

Zynga (ZNGA) Changes the Game

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Two weeks ago I [made the case for going long ZNGA](#). This view was contingent on a few things happening: ZNGA coming out with a hit title or announcing layoffs to streamline their cost structure. Surprisingly, the company's [announcement 4 trading days ago](#) accomplished both in one fell swoop. While I was admittedly shocked the company choose to make a large acquisition given their disastrous M&A history (the NaturalMotion deal was \$527MM; nearly \$400MM of which was paid in cash), after a bit of digging I experienced a 180 degree shift in my opinion. There are a few reasons I think **this acquisition is a game changer for the company:**

1. Torsten Reil is a freak of a brain and is on the cutting edge of mobile graphics development. He is also dogmatic in his approach: it's about getting the game right and making it delightful for players. These two things will serve Zynga well now and into the future.
2. NaturalMotion has a fantastic [portfolio of mobile games](#) - both new ones and sequels of their current hits. Investors who shorted ZNGA because of their user attrition will have to completely re-evaluate their thesis.
3. NaturalMotion has proprietary, [differentiated and valuable IP](#). And now so too does Zynga.
4. One final thought from a [VC that backed Torsten / NaturalMotion](#): "Combined with Zynga's reach, social networking expertise, and advanced audience measurement tools, NaturalMotion and Zynga should be a very potent combination."

Over the next few years, I believe NaturalMotion will take Zynga into truly rarefied air: **Zynga is set to become a mobile gaming powerhouse.**