

Exhibit 14

Company Name: Zynga Inc

Market Cap: 2,278.90

Bloomberg Estimates - EPS

Company Ticker: ZNGA US

Current PX: 3.00

Current Quarter: 0.025

Date: 2012-02-14

YTD Change(\$): -6.41

Current Year: 0.061

Event Description: Q4 2011 Earnings Call

YTD Change(%): -68.119

Bloomberg Estimates - Sales

Current Quarter: 292.750

Current Year: 1235.150

Q4 2011 Earnings Call

Company Participants

- Mike Gupta
- Mark J. Pincus
- John Schappert
- David M. Wehner

Other Participants

- Scott W. Devitt
- Mark Alan May
- Doug Creutz
- Arvind Bhatia
- Richard Greenfield
- Atul Bagga
- Douglas Anmuth
- Justin Post
- Ben Schachter
- Daniel Ernst
- Mike J. Olson
- Colin A. Sebastian

MANAGEMENT DISCUSSION SECTION

Operator

Good day, ladies and gentlemen and welcome to the Zynga's Fourth Quarter and Fiscal 2011 Earnings Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Mike Gupta, Vice President of Finance and Treasurer.

Mike Gupta

Great. Thank you, Juan. Good afternoon, everyone and welcome to Zynga's fourth quarter and fiscal year 2011 earnings conference call. With us on the call today are Mark Pincus, our Chief Executive Officer; John Schappert, our Chief Operating Officer; and David Wehner, our Chief Financial Officer.

Before we begin, I would like to remind you that during the course of this call we will make forward-looking statements, which are subject to various risks and uncertainties. These include statements related to, among other things, our outlook for 2012. Actual results may differ materially from the results predicted.

Factors that could cause or contribute to such differences include our ability to launch new games in a timely manner and to monetize these games, maintaining a good relationship with Facebook, and changes in management or corporate strategy.

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More information about factors that could affect our results is included in under the captions Risk Factors and Management's Discussion and Analysis of Financial Conditions and Results of Operations in our registration statement on Form S-1 filed with the SEC on December 15, 2011.

Also, I would like to remind you that during the course of this call we will make some non-GAAP measures – we will discuss some non-GAAP measures in talking about our financial performance.

Reconciliations to the most directly comparable GAAP financial measures are provided in the tables in the press release and on our Investor Relations website. These non-GAAP measures are not intended to be considered in isolation from, or as a substitute for, or superior to our GAAP results.

This conference call is being broadcast on the internet and is available through the Zynga Investor Relations website, at investor.zynga.com. You can also listen to this call via the following dial-in numbers, 866-515-9839 or 408-774-4582. An audio replay of this call will be available on our Investor Relations website shortly after we conclude this call.

And with that, I would like to turn it over to Mark.

Mark J. Pincus

Thanks, Mike. Good afternoon, everyone. Welcome to our first earnings call as a public company. John and Dave will go over our full year 2011 and Q4 results in detail. But first, I want to share a few highlights from the last year as well as our view on the opportunity ahead.

2011 was another milestone year for Zynga on our mission of connecting the world through games. The world is starting to embrace play, which is quickly emerging as one of the most popular pastimes on the web and mobile.

Social gaming, and more broadly play, is becoming the new TV. Over the past several decades, TV has grown to be the number one pastime because it was free and accessible to everyone. Play is following a similar trend, only faster. As the world adopts free and social gaming, Zynga is well positioned to capture this large and growing market for play.

According to In-Stat, the global market for virtual goods, what we call 'user pay', was \$9 billion in 2011 and is projected to grow to \$15 billion by 2014. We believe the majority of that growth will be in the west and that Zynga will continue to lead that market.

In the past year, we ramped up our advertising business, which has tripled in revenues. This expands our addressable market to the \$4.4 billion in social networking advertising, which is expected to double by 2015, according to Strategy Analytics and to the rapidly growing mobile advertising market, which Gartner forecasts to grow from \$3.3 billion to \$21 billion.

Zynga set new records in 2011 in terms of the audience size, revenues and bookings on web and mobile. We continue to invest in our core franchises like FarmVille and Zynga Poker and establish new franchises in CityVille and CastleVille.

We grew our overall player base 38%, making us the largest provider of play in the western world with 153 million monthly unique users representing 240 million monthly active users. In the past year, we brought social gaming to a mainstream mobile audience growing our mobile daily active users almost five-fold to be the leader with more than 15 million.

We established Words with Friends as a household name in social gaming and successfully extended the With Friends franchise to new genres with Hanging With Friends and Scramble With Friends.

We're also seeing large-scale consumer engagement with the user-pay model which is becoming a more mainstream behavior. We nearly doubled our payer base to 12.2 million payers in 2011. We increased bookings 38% to a record \$1.2 billion.

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This growth was 65% on an apples-to-apples basis, if you adjust for our move to Facebook credits in mid-2010. And finally, we continued to invest heavily in the future of play. We invested \$590 million in capital expenditures and R&D while generating \$300 million in adjusted EBITDA.

Looking forward to 2012, we're excited about the opportunities in front of us. In the last few months, we've launched three breakout games with CastleVille, Hidden Chronicles and Scramble With Friends. We have a strong pipeline for the rest of the year and we've seen great momentum in mobile and advertising businesses, which we expect to continue throughout 2012.

Now, I'll turn it over to John, who will provide more details about our performance.

John Schappert

Thanks, Mark and good afternoon, everybody. We're pleased with the record results we achieved in 2011. We launched four new web games, Empires & Allies, Mafia Wars 2, Indiana Jones Adventure World and CastleVille. Five of our major franchises, FarmVille, CityVille, Zynga Poker, FrontierVille and Café World had record bookings during the year demonstrating longevity of our games.

We ended the year with the top five games on Facebook as measured by daily active users, or DAUs. Our mobile audience grew to over 15 million DAUs at the end of the year and mobile contributed strongly to bookings growth year-over-year. We launched eight new mobile titles in the year, including hits like Hanging With Friends, CityVille Hometown and Dream Zoo.

