleVille*, which launched in November 2011, reached 30 million MAUs in its first 25 days.

**Scalable Technology and Data.** We process and serve more than a petabyte of content for our players every day, a volume of data that we believe is unmatched in the social game industry. We continually analyze game data to optimize our games. We believe that combining data analytics with creative game design enables us to create a superior player experience.

We leverage our scale to increase player engagement, cross-promote our portfolio of games, continually enhance existing games, launch new games and build the Zynga brand. We believe our scale results in network effects that deliver compelling value to our players, and we are committed to making significant investments that will further grow our community of players, their engagement and our monetization over time.

We have achieved significant growth in our business in a short period of time. From 2009 to 2011, our revenue increased from \$121.5 million to \$1.14 billion and our bookings increased from \$328.1 million to \$1.16 billion. For a discussion of the limitations associated with using bookings rather than the comparable U.S. generally accepted accounting principles ( GAAP ) measure and a reconciliation of this measure to revenue, see the section titled Selected Consolidated Financial Data Non-GAAP Financial Measures.

During the three months ended December 31, 2011 we had approximately 2.9 million monthly unique payers, or MUPs (excluding payers who use certain payment methods for which unique payer data is not available). Because the opportunity for social interactions increases as the number of players increases, we believe that maintaining and growing our overall number of players, including the number of players who may not purchase virtual goods, is important to the success of our business. As a result, we believe that the number of players who choose to purchase virtual goods will continue to constitute a small portion of our overall players as our business grows.

## **Our Opportunity**

Our opportunity is being driven by the confluence of three primary trends regarding how people use, communicate through and socialize on the Internet:

**Growth of Social Networks.** Over the past decade, social networks have emerged as mainstream platforms that enable people to connect with each other online, share information and enjoy experiences with their friends and families. IDC, a market research firm, estimates that there were approximately 1.1 billion users of social networks globally, including over 845 million active users on Facebook, in 2011. IDC forecasts that the number of users on social networks globally will grow to 1.6 billion by 2014.

**Emergence of the App Economy.** In order to provide users with a wider range of engaging experiences, social networks and mobile operating systems have opened their platforms to developers, transforming the creation, distribution and consumption of digital content. We refer to this as the App Economy. In the App Economy, developers can create applications accessing unique features of the platforms, distribute applications digitally to a broad audience and regularly update existing applications.

**Rapid Growth of Free-to-Play Games.** Most social games are free to play and generate revenue through the in-game sale of virtual goods. According to In-Stat, a market intelligence firm, the worldwide market for the sale of virtual goods was estimated to be more than \$9 billion in 2011 and is expected to grow to \$15 billion by 2014. Compared to pay-to-play business models, the free-to-play approach tends to attract a wider audience of players, thereby increasing the number of players who have the potential to become

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paying users. By attracting a larger audience, the free-to-play model also enables a higher degree of in-game social interaction, which enhances the game experience for all players.

## **Table of Contents**

We believe social games represent a new form of entertainment that will continue to capture an increasing proportion of consumer leisure time. In addition, social games are the most popular applications on Facebook and we believe they have been, and will continue to be, a key driver of engagement on social networks, and increasingly on mobile platforms. As consumers gravitate toward more social forms of online entertainment, we believe that social games will capture an increasing portion of the overall \$50 billion video game software market and \$83 billion online advertising market, as estimated for 2011 by IDC, as well as the global entertainment market.

Our social games leverage the global connectivity and distribution on Facebook, other social networks and mobile platforms, such as Apple iOS and Google Android. In addition to these third-party platforms, on March 1, 2012, we announced the Zynga Platform, which includes Zynga.com, a new destination for social games, and Zynga Platform Partners, a program that allows third-party game developers to create and publish games on Zynga.com. On March 5, 2012, we launched the beta version of Zynga.com. As a destination dedicated to social games, Zynga.com allows players to play with existing friends and connect with other players who share a common interest in our games. Zynga.com currently offers five of our top games, including *CityVille*, *CastleVille* and *Words with Friends*, and, in the future, will offer games from our third-party developer partners. In addition, because Zynga.com is integrated with Facebook, our players can continue to log in with their Facebook ID, easily play games with their existing Facebook friends and use Facebook Credits to purchase virtual goods.

