



Overview

Founded in 2007 by Mark Pincus and Eric Schiermeyer and located in San Francisco, CA, Zynga is the largest social-network game developer and has generated over \$1.5 billion in cumulative bookings since its inception. Zynga develops browser-based games that work both stand-alone and as application widgets on social networking websites such as Facebook and MySpace. Zynga's mission is to connect the world through games by making them easily accessible as well as simple to play. As of September 2011, Zynga's games have over 232 million monthly active users on Facebook. Four of the five most popular social gaming applications on Facebook are Zynga games: CityVille, Empires & Allies, Texas HoldEm Poker and FarmVille. Zynga has approximately 2000 employees in 5 countries including China, Japan, Germany, Toronto and India.

Zynga filed with the SEC to raise up to \$1 billion in an initial public offering on July 1, 2011.

According to AppData, as of June 30, 2011, Zynga has more monthly average users on Facebook than the next 15 social game developers combined. Additionally, as of June 30, 2011, Zynga has more daily average users than the next 30 social games combined.

According to Zynga's October 13, 2011 S-1 filing, the company has users in 166 countries. The U.S. represents 66% of Zynga's revenues with \$343 million for the six months ended June 30, 2011. No country other than the U.S. exceeded 10% of Zynga's total revenues. On October 11, 2011, Zynga announced plans to develop "Project Z," a platform for playing social games and chatting with friends powered by Facebook Connect. Zynga's relationship with Facebook includes a five-year agreement to exclusively use Facebook credits. All covered Zynga games that use Facebook integration must remain exclusive to Facebook for the duration of the agreement, and Zynga is prohibited from releasing new games on an undisclosed list of other social networks. Zynga is also required to notify Facebook of any new games at least a week prior to their release. In return Facebook agrees to help Zynga reach certain growth targets for monthly unique users of covered Zynga games, and to share ad revenues with Zynga.

According to Zynga's October 13, 2011 S-1 filing, the company's Q2 2011 revenue was \$279.1 million, an increase of 15% in Q2 2011 from Q2 2010. Zynga's advertising revenue increased \$19.5 million or 227% from the six months ended

MidasLP Preliminary Strategic Insights And Analysis on Zynga

Zynga Quick Stats

2011E Revenues: **\$1.5 billion**
2012E Revenues: **\$2 billion+**

Last **Institutional** Direct
Valuation (\$485 million round):
\$10 billion

A more detailed analysis of Zynga is available to MidasLP accredited investors. For accreditation see: investors.midaslp.com

www.midaslp.com
Twitter: @midaslp
Email: investors@midaslp.com
LinkedIn: <http://www.linkedin.com/company/midas-lp>
Tel. (202) 536-5864

© COPYRIGHT 2011 MIDASLP
RESEARCH, ALL RIGHTS
RESERVED

June 30, 2010 to the six months ended June 30, 2011. The increase of advertising revenue is due to a \$12.2 million increase of in-game offers, sponsorships and engagement ads. Zynga also disclosed it conducted a “third-party” valuation in August 2011 that assumed a \$14.05 billion value for Zynga’s stock.