In 2011, we meaningfully grew our international footprint as our international revenues doubled year-over-year as we expanded through localization. Our games are now available in 17 languages compared to just five languages a year ago. We also grew our advertising and partnership business, tripling revenues year-over-year through innovative in-game campaigns with key advertisers like Capital One, McDonalds and Best Buy.

Before I go into depth on Q4, I'd like to spend a few minutes describing how our business model sets us apart from other entertainment companies. First, we develop and manage our games as live services. Our games are more like TV series than one off movies. We typically add new features on a weekly basis to keep our games fresh and new so our players stay engaged.

In most entertainment, revenues peak shortly after launch and then quickly decay. And Zynga's live service model, our games live on for years and continue to grow bookings long after launch. In fact, Zynga Poker our oldest franchise continues to deliver record bookings four years after launch.

We continue to invest in our key franchises after launch by regularly shipping expansions and major new features. In 2011, we successfully introduced several expansions including English Countryside and Lighthouse Cove and FarmVille, Pioneer Trail and Ghost Town in FrontierVille, Catering in Café World, Governor's Run in CityVille and one-on-one Poker in Zynga Poker, all of which drove bookings and DAU growth.

Now, I'm going to highlight three key competitive strengths of Zynga: first, our industry-leading technology and infrastructure; second, our proprietary data and analytics platform; and third, our network of 240 million monthly active users or MAUs.

Let me illustrate how these strengths drove our performance in 2011. We have developed proprietary social game engines that are robust, scalable, and fast. They incorporate the latest technologies and support a multitude of platforms. And we've built our own infrastructure, the zCloud to handle the tens of millions of players we serve each day.

We migrated a number of our key games over to the zCloud which provides ongoing network savings and enhanced performance for our players. By the end of the year, nearly 80% of our DAUs were hosted in the zCloud compared to just 20% at the beginning of the year.

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Our technology sets us apart from other companies in our space, and helps our games scale higher and perform faster while keeping costs down.

Another Zynga advantage is our data and analytics platform, which drives the longevity and monetization of our games. We are a metrics-driven company and we use data to make just about every decision in our games. In 2011, we used our data and analytics to prioritize our localization efforts by analyzing which geographies and languages have the highest ROI.

We also increased player engagement by using analytics to personalize features based on individual player history. Our data and analytics are key to keeping our players playing and paying and are the reason why we have so many active franchises years after launch.

Our third advantage is the Zynga network. It is incredibly powerful for cross-marketing new games or new features in existing games. CastleVille is a great example of Zynga's powerful cross promotion engine.

During the fourth quarter, we delivered a major franchise with the launch of CastleVille. Within two days of launching cross promotion, the DAUs for the game grew eight-fold to nearly 6 million, and in less than two weeks after launch it climbed to over seven million DAUs, to become one of the most popular games on Facebook. Thanks in large part to the power of the Zynga network.

Now let me talk about Q4. Q4 marked the start of a very busy launch period for Zynga. Our web-based games delivered a record fourth quarter. We launched seven games, including two web titles, CastleVille and Mafia Wars 2.

For the quarter, Mafia Wars 2 came in below our expectations, while CastleVille came in above our expectations. We also released the strong holiday expansions in our key franchises, including Winter Wonderland and FarmVille and Holiday Saga and CityVille.

Our mobile-based games also had a record quarter in Q4. We saw mobile DAUs climb, driven by the launch of five mobile games; ZombieSmash, Mafia Wars Shakedown, Dream Zoo, CityVille Holidaytown and Forestville. Most importantly, our mobile players love our games. Our average rating in the Apple App Store for our games was 4.3 stars in the quarter.

Our Words with Friends franchise crossed in the mainstream culture and it's currently the number one game on Facebook and DAUs according to app data. And that doesn't even include all of the non-Facebook players. We have strong momentum in mobile and ended Q4 with over 15 million mobile DAUs.

In Q4, our advertising and partnership revenue tripled year-over-year showing real momentum. Advertising is a key growth area for our company as advertisers see the benefit of the engaged audiences that our social games provide. Key advertisers in the quarter included Best Buy and McDonald's.

Building on our two-year relationship with American Express, we recently signed a strategic partnership with Serve, American Express' digital payments platform. The partnership will enable us to create a product that will directly link players' Zynga account to the Serve digital payment platform. Together, we believe we'll be able to deliver added value to players by introducing a different kind of loyalty program linked to end game rewards.

We also recently announced a multi-year exclusive licensing partnership with Hasbro, where Hasbro will develop a wide range of toy and game experiences based on Zynga's popular social games and brands. We're very excited to partner with Hasbro and extend our online play into physical play.

Looking to this year, even though it's still early in 2012, we are off to a good start. In January, we launched Hidden Chronicles on Facebook, our first entry into the hidden objects genre. Hidden Chronicles has grown to over 7 million DAUs and was the third most played game on Facebook in January.

We also released Scramble With Friends for mobile in January, and it quickly became one of the top five paid apps in the Apple Apps Store, demonstrating the strength of our "With Friends" brand. It also illustrates the power of Zynga's network and cross-promotion engine for mobile platforms.

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So far this quarter, our network of players continues to increase, with daily active users, monthly active users and monthly unique users all showing growth. Zynga has a lot of opportunities for growth, and we are aggressively executing in three key growth areas. First, we have a repeatable, scaleable model for going after every major category and play, as we've recently done so with CastleVille and Hidden Chronicles.

Second, we are investing and innovating with new advertising and partnership models as with our recent Hasbro and American Express partnership. And, third, we are aggressively growing our mobile network so that we are well positioned in this rapidly growing category.

Zynga has invested more in the social and free-to-play space than any other company, and we will continue to build upon our key competitive advantages to drive growth and long-term shareholder value.

With that, let me turn the call over to Dave, who will discuss our financial results in more detail.

David M. Wehner

Thanks, John, and good afternoon, everyone. Before I begin, I wanted to mention, my comments on growth rates refer to year-over-year changes, unless I indicate otherwise. Since it is our first earnings call, I wanted to make a – take a few minutes to review our key metrics, what they mean and how they have trended in the past year.