## **Our Player-Centric Approach**

We believe that a player-centric approach is the key to our continued success. We design our games to be:

***Accessible by Everyone, Anywhere, Anytime.*** Our games are easy to learn, playable in short sessions and accessible on multiple platforms. We operate our games as live services that can be played anytime and anywhere.

***Social.*** We believe games are most engaging and fun when they are social. We have devoted significant efforts to providing our community of players with simple ways to find their friends online and connect, play and share with them.

***Free.*** Our free-to-play approach attracts a larger audience than a traditional pay-to-play approach. This enables a higher degree of social interaction and improves the game experience for all players. Our players can choose to purchase virtual goods to enhance their game experience.

***Fun.*** We keep our games fun and engaging by regularly delivering new content, features, quests, challenges and virtual goods that enhance the experience for our players.

***Supportive of Social Good.*** Our players are able to enjoy fun social games while also contributing to charitable causes that they support through the purchase of special virtual goods.

## **Our Core Strengths**

We believe the following strengths provide us with competitive advantages:

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***Deep Base of Talent.*** Our unique company culture serves as the foundation of our success and helps us attract, grow and retain world class talent. We believe our culture and success to date have made us an employer of choice amongst innovators in our industry.

***Large and Global Community of Players.*** We have 240 million average MAUs in 175 countries. According to AppData, as of December 31, 2011, we had more MAUs on Facebook than the next 15 social game developers combined.

**Table of Contents**

**Leading Portfolio of High Quality Social Games.** Our portfolio of games includes many of the most popular and successful social games on social networks and mobile platforms, including *CityVille*, *FarmVille*, *CastleVille*, *Hidden Chronicles*, *Words with Friends* and *Zynga Poker*. As of December 31, 2011, we had the top five games on Facebook, based on DAUs, as measured by AppData.

**Sophisticated Data Analytics.** The extensive engagement of our players provides over 15 terabytes of game data per day that we use to enhance our games by designing, testing and releasing new features on an ongoing basis.

**Scalable Technology Infrastructure and Game Engines.** We have invested extensively in developing proprietary technology to support the growth of our business. We have developed a flexible game engine that we leverage for the development and launch of new games. With each release, we add features and functionality to improve our core code base for future game development.

**Powerful Network Effects.** Because of our large community, our players are more likely to find and connect with others to play and build relationships. Our games are more social and fun as more people play them, creating an incentive for existing players to encourage their friends and family to play.

**Our Key Metrics**

We measure our business by using several key financial metrics, which include bookings and adjusted EBITDA, and operating metrics, which include DAUs, MAUs, MUUs, MUPs and ABPU. Our operating metrics help us to understand and measure the engagement levels of our players, the size of our audience, our reach and overall monetization of our players.

For a description of how we calculate each of our key metrics and factors that have caused fluctuations in these metrics, see the section titled Management's Discussion and Analysis of Financial Condition and Results of Operations Key Metrics.

In July 2010, we began migrating to Facebook Credits as the primary payment method for our games played through Facebook, and by April 2011, we had completed this migration. Facebook remits to us an amount equal to 70% of the face value of Facebook Credits purchased by our players for use in our games played through Facebook. We record bookings and recognize revenue net of the amounts retained by Facebook.

The table below shows the metrics for the eight quarters indicated:

	For the Three Months Ended							
	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011
	(in millions, except MUPs and ABPU)							
Bookings	\$ 178	\$ 195	\$ 222	\$ 243	\$ 287	\$ 275	\$ 288	\$ 307
Revenue	\$ 101	\$ 130	\$ 171	\$ 196	\$ 243	\$ 279	\$ 307	\$ 311
Adjusted EBITDA	\$ 94	\$ 94	\$ 102	\$ 103	\$ 112	\$ 65	\$ 58	\$ 68
Net Income (Loss)	\$ 6	\$ 14	\$ 27	\$ 43	\$ 17	\$ 1	\$ 13	\$ (435)
Average DAUs	67	60	49	48	62	59	54	54
Average MAUs	236	234	203	195	236	228	227	240
Average MUUs	124	119	110	111	146	151	152	153
Average MUPs (in thousands)	NA	NA	NA	NA	NA	NA	2,568	2,901
ABPU	\$ 0.030	\$ 0.036	\$ 0.049	\$ 0.055	\$ 0.051	\$ 0.051	\$ 0.058	\$ 0.061

NA means data is not available.

