Zynga Buying 'Clumsy Ninja' Maker, Cutting Staff

Associated Press

SAN FRANCISCO (AP) — Zynga Inc. said Thursday it is buying NaturalMotion, the company behind the hit mobile games "CSR Racing" and "Clumsy Ninja," while cutting 15 percent of its

workforce in a turnaround effort.

The company moved up the release of its fourth-quarter earnings results by a full week to coincide with the announcement of the $527 million acquisition and the job cuts. Investors sent its shares up 63 cents, or 18 percent, to $4.19 in after-hours trading.

Zynga has been cutting jobs and posting losses as game players increasingly turn to smartphones and tablets. The company's biggest hits, including "FarmVille" and "Mafia Wars," have mostly been played on desktop and laptop computers. By buying NaturalMotion, it hopes to bolster its mobile games as its core business deteriorates.

King.com, the maker of the popular "Candy Crush Saga," has replaced Zynga as the No. 1 maker of games played on Facebook.

But the company said it plans to release "FarmVille" onto mobile devices in the second quarter, which it expects will help it reverse a long slide in audience and "bookings" — a precursor to revenue — at least for the remainder of the year.

"We anticipate that (the first quarter) will be the bottom," said CEO Don Mattrick in a conference call with investors. Mattrick left Microsoft's Xbox division last July to take over as Zynga ousted founder Mark Pincus.

NaturalMotion will give Zynga exclusive access to its groundbreaking game engine, called Euphoria, on mobile platforms. The engine is what powers the human-like motions of the character in "Clumsy Ninja," who can be hoisted, tickled and flung around with a few finger taps and swipes.

"It's a risky bet, but certainly they were in a position where they needed to be aggressive," said Benchmark analyst Mike Hickey. "Don is well respected by the Street so they're giving him the benefit of the doubt."

The most recent job cuts come to 314 employees, and Zynga expects to save $33 million to $35 million this year from them.

The company has already made significant cuts to its workforce. It has about 2,100 employees, down from a peak of 3,300 in 2012.

Chief Operating Officer Clive Downie said the staff reorganization would trim development of games that weren't in popular categories where Zynga could be No. 1. It will also reduce the number of employees in support roles not working directly on games in order to speed up decision-making and increase focus on new hits, which he called "shots on goal."

"The shots on goal have not been numerous enough to compensate for the end-of-life cycle we've seen on certain products," Downie said in an interview.

The San Francisco-based company's loss in the October-December quarter came to $25.2 million, or 3 cents per share. That's down from a loss of $48.6 million, or 6 cents per share, in the same months the year before. Analysts expected a loss of 4 cents per share. Sales plunged 43 percent to $176.4 million, worse than the $183.5 million expected by analysts polled by FactSet.

The NaturalMotion acquisition is expected to add a penny per share to Zynga's adjusted profit this year. Zynga said Thursday that it expects an adjusted profit of 1 to 3 cents per share in 2014, above the 4 cents per share loss analysts were forecasting.

Source URL (retrieved on *09/02/2014 - 3:42pm*):
http://www.wirelessweek.com/news/2014/01/zynga-buying-clumsy-ninja-maker-cutting-staff