We think of our business model in terms of three key elements: reach, engagement and monetization. Our mission is to connect the world through games, so we seek to reach the broadest possible audience. The best measure of our reach is our number of monthly unique users or MUUs. In the fourth quarter, we grew MUUs 38% to 153 million.

We measure the engagement of our audience in terms of the number of people who play our games on a per game basis each month and each day. Because many of our players play more than one game, our 153 million MUUs accounted for 240 million monthly active users or MAUs in the fourth quarter, which was up 23%.

We think of our most engaged audience in terms of the number of people who play our games every day, our daily active users or DAUs. In the fourth quarter, we grew our DAUs 13% to 54 million.

The final element of our business model is monetization, and we monetize in two ways, user pay and advertising. Our overall monetization is measured by bookings per DAU or ABPU grew 11%, driven by increases in payer conversion and advertising. During the fourth quarter, we grew our monthly unique payers to 2.9 million, up 13% from the third quarter. This number, which we plan to report on going forward, represents the average number of unique people in each month of the quarter who pay in both our web and mobile games.

In our S-1, we previously reported quarterly unique payer data that did not include our mobile payers. Since the time of our S-1 filing, we were able to obtain that data beginning in the third quarter of 2011 and plan to include that on an ongoing basis. So our new payer metric is better on two fronts, it includes mobile payers and it is expressed in terms of average monthly unique payers and thus can be compared as a ratio with MUUs. For instance, in the fourth quarter, approximately 1.9% of our MUUs paid us in each month. We think of this as our payer conversion ratio. In addition to payer growth, our rapidly growing advertising business helped drive ABPU higher. I will discuss this later in my commentary.

I will now highlight our fourth quarter and full year financial results before turning to our outlook for 2012. We managed our business on bookings, which is revenue plus the change in deferred revenue for any period. I will focus on bookings as the best indicator of the top line performance of our business.

In addition, I would note that bookings is recognized net of Facebook Credits, so it does not reflect the amount that Facebook receives in virtual goods transactions. In 2011, we delivered record bookings of \$1.16 billion, up 38% from the previous year. As we discussed in our S-1, year-over-year comparisons for bookings were affected by our transition to Facebook Credits as our primary payment and mechanism. The transition began in mid-2010 and was completed by April 2011. If we adjust our bookings to assume that we had been subject to Facebook Credits during the full periods, we would have grown bookings at a 65% rate in 2011.

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Looking at 2011 bookings, we saw that our older games continued to deliver solid performance and provided a stable base on which to grow. Our games like Zynga Poker, FarmVille, Café World and FrontierVille grew and more than offset declines in games like Mafia Wars, YoVille and Treasure Isle. This allowed us to get the full benefit of the growth of newer games that we launched in 2011 and late 2010, which included CityVille, CastleVille and Empires & Allies and Words With Friends.

In 2011, we saw our business become more diversified with the top three games FarmVille, FrontierVille and Zynga Poker contributing 57% of online game revenue, whereas the top three games in 2010, FarmVille, Mafia and Poker contributed 78%.

Adjusted EBITDA in 2011 was \$303 million, down from \$393 million in 2010 largely due to the transition to Facebook Credits as well as our increase in R&D investment in new game development. Non-GAAP net income for the year was \$182 million or \$0.24 per share.

We're pleased with our fourth quarter results. Bookings reached a record high of \$307 million, up 26% from the prior year and up 7% from the third quarter which was an accelerated sequential growth rate from Q3.

Adjusted EBITDA was \$68 million, down 34% from the prior year, but up 17% from the third quarter. Non-GAAP net income for the quarter was \$37 million or \$0.05 per share. We were able to deliver record bookings growth in the fourth quarter by enhancing our existing games, launching new games, growing our mobile network, monetizing our games effectively and expanding internationally.

In the fourth quarter, we had record bookings from CityVille, Zynga Poker and Word with Friends as well as solid performance from the newly launched CastleVille. Mobile platforms also drove bookings growth with strong performance from our mobile versions of Zynga Poker and our flagship mobile title, Words With Friends.

As a whole, our mobile games delivered record bookings in the fourth quarter, driven primarily by a large increase in mobile DAU across both iOS and Android platforms. In addition, bookings grew from better monetization with both higher payer conversion rate and higher levels of advertising.

Average bookings per user, or ABPU, came in at \$0.061, up 11% from the prior year and up 5% from the third quarter. This was driven by an increase in payer conversion rate and advertising growth. The payer conversion rate increased to 1.9%, up from 1.7% in the third quarter.

We also continue to make progress in monetizing non-payers. Revenue from advertising more than tripled to \$27 million and represented about 9% of total revenue compared to 4% in the fourth quarter of 2010.

John mentioned the significant progress we made internationally in 2011. In Q4, we saw that – saw that continue. In terms of geographic mix, international revenue grew at a faster pace than domestic revenue albeit from a smaller base accounting for 37% of total revenue in the fourth quarter compared to 33% a year ago. We have been investing in launching new games and developing our proprietary technology platform, both of which we believe will drive operating margin leverage and long-term growth. Our results in Q4 continue to reflect this investment approach. As a reminder, the operating expense line I will mention excludes stock-based compensation.

Research and development expenditures in the fourth quarter increased 139% to \$110 million, driven primarily by investment in game development. We invest heavily in R&D to allow for a robust pipeline to drive growth. About a third of R&D spending was invested in games that had not yet launched by the end of 2011.

Cost of revenue for the fourth quarter was \$88 million, up 72% driven by increased third-party hosting costs and additional depreciation related to the build out of our wholly-owned and operated infrastructure that we call the Z Cloud. We expect that in the next 18 to 24 months third-party hosting costs will decrease as we roll-off the majority of those third-party hosting arrangements.

Sales and marketing expenses were up 16% to \$41 million, largely due to increases in head count and outside services spending. G&A expenses, excluding legal settlements, were up 46% to \$30 million driven by higher operating costs

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related primarily to scaling our IT and other administrative functions to support our growing business. We also had higher depreciation costs associated with the build-out of our corporate headquarters. Headcount for the company was at 2,846 at the end of 2011, up 92% from the prior year, and 2% from the third quarter.