Contents

Overview 1

Business Model(s) 3

Scale 4

Management Team 5

Investors And Valuation 6

Summary of Ownership Table (Estimated) 6

Board Of Directors 7

Management Equity/Commitment 7

Selected Acquisitions And M&A Risk Assessment 7

Acquisition/Partnership/Investment/Integration Opportunities 8

Product/Technology/Platform 8

SWOT Analysis 10

Competitive Analysis 10

Industry Growth 11

Selected Competitors 12

Cursory, Long Term Valuation Thoughts And Valuation Comparables 13

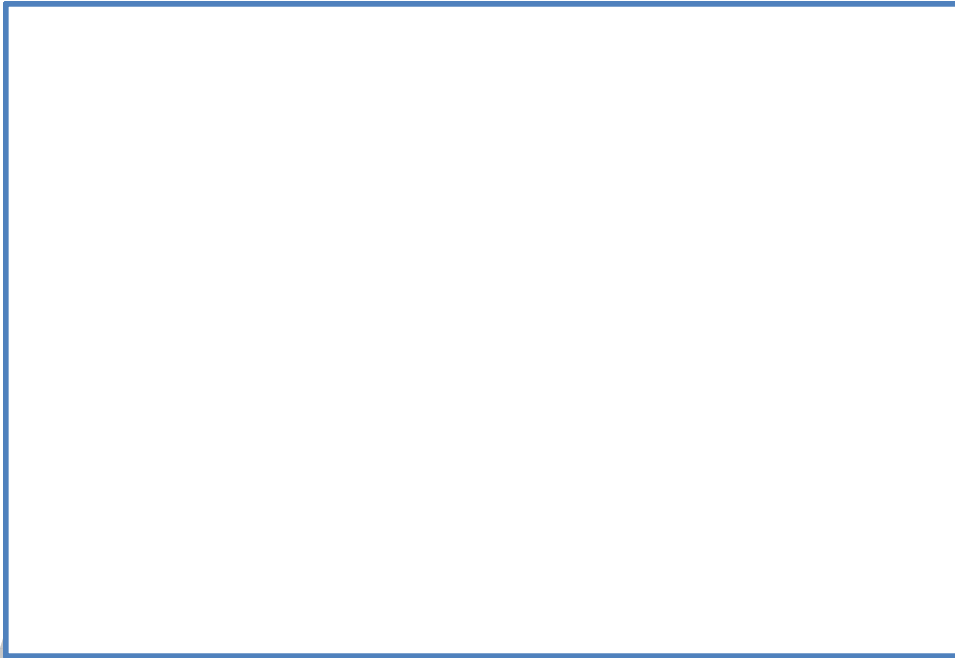
Concerns 14

Financial Statements 16

MidasLP Accredited Investor Form 17

Business Model(s)

Zynga operates its games as live services that allow players to generally play for “free.” Zynga generates revenue primarily from the in-game sale of virtual goods and advertising.



Online Game - Zynga provides players with the opportunity to purchase virtual goods that enhance their game-playing experience. Zynga believes players choose to pay for virtual goods for the same reasons they are willing to pay for other forms of entertainment. They enjoy the additional playing time or added convenience, the ability to personalize their own game boards, the satisfaction of leveling up and the opportunity for sharing creative expressions. Zynga also believes players are more likely to purchase virtual goods when they are connected to and playing with their friends, whether those friends play for free or also purchase virtual goods. Zynga is supported via direct credit card payments and partner businesses

As an example of monetization, several Zynga games require an "energy" characteristic to play. Engaging in “Missions” consumes a certain amount of energy. A character’s energy level slowly replenishes after a few minutes or several hours. After energy is replenished, players can engage in additional missions. Players can receive premium currency or game credits to replenish their character’s energy by accepting credit card offers, taking surveys or buying services from Zynga's partners. Players may also purchase game credits directly from Zynga via credit cards or PayPal. In March 2010, Zynga started selling prepaid cards for virtual currency at more than 12,800 stores across the US.

In May 2010, Zynga entered into an addendum with Facebook requiring that Zynga transition its payment method to Facebook Credits, Facebook’s proprietary payment method, as the principal means of payment within Zynga’s games played through Facebook. Under this addendum, Facebook compensates Zynga an amount equal to 70% of the face value of Facebook Credits purchased by players for use in the games. Zynga recognizes revenue net of amounts retained by Facebook. Prior to this addendum, Zynga used third-party payment processors and paid these processors service fees ranging from 2% to 10% of the purchase price of virtual goods which were recorded in cost of revenue. Players can purchase Facebook Credits from Facebook, directly through games or through game cards purchased from retailers and distributors. On platforms other than Facebook, players purchase virtual goods through various widely accepted

payment methods offered in the games, including credit cards, PayPal, Apple iTunes accounts and direct wires. Players can purchase game cards from retailers and distributors for use on these platforms.