## **Table of Contents**

### **Our Strategy**

Our mission is to connect the world through games. In pursuit of our mission, we encourage entrepreneurship and intelligent risk taking to produce breakthrough innovations, which we call bold beats. The key elements of our strategy are:

***Make Games Accessible and Fun.*** We operate our games as live services that are available anytime and anywhere, including on Zynga.com. We design our social games to provide players with easy access to shared experiences that delight, amuse and entertain, and we will continue to update our games on an ongoing basis with fresh content and new features to make them more social and fun for our players.

***Enhance Existing Franchises.*** We will continue to enhance our market-leading franchises including *CityVille*, *FarmVille*, *CastleVille*, *Words with Friends* and *Zynga Poker*. We regularly update our games after launch to encourage social interactions, add new content and features and improve monetization.

***Launch New Games.*** We will continue to invest in building new games to expand the genres of games that we offer, further engage with our existing players and attract new players. With our Zynga Platform Partners program, we enable third-party developers to reach our community of 240 million average MAUs and will allow our players to access a greater number of genres and games.

***Continue Mobile Growth.*** We believe there is a large opportunity to extend our brand and games to mobile platforms such as Apple iOS and Google Android. We will continue to make our games accessible on a large number of mobile and other Internet-connected devices and invest in developing and acquiring mobile development talent, technologies and content.

***Continue International Growth.*** We have seen significant growth in the number of our players in international markets. We have games available in up to 16 languages. We intend to expand our international audience by making more of our games available in multiple languages, creating more localized game content and partnering with leading international social networking sites and mobile partners.

***Extend Our Technology Leadership Position.*** Our proprietary technology stack and data analytics are competitive advantages that enhance our ability to create the world's best social games. We will continue to innovate and optimize our network infrastructure to cost-effectively ensure high performance and high availability for our social games. We believe continued investments in infrastructure and systems will allow us to extend our technology leadership.

***Increase Monetization of Our Games.*** We plan to offer increased selection, better merchandising and more payment options to increase the sales of our virtual goods. Our players purchase these virtual goods to extend their play sessions, personalize their game environments, accelerate their progress or send unique gifts to their friends. We will also continue to pursue additional revenue opportunities from advertising, including branded virtual goods and sponsorships.

### **Risks Associated with Our Business**

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled "Risk Factors" immediately following this prospectus summary. Some of these risks are:

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if we are unable to maintain a good relationship with Facebook, our business will suffer;

we operate in a new and rapidly changing industry, which makes it difficult to evaluate our business and prospects;

we have a new business model and a short operating history, which makes it difficult to evaluate our prospects and future financial results and may increase the risk that we will not be successful;

**Table of Contents**

we rely on a small portion of our total players for nearly all of our revenue;

our growth prospects may suffer if the Zynga Platform is unsuccessful;

we expect our bookings and revenue growth rate to decline and anticipate operating margins may decline in the future;

a small number of games have generated a majority of our revenue, and we must continue to launch and enhance games that attract and retain a significant number of players in order to grow our revenue and sustain our competitive position;

if our top games do not maintain their popularity, our results of operations could be harmed;

any failure or significant interruption in our network could impact our operations and harm our business;

security breaches, computer viruses and computer hacking attacks could harm our business and results of operations;

failure in pursuing or executing new business initiatives could have a material adverse impact on our business and future growth;

expansion into international markets is important for our growth, and as we expand internationally, we face additional business, political, regulatory, operational, financial and economic risks, any of which could increase our costs and hinder such growth; and

the three class structure of our common stock has the effect of concentrating voting control with those stockholders who held our stock prior to this offering, including our founder and Chief Executive Officer and our other executive officers, employees and directors and their affiliates; this will limit your ability to influence corporate matters.

**Corporate Information**

We were originally organized in April 2007 as a California limited liability company under the name Presidio Media LLC, and we converted to a Delaware corporation in October 2007. We changed our name to Zynga Inc. in November 2010. Our principal executive offices are located at 699 Eighth Street, San Francisco, CA 94103, and our telephon