GAAP net income was impacted by the recognition of approximately \$510 million in stock-based compensation expenses due to the vesting of our outstanding restricted stock in connection with our public offering. Total stock-based compensation expenses for the fourth quarter were approximately \$530 million. This stock-based compensation expense also drove a tax benefit for Q4 in the full year 2011.

Our results helped generate strong cash flow from operations for the quarter. Q4 operating cash flow benefited from a tax refund and from payments we received from platform and advertising partners. Capital expenditures in the fourth quarter decreased to \$50 million compared to \$63 million in the prior quarter. The majority of capital expenditures related to the continued build-out of our Z Cloud infrastructure. In the fourth quarter, we delivered \$102 million of free cash flow.

We had a strong balance sheet which will enable us to invest in growth opportunities in the future. At year-end, cash and marketable securities totaled \$1.9 billion, up 160% from \$738 million in 2010. In addition, in July of last year, we entered into a revolving credit agreement that would allow us to borrow up to \$1 billion.

Our strong balance sheet and cash flow generation will allow us to continue to make large investment in the future of play. We have invested approximately \$590 million in the last year in our games and our technology platform. In 2011 we increased our R&D 2.5-fold to \$352 million excluding stock-based compensation.

In addition to investing in more games in 2011 we began a capital investment cycle in the zCloud that drove the majority of the \$238 million of capital expenditures, which was up 4-fold from the prior year. We believe this investment will have a short payback period and enable us to expand gross margins in the long term.

As John mentioned, we ended the year with 80% of our DAUs hosted on the zCloud and we plan to transition more game traffic to the zCloud this year.

Let me now turn to our outlook for 2012. We ended 2011 with momentum in audience growth in terms of MUUs, MAUs and DAUs, and we believe we're well positioned for growth in 2012. For the full year, we expect bookings to come in the range of \$1.35 billion to \$1.45 billion. We expect adjusted EBITDA to be between \$390 million and \$440 million, with continued investment in R&D. We expect that growth will be weighted towards the back half of the year with slower sequential growth in the first half of the year.

GAAP earnings will continue to be impacted by the recognition of stock-based compensation expenses, which we expect will be between \$400 million and \$425 million in 2012, excluding potential future acquisitions. We expect 2012 capital expenditures will be between \$140 million and \$160 million, as we complete the build-out of our technology infrastructure.

We expect non-GAAP fully diluted share count in Q1 2012 to be approximately 865 million, and in Q4 2012 to be approximately 890 million. We would expect the effective tax rate for non-GAAP EPS calculations to be between 20% and 25% for the year. For the full year 2012, we would expect non-GAAP EPS will be between \$0.24 and \$0.28.

In closing, our first public quarter showed positive trends across our key operating and financial metrics. We grew our audience and monetization to their highest levels and delivered a record quarter in terms of bookings. We delivered solid growth in both bookings and adjusted EBITDA. We are pleased with the results in the fourth quarter and full year 2011, and continue to be excited about the long-term opportunity for the business.

And with that, I would like to turn it back over to Juan to open up the call for questions.

Q&A

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Thank you. [Operator Instructions] and first on the line we have Scott Devitt with Morgan Stanley.

<Q - Scott W. Devitt>: Hi, thanks. Two please, the bookings growth appeared quite strong especially when you factor in most of the contributing – the contributors are coming from web titles that are at least a year old. So I was wondering if you just comment on relatively speaking where the upside is coming from from legacy titles or if you're starting to get upside in terms of bookings in Empires & Allies and CastleVille?

<A - David M. Wehner>: Hey, Scott, it's Dave.

<Q - Scott W. Devitt>: Hi.

<A - David M. Wehner>: Yeah, we did see – we saw strong bookings growth from CastleVille, so that was a very good launch for us even though it came late in the quarter. So we did see good performance from that title. And we also saw very good bookings performance from mobile which put up a record quarter, continued strong performance from CityVille and Poker as well. So those were some of the games that I would highlight as having particularly strong quarters.

<Q - Scott W. Devitt>: And then secondly also monthly unique payers, which you highlighted in the script was – seemed very strong sequentially, and I was wondering if maybe Mark could highlight some of the – some of what you're doing in terms of driving the strength in payers in the system, it was up 13% sequentially?

<A - Mark J. Pincus>: Sure. I'll give a high level answer and then John or Dave can give more specifics. At a product and game level, especially around new game launches, like CastleVille, I think that the team has gotten a lot better at driving new-buyer conversion with all kinds of packages and offers that are getting players, whether they're long-time or new players to be first-time payers. Do you want to add to...?

<A - David M. Wehner>: Yes, so I was just going to add, Scott, that we're seeing strength in payer conversion in both the web side of our business and the mobile side of our business. So we're seeing good growth in mobile payers as well, and that's something that's important. We obviously grew mobile 5-fold in the past year and we're seeing payers grow very nicely from mobile as well. And then in the web side of the business, I think Mark mentioned we're getting better with different types of payer conversion packages as well as a lot of great content in Q4 around the holidays. I think John talked about some of the big bold beats in our games that also drove some good payer conversion.

<Q - Scott W. Devitt>: Thank you.

Operator

Our next question comes from the line of Mark May with Barclays.

<Q - Mark Alan May>: Thank you for taking my questions. I had two, if I could. One thing I was hoping that you could help me reconcile the growth – sequential growth in the unique payers with what I think was a sequential decline in the online games revenue. Is that just merely the result of the mix shift between mobile and online? And if so, can you give us some sense for the differences in monetization, generally of those two different users, so that we can better model this going forward? And then, secondly, in terms of the ad revenue growth which was quite good, is that mainly coming from the mobile games side or are you doing more advertising activity online? Thanks.

<A - David M. Wehner>: Hey, Mark, it's Dave. So first, I guess the question was on reconciling user pay growth and in terms of revenue and bookings they're a little bit different, so you've got some movements around there.

<Q - Mark Alan May>: Yeah.

<A - David M. Wehner>: But we're seeing good growth in both user pay and advertising bookings. So those are both growing. And I'm sorry, what was the next question?