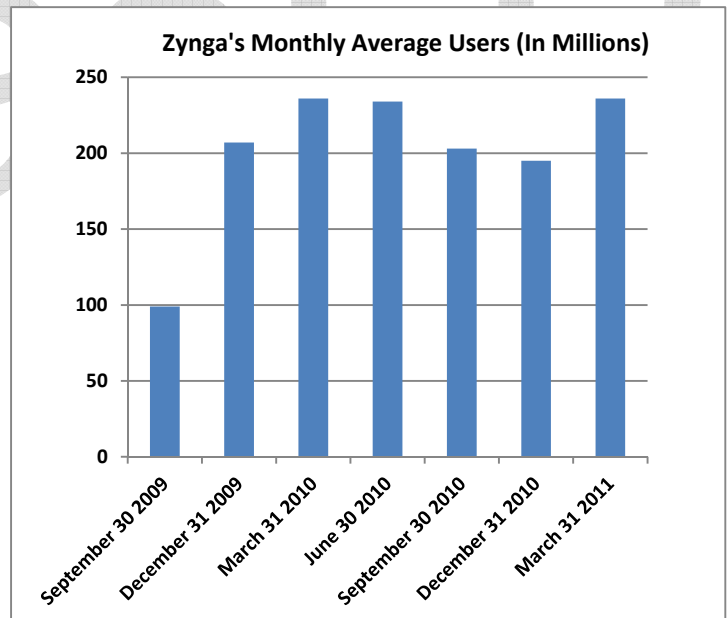
Advertising - Advertising revenue primarily includes branded virtual goods, sponsorships and engagement ads. Zynga mostly reports advertising revenue net of amounts due to advertising agencies and brokers. Revenue growth will depend largely on Zynga’s ability to retain existing players, attract new players, convert non-paying players and increase revenue per player. Zynga plans to do this through the launch of new games, enhancements to current games and expansion into new markets and distribution platforms.

Scale

Zynga leverages its scale to increase player engagement, cross-promote its portfolio of games, enhance existing games, launch new games and build the Zynga brand. According to Zynga, its scale results from network effects that deliver compelling value to its players and are committed to making significant investments that will further grow the community of players and their monetization over time. Zynga has 60 million daily active users and 232 million monthly active users. Zynga also has players in 166 countries and 4 billion neighbor connections. There are 38,000 virtual items created every second and 2 billion minutes of play per day. CityVille grew to 61 million monthly active users in its first 50 days. FarmVille grew to 43 million monthly active users in its first 100 days.

According to AppData as of October 18, 2011 Zynga is the leading developer of applications on the Facebook platform.

Facebook Developer Leaderboard By Monthly Average Users		
1.	Zynga	195,310,470
2.	Electronic Arts	71,279,049
3.	Mensing	61,400,000
4.	Microsoft	49,000,000
5.	wooga	31,750,000
6.	RootMusic	27,600,000
7.	Playdom	21,080,305
8.	Yahoo!	19,131,810
9.	21 questions	19,000,000
10.	MyCalendar	18,000,000
11.	iwipa	16,500,000
12.	King.com	16,070,000
13.	Woobox	14,900,000
14.	Telaxo	14,139,910
15.	Nokia	13,850,220



Management Team

Mark Pincus | Founder, CEO and Chief Product Officer

- Mark founded Zynga in 2007 to enable users to build social connections through games. Before Zynga, Mark founded Tribe.net, one of the first social networks in the industry. He also founded Support.com, a leading provider of support automation software that later went public. Before Support.com, Mark founded FreeLoader, the first web-based consumer push company and sold it months later.

Cadir Lee | Chief Technology Officer

- Cadir oversees the development and innovation of Zynga's technology platform and large-scale infrastructures. He also manages the analytics, network operations, security and India operations team. Prior to Zynga, Cadir was CTO of Support.com for 11 years with Zynga founder Mark Pincus.

John Schappert | Chief Operating Officer

- John is responsible for Zynga's day-to-day operations, including the game studios, mobile division and administration functions. Before Zynga, John was COO at Electronic Arts, responsible for multiple divisions of the company. Prior to EA, John was Corporate Vice President at Microsoft and led the LIVE, Software, and Services division of the Interactive Entertainment business that oversaw Xbox live and Xbox software.

Dave Wehner | Chief Financial Officer

- Dave is responsible for the finance, strategy and corporate development teams at Zynga. Before joining Zynga, Dave was managing director at Allen & Company where he led corporate finance teams responsible for capital raises and M&A transactions with a focus on the firm's Silicon Valley clients. Prior to Allen & Company, Dave worked as the VP Corporate Development for technology-focused investment banking firm Hambrecht & Quist, where he was involved in numerous M&A and financing transactions.

Owen van Natta | Chief Business Officer

- Owen is responsible for the company's revenue strategy, corporate development, international expansion, and brand. Previously, Owen was consulting for Zynga across a number of critical business functions and also currently serves on the Board of Directors. Prior to Zynga, Owen was CEO of MySpace where he was responsible for all aspects of the company's strategic vision and the execution of its global business initiatives. Before MySpace, Owen served as COO at Facebook, where he focused on revenue operations, business development and strategic partnerships.

Colleen McCreary | Chief People Officer

- Colleen has over a decade of experience in recruiting, retaining and managing talent. Prior to Zynga, Colleen was the global corporate human resources director at Electronic Arts. Before Electronic Arts, Colleen was a senior technical recruiter and technical support manager at Microsoft.