<Q - Mark Alan May>: Yeah, we don't have obviously the – just keeping on with the first one, we obviously don't have the bookings breakout by online and advertising, but assuming they had a general same trend as the revenue

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disclosure, is it – is that really a mix issue? And if so, can you help us think about monetization of online versus mobile?

<A - David M. Wehner>: Yeah, I guess – it's not so much of a mix issue related to online and mobile. Let me address the mobile advertising question I believe that you asked, and that is, are we seeing good growth in mobile advertising versus web advertising, is that the question?

<Q - Mark Alan May>: There was meaningful growth in advertising in the quarter, is that mainly the result of mobile advertising or are you doing more online?

<A - David M. Wehner>: Yeah, we're doing more online. So we're seeing good growth in both online and mobile advertising, so both of those are growing nicely.

<Q - Mark Alan May>: Okay, great. Thanks.

Operator

Our next question comes from the line of Doug Creutz with Cowen & Co.

<Q - Doug Creutz>: Hi, thank you. For your guidance for stock comp for 2012, I was wondering if you could give a little color on how much of that if any is due to amortization of prior stock grants you may have done, versus how much of that is due to grants that you expect to take place in 2012? And then what do you expect the fair value of your stock comp that you grant in 2012 to be? Thank you.

<A - David M. Wehner>: Let me take your first question, Doug. The vast majority of the stock comp that we outlined in the guidance is related to historic grants of RSUs. So that's primarily what's driving it is historic grants of RSUs, not new grants of RSUs.

<Q - Doug Creutz>: And then the second part?

<A - David M. Wehner>: On the – I mean we'll be granting it at fair market value at the time of the grants.

<Q - Doug Creutz>: I meant just in general, if you're thinking about your total compensation that you're going to be issuing to employees this year, presumably that's your non-GAAP OpEx plus whatever the fair value of your stock comp is that you're granting. I'm just trying to get a sense of what the size of that looks like.

<A - David M. Wehner>: Yeah, I mean, I guess how I would answer that question is, in terms of the overall dilution that we're looking at from compensation in 2012, that's what we do look at. And that's approximate – that will be less than 4% in terms of the compensation-related dilution that we're going to experience in 2012. That's really what we focus on.

<Q - Doug Creutz>: Okay. Thank you.

<A - David M. Wehner>: All right. Next question?

Operator

Our next question comes from Arvind Bhatia with Sterne, Agee.

<Q - Arvind Bhatia>: Okay. Thank you. I was wondering if you can talk about the trajectory of CityVille, I know you mentioned that one as doing well, and how that compares to FarmVille, for which I know you mentioned that in your slide presentation during the road show. Just wondering, because we noted that the DAU trends are a little different from a trajectory standpoint, so just wondering how that translates into monetization? Are you monetizing that sooner or you think that it's going to follow the same pattern?

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<A - **Mark J. Pincus**>: I'm going to let John answer that. It sounds like the question is how does the trend for CityVille for DAUs and revenues compare to FarmVille?

<A - **John Schappert**>: Hi, Arvind. I'll give you a little bit of color. I would first say that I think it's – do not draw the same conclusion when you look at DAUs and think that you can kind of – they're directly related to the monetization. Obviously, as we've said before, when games launch DAUs go up and then we find the DAUs go down over time and monetization increases over time.

So I'd say when you look at CityVille and FarmVille, both are doing well. As we said in the call, CityVille had a record quarter last quarter and continues to be a top – both of them are top six games on Facebook right now. And I think as long as we can continue to deliver great bold beats and expansions and keep our players engaged; they are going to keep playing and paying. And happily, again they're two of our six top games on Facebook right now.

<Q - **Arvind Bhatia**>: But I guess, how do we project what CityVille is going to do -what is it doing today versus where FarmVille was, is there a way to think about that?

<A - **John Schappert**>: Yeah, I would say this. I'd say we are not going to go into that level of detail. And – but I would also caution you that every game is different, too. So they have different geographies, different demographics, different players, and different ways of monetizing as well. Now, they're both ville games, but they are quite different games. And I would say right now from a standpoint of health, CityVille was again a top performer last quarter and continues to be a top game on Facebook right now.

<Q - **Arvind Bhatia**>: And, last one for me, if I could; just wondering, you've included the mobile payers in your unique payer number for this report. Is there a way to do an apples-to-apples comparison and come up with a number excluding mobile so we can actually look at the trends, again, on a more apples-to-apples basis?

<A - **David M. Wehner**>: We're not breaking that out in – at this time. So I don't have that number.

<Q - **Arvind Bhatia**>: But, to be clear if, for example, somebody bought a \$0.99 game, Words With Friends, for example, on mobile, that would be counted as a monthly unique payer as well, right?

<A - **Mark J. Pincus**>: Correct.

<Q - **Arvind Bhatia**>: Okay, great. Thank you.

<A - **Mark J. Pincus**>: Next question.

Operator

Our next question comes from Richard Greenfield with BTIG.

<Q - **Richard Greenfield**>: Couple of questions. First, how do you judge a game's success internally? Like what are you looking for when you see like the success of Hidden Chronicles and the seeming failure of Mafia Wars 2, assuming you see that as a failure. What have you learned from those two? And how does it guide your game development going forward? Then just a question on mobile monetization; I think there is a lot of questions out there from investors about the concept of how do you monetize on a relative basis, things like Words With Friends and Dream Heights like you launched today on the platform. How do those monetize on a relative bases versus your core PC, Facebook-type games? That would be great. Thanks.

<A - **David M. Wehner**>: John, do you want to take the – how do we judge game's success? And, I'll take the monetization.

<A - **John Schappert**>: Sounds good. So, Richard, every game is different. And we have different goals with each of our games; some of them going after monetization, if you will, or reach. And we learn from every single game that we release and I think that's one of the special things that make Zynga unique. Our data and analytics tell us new things every single day. And so when we launch a new game, we're often going after new categories. Both those games were

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in new categories, Hidden Chronicles in the hidden objects genre and now is the number two game on Facebook. And so, we're quite happy with its early numbers. And, Mafia Wars was another take at a game in the crime category that didn't resonate as well with consumers. So, again, we take learnings there and hopefully it makes every future game we launch better.

<A - Mark J. Pincus>: And, I would just add – this is Mark – that we try to – as John said, we're constantly learning and improving the process that we bring new games to market. And, we're continuous – what I will add is that we're continuously adding more early checkpoints to test the – what we call the very fun rating of our games against our target audiences. So that by the time we turn on a game, our hope is that it's already – has a high likelihood of being a hit in terms of the user love and engagement delight. But that we're spending the time after we turn it on, on tuning and not seeing whether people like it. Let me turn it to Dave on the monetization.

<A - David M. Wehner>: On the monetization question, Rich, there is a couple of things to think about. The first is one of the biggest difference in monetization in games isn't necessarily whether they're on the mobile or on the web, but whether they are advertising based monetization primarily or user pay based monetization. So, we see with the games like Words With Friends, which is primarily an advertising based model, so if you monetize at a lower level on a rev per DAU basis, it's an invest and express game. So, you mentioned Dream Heights; that would be a game that is more in the invest and express category that we would expect to monetize at comparable rates to a web game. And, we've seen in certain of our mobile games that we can actually monetize at even a higher rate than web games with an invest and express type title. Then, in addition, we're working to introduce new monetization techniques into With Friends games like we did with Scramble With Friends. We introduced coins and power-ups and we're seeing those games monetize at a higher rate than our just pure advertising-based With Friends games like Words With Friends.

<Q - Richard Greenfield>: And, then if I could just ask one follow-up because I think it's on everyone's mind; there has been a lot of talk about Mark as a person, and I love Mark. Could you just respond to kind of the views of your management style and just where there's been a lot of press about it, we'd love just your views on kind of your view on who you are and the leadership of your company.

<A - Mark J. Pincus>: Well, I don't know if I can answer that in one sentence, my view on who I am. I think that we had a long, quiet period and we're – as a company, if you look back on our track record, as a private company, we pride ourselves on being an open and transparent company both with our employees, with our investors, when we were private. And so, it was a difficult period for us during the quiet period to be in a place where only competitors and other people who didn't know us well could talk about us. I'd say that we're happy to be past that period and we are very happy to be sharing more with the world about our approach. I think whether you read interviews of me or whatever you want, I think my value, Zynga's values are on the wall here and they're on the web and if you read those values that is my management style. So....

<Q - Richard Greenfield>: Thank you.

<A - Mark J. Pincus>: Next question, Juan.

Operator

Sure. Yes, our next question comes from Atul Bagga with Lazard Capital.

<Q - Atul Bagga>: Hey, guys. Thanks for taking my questions. I have a couple of questions for you. (a) I wanted to understand, if you look out next 12 to 24 months, what percent of your growth you think will be coming from monetization growth, be it conversion rate, be it RPPU, or be it advertising versus the user growth? And, my second question was more about your Z platform that you talked about last year. How should we think about this platform opportunity for Zynga? And, I would love to hear your thoughts when you're talking to third-party developers, what kind of feedback you are getting from third party? Thank you.

<A - David M. Wehner>: Do you want me to take – I'll take the first question and then John or Mark can chime in. When we think about our growth over the next 12 to 24 months, we think about obviously growing the audience size.

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So that's a big focus. We think there is a big opportunity to continue to grow our unique audience. There's a billion social networkers out there. We think there is a real opportunity to continue to increase our presence there. We especially are seeing great growth in unique users on the mobile side which is in a big secular uptrend. So, we're very much focused on continuing to grow our unique audience, and then we think there'll be a balance also with increasing monetization. So, we're not breaking out specifically but we think there is great opportunities to both increase our audience and continue to increase our payer conversion rates as well.

<A - Mark J. Pincus>: I would say, Atul, at a high level we really want to see play become a mainstream behavior in the West for everyone. We think it's already a very, very popular large scale behavior, but we'd like to see play reach the level of search, shop, and share and we think that the monetization opportunity will follow that. But, we think that the growth in the next few years is going to be driven more by the world making play part of their day than the next brilliant monetization mechanic.

<A - John Schappert>: And, Atul, hi; it's John. With respect to Project Z, which we talked about late last year, so that is a destination site for social gaming and so what we're trying to do is create a place for people that enjoy social games to come and play games together and always have an endless supply of friends to play with. And that is right now in closed beta internally and so we're working through all the kinks and making it better and better. And, I don't have a release date to tell you other than we continue to make good progress and we're going to bring it out when it's ready which hopefully, soon.

<Q - Atul Bagga>: And, this – on the Project Z, John, so is the opportunity – is it more about attracting a new audience, or is it more about getting the same audience but engaging them better, or is it more about using it as a platform destination where you might be sharing some revenue from third party?

<A - John Schappert>: I'm not going to go into the depth on third parties or related there. I will say that that it's a goal for everything, like we'd like to attract new people that haven't played social games before there. We'd also like to have it just be a place where people that currently enjoy social games can go and play too. And, again, right now you could go there if you are in our closed beta, and you'd have a list of all of the people that are playing our games right there at your disposal, so you can make new friends, play with new people, and experience new games. So, it's our goal to hopefully grow the audience and provide a great experience. That is connected with the Facebook graph.

<Q - Atul Bagga>: Perfect. Thank you.

Operator

Next on the line we have Doug Anmuth with JPMorgan.

<Q - Douglas Anmuth>: Great, thanks for taking the question. Two things, I wanted to ask. First, Dave, if you could just clarify the change in deferred revenue impact in terms of revenue being greater than bookings and whether this is really just the same thing as we've seen in the last couple of quarters?

And, then secondly, you were pretty upbeat on the bookings benefit that you're getting here early on from CastleVille and just trying to get some sense of whether that's a surprise to you just given the timing of the business, or should we generally think about the bookings here following the same kind of monetization path as you've seen in similar games over the next several quarters? Thanks.

<A - David M. Wehner>: Sure, Doug. On the bookings and revenue there was a weighted average life adjustment – or different weighted average life adjustments in the quarter. Those amounted to approximately \$5 million of delta so some of that is what is causing, again, revenue to be higher than bookings. So, you are going to – we're continuing to see some adjustments on user lives. They're less than in the past but that is part of what is driving the GAAP revenue delta. I think your second question was CastleVille. CastleVille has been an upside surprise in terms of its performance, both in terms of DAU and bookings. And, I think we're very excited about what the team has built there. We think that that's got some longevity as well and will be a part – a good helpful part of the growth story in 2012.

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<Q - Douglas Anmuth>: And, can you just give us some clarity on the rationale in terms of guidance just being back half loaded for 2012, just how you're thinking about that?

<A - David M. Wehner>: Sure. So, I think there is a couple factors there. One, we're excited about the pipeline of games that we have launching in the 2012. As we've seen in the past that bookings and DAU, bookings can pick up after DAU picks up. So, you won't necessarily get the best bookings performance in the first quarters that you launch a game. In addition, we've seen very good growth in advertising and mobile over the past several quarters. Those are small businesses but are growing much more quickly than our overall business and those businesses will contribute to acceleration in the back half of the year.

<Q - Douglas Anmuth>: Okay. Thank you.

Operator

Our next question comes from Justin Post with Merrill Lynch.

<Q - Justin Post>: A couple of questions. Looks like if you look at app data, Words with Friends and Hidden Chronicles are off to a good start growing quarter-over-quarter, can you tell us at all about the bookings for those two games, how they compare to other games to help us with our 1Q models? And then, secondly, I don't know if you can provide any granularity on the pipeline after the first quarter just number of games per quarter in 2012 or genres, or any help on the kind of the title pipeline as you look forward over the next year that your guidance is based on? Thank you.

<A - Mark J. Pincus>: Sure, why don't I take the first part of that question and then John can take the second part, Justin. I think we talked about Words with Friends in the past being an advertising-based monetization game primarily. We have introduced some user pay element especially on the web version. But in general that game does monetize at a lower rate than our invest in Express games. Hidden Chronicles is a new genre for us. We're excited about that. We think that does have long-term potential. We're not speaking to specifically what the monetization rate in that game is but we do think that that's a good growth opportunity for us in the year. John, do you want to talk a little bit about what we're seeing on the pipeline?

<A - John Schappert>: Yeah, Justin, I can't give you a whole lot of depth on the pipeline in terms of number of titles or quarters that we're releasing them in. I can tell you that we are launching – we've already launched Hidden Chronicles. We've also got Bingo out in closed data right now. So that's our first two out of the pipe. We've also launched three games on mobile already this year with Scramble With Friends, Dream PetHouse and Dream Heights. And we've got a bunch of games in the hopper right now and it's just a matter of us making sure that we release them when they are done and when they are great. So hopefully you'll see them soon, but we want to make sure that we deliver great experiences to our users.

<Q - Justin Post>: Okay. And maybe one follow-up. There has been a lot of press about maybe opportunity in gaming, meaning gambling. But I don't know if you call it that internally but what's your view on that market opportunity? And do you see that's something that Zynga is well positioned with your Poker franchise? Thank you.

<A - John Schappert>: Sure, I'll take that Justin. I think actually it's a very interesting opportunity because as you said we are uniquely positioned. We have the world's largest online poker game and we've got the most social online poker game and we've been running it for the last four years. And it continues to post record results, a record quarter last quarter and it's one of the top six games on Facebook right now. So I think we're in a very good position and it's a category that is interesting to us.

<Q - Justin Post>: Thank you.

Operator

Our next question comes from the line of Ben Schachter with Macquarie.

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<Q - Ben Schachter>: Guys, I was wondering if you could help me out in understanding the 2012 goal a bit. Any way to sort of give us a sense of what percentage of bookings are going to come from advertising and what percentage might come from mobile? And then also I think you mentioned something around R&D increasing. You had about \$110 million excluding the stock comp in 4Q, what does that number look like in the 1Q and throughout 2012? And then I have one follow-up. Thanks.

<A - Mark J. Pincus>: Okay. Yeah, I don't think we're breaking out specifically what we're going to see in terms of ad and user pay growth. We have been seeing that advertising has been a growth category for us. So we do expect that to continue to grow more quickly than our user pay business, but we're not providing specific guidance for 2012. I think in addition on R&D, we do think that that is going to be a category that will grow for us, and so we will be growing R&D throughout the remainder of the year, but we do expect to expand operating margins during the course of the year. So it won't be growing as fast as bookings.

<Q - Ben Schachter>: And just one follow-up, if you could help us understand sort of the key metrics that you use internally for performance pay, for management targets, is it EBITDA growth, is it revenue growth? Any thoughts around that would be helpful. Thanks.

<A - David M. Wehner>: We use a variety of targets that we've outlined in our S-1, so I would refer you to that in terms of – so we use a wide variety of different goals and targets for our management team ranging from audience size to financial performance, bookings, EBITDA, so we've got a variety of different elements on which we judge our management performance. But I...

<A - Mark J. Pincus>: I'd say that the – if you look – you can see historically the vast majority of the management compensation is in RSUs and stock. So we do as a company, have a cash bonus system for the whole company. But for everyone in the company, the majority was made up of stock compensation.

<Q - Ben Schachter>: Thanks and good luck.

<A - David M. Wehner>: Thank you. Next question, operator?

Operator

Yes, sir. Our next question comes from Daniel Ernst with Hudson Square.

<Q - Daniel Ernst>: Yes, good evening. Thanks for taking my call. Two questions, if I might. First, if you look at the progression of MAUs and DAUs on a new launch, and take something like CastleVille which had a really nice acceleration in its first month, up to almost 40 million and it's tailed-off a bit after that to around 30 million, 29 million today.

Could you talk about what the progression, the curve looks like among the payers within that, so if you look at the – across your games, the 2.9 million payers of your games I would imagine that those are very active players, and people that really appreciate your games and want to spend money on it. Does that group of people churn very often or is it follow a similar progression or are they a more stable group of people?

And then secondly, more broadly speaking longer-term, a lot of publishers and developers of games historically have looked at the success of social gaming and mobile gaming and have made acquisitions and have entered and come after a bit of your market. Is there an opportunity for you to bring core gamers into you, sort of core gaming companies that go after your casual game user group is an opportunity within your game portfolio and development talents to go out and reach the core gamer audience? Thanks.

<A - David M. Wehner>: Why don't I take the first part and then John can talk about the opportunities with the core game audience. I think, Danny, your first question was about the progression of MAUs and DAUs and specifically about payers and how those evolve, and I think we do retain our paying audience very well, so we're able to continue to engage payers over a longer period of time when somebody has made an investment in the game by buying a virtual good, an item in a game, they've really made a commitment to that game, they've built equity in that game and we see

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them staying with us for a longer term than non-payers.

To give you some sense of that, something like 93% of payers in a quarter are playing with us the next quarter, so we see very good quarter-over-quarter payer retention. And that plays out in the longevity of the games that we see with games like FarmVille, nine quarters after launch delivering record bookings. We're seeing that strong performance with CityVille. We hope to see that with a game like CastleVille that we recently launched.

<A - John Schappert>: And, Daniel, it's John. I'll take the second question which was, lots of folks coming in and what about us going into other categories. And I would say we actually really do welcome folks coming in and creating great games in our space.

I mean, I think that social gaming is still very early. Mobile gaming, despite its success and its growth, is still very early. And we think the great games drive and grow the audience. They bring new people in. They bring reacs back. So we like and welcome competition as long as they can bring great games to market.

I would say with respect to us and core gamers, our goal is to deliver the leading games in every major category of play. And so, we're happy with our first entry into Hidden Chronicles. We're going and taking – going from poker to casino over with bingo. And I would say don't hold us back on what we've done to-date. Nothing to announce today, but we'd like to be in every major category of play.

<A - David M. Wehner>: And Juan, we have time for two more questions.

Operator

Yes, sir. Our next question comes from the line of Mike Olson with Piper Jaffray.

<Q - Mike J. Olson>: Hey, good afternoon. As you've talked about, each game is different as far as target and monetization and just digging in a bit deeper on Hidden Chronicles, it appears that the hidden object genre monetizes pretty well. Can you talk about how user demographics and engagement with Hidden Chronicles might differ specifically from the Ville series of games? And to what extent do you think new genres are expanding your addressable market, or is it largely the same kind of user base across these genres?

<A - Mark J. Pincus>: Do you want to answer that, John?

<A - John Schappert>: Yeah, I'll take that. So a little bit of color on Hidden Chronicles. Hidden Chronicles is a new game for us. So we are seeing it bring people that were playing our games and stopped playing our games, we're seeing some of them come back. We're also seeing some new players come back and we're seeing people that have been fans of the hidden object category which has been a staple and call it 'downloadable games' for many years come and being new to Facebook as well. And what it's bringing is more casual gamers are entering the mix and are playing our game. So we're happy about that and we're happy with the early results so far.

<Q - Mike J. Olson>: Okay. And then just one quick one, you talked a lot about the zCloud infrastructure, are there any numbers you can put around how OpEx savings we could see from continued transition to zCloud and away from third-party hosting in 2012 or maybe if not specific numbers, is it material and is it assumed in your guidance? Thanks.

<A - David M. Wehner>: Yeah, it's assumed in our guidance. We're going to get some savings especially in the back half of the year as we roll off third-party contracts and that's factored into the guidance that we provided.

Next question, Juan.

Operator

Yes, sir. Our next question comes from Colin Sebastian with R.W. Baird.

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<Q - Colin A. Sebastian>: Great. Thanks for fitting me in. Just two quick ones here, I think. Number one, I wonder if you can comment on some of the changes that Facebook is introducing to improve promotions and engagement of games such as the dashboard, the bookmarks and the payment promotions and if you're seeing any impact on your games thus far in the year from those initiatives.

And then, secondly, on mobile, as social mechanics become more important for games on smart devices and free-to-play becomes the more prevalent payment model, do you see an opportunity on that basis to more quickly launch games across multiple platforms at the same time or do you expect the rollout of games to progress as they have in the years past? Thanks very much.

<A - Mark J. Pincus>: This is Mark. I'll answer the first part and John can speak to the multi-platform world. So, we are happy to see the kinds of changes that Facebook is making to their platform. We think that they have been on a path always to be innovating on the broader social experience and sharing, but in recent quarters, they have focused on and partnered with us and other major partners to innovate around the type of social gaming experience that their user base can enjoy. And we think that you're starting to see some of the benefits in terms of increasing user engagement and I'd point you to, in January, if you look at app data, it looks like the ecosystem grew in the range of 12% for the month. I think that some of our game launches were a good part of that, but I also think the innovations that they were making around channel and surfacing and sharing helped that as well. So – and, John, do you want to speak to...

<A - John Schappert>: Yes. So, Colin, with respect to mobile, I mean what we see happening is, you know, as these devices become more powerful and get additional features and we see pads taking off, it's yet another canvas to bring our games there, which is why you've seen our mobile DAUs grow more than five-fold – or almost five-fold to all – to 15 – over 15 million at the end of the year. So, we're really excited about the advent of the pads and continued increases in power on mobile.

With respect to having more games come out and be connected, it's still non-trivial to have those games all share the same common game board, but you've seen us do some cool things. We have FarmVille Express where you can use your mobile device to kind of tend to your farm in FarmVille. And you can play together on Words with Friends and with our poker game on a multitude of devices.

So, we're certainly seeing mobile as a big area of opportunity for our games. And we've got some pretty good technologies to hopefully bring them altogether. So, look for more games coming.

<A - David M. Wehner>: Yeah, and one thing I would add. I think, Colin, also it's worth pointing out that we're seeing some real success with the With Friends brand in mobile and that really stands for social in mobile, and we're seeing the same sort of benefit of being able to launch games using cross-promotion with games like Scramble With Friends, launching off of Words With Friends in the mobile space which is allowing us to scale and launch games quickly. So, I just wanted to add that as well.

<Q - Colin A. Sebastian>: Great. Thank you very much.

Mark J. Pincus

Great. With that, we'd like to thank everyone for joining us today. This will conclude our Q4 2011 earnings call. Thank you.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may all disconnect. Everyone have a great day.

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Current Year: 1235.150

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