Investors And Valuation

Firm	Board Member	# shares	Unit share price	Investment Amount	Valuation Est.	Date	Notes
	Reid Hoffman	2,939,488	\$0.0564375	N/A		January 2007	Angel investment, Reid Hoffman joins the board
Reid Hoffman Peter Thiel Bob Pittman Andy Russell Brad Feld AVALON VENTURES CLARIUM FOUNDRY GROUP pilotgroup First Solutions for e-Business union square ventures	Brad Feld	33,706,080	\$0.125	\$10 Million		January 2008	Series A financing, Brad Feld joins the board
KP CB union square ventures FOUNDRY GROUP AVALON VENTURES IIVP INSTITUTIONAL VENTURE PARTNERS	Bing Gordon	54,639,968	\$0.4209375	\$29 Million		July 2008	Series B financing, Bing Gordon of Kleiner Perkins joins the board
Kevin Rose IIVP INSTITUTIONAL VENTURE PARTNERS TIGER GLOBAL DST ANDREESSEN HOROWITZ				\$180 Million	\$1.5 - \$3 Billion	December 2009	Series C financing
Google SoftBank Capital				\$300 Million	\$4.5 Billion	June 2010	Series D financing
Morgan Stanley T.RowePrice INVEST WITH CONFIDENCE Fidelity KP CB		1,782,010	\$14.029115	\$485 Million	\$10 Billion	February 2011	Series E financing

Summary of Ownership Table (Estimated)

Name	Class B		Class C		Preferred	
	Shares	%	Shares	%	Shares	%
Mark Pincus	91,385,846	16.0	20,517,472	100		
Kleiner Perkins Caufield and Byers	65,159,896	11.2			26,488,778	-
William Gordon	61,241,020	10.9				
Brad Feld	34,560,060	6.1				
Institutional Venture Partners	34,326,072	6.1			27,768,236	-
Foundry Venture Capital	34,560,060	6.1			27,768,236	-
Avalon Ventures	34,680,608	6.1			31,020,542	-
Union Square Ventures	30,738,892	5.4			7,436,896	-
Reid Hoffman	3,109,744	< 5.0			2,939,488	-
Mark Vranesh	2,174,108	< 5.0				
Owen Van Natta	1,687,500	< 5.0				
Reginald Davis	1,378,436	< 5.0				

Jeffrey Katzenberg	388,410	< 5.0
Stanley Meresman	70,000	< 5.0

Board Of Directors

Mark Pincus – CEO and Chief Product Officer

Reid Hoffman – Co-founder of LinkedIn, Greylock Partner

Jeffrey Katzenberg – CEO of DreamWorks Animation

John Schappert – Director and COO

Owen Van Natta – EVP of Business

Bing Gordon – Partner at Kleiner Perkins Caufield & Byers, Former Chief Creative Officer, Electronic Arts

Brad Feld – Managing director at Foundry Group

Stanley Meresman - Director

Management Equity/Commitment

Founder, CEO and Chief Product Officer Mark Pincus owns an estimated 16% of Class B shares and 100% of Class C shares in the company which is estimated to be worth over \$10 billion in value. We believe Mark is truly committed to the long-term success of Zynga.

Selected Acquisitions And M&A Risk Assessment

Zynga has been targeting game developers and mobile applications to make more social games for Facebook and other mobile devices. The mobile game development is a large part of Zynga's future strategy as it tries to rapidly expand into the smartphone and tablet game markets.

July 2011 – **Five Mobile** – Mobile application development

May 2011 – **DNA Games** – Game, video and entertainment development

April 2011 – **Wonderland Software** – Game software

April 2011 – **JamLegend** – Online music game

March 2011 – **Floodgate Entertainment** – Videogame developer

January 2011 – **Area/Code** – Videogame developer

January 2011 – **Flock** – Web browser

December 2010 – **Newtoy** – Game developer

October 2010 – **Bonfire Studios** – Videogame developer

September 2010 – **Dextrose** – Videogame developer

August 2010 – **Conduit Labs** – Music game provider

June 2010 – **Challenge Games** – Online social games

May 2010 – **XPD Media** – Internet and mobile platforms

February 2010 – **Serious Business** – Social games developer and producer

June 2009 – **MyMiniLife** – Online social games

July 2008 – **YoVille** – Virtual game world

Acquisition/Partnership/Investment/Integration Opportunities

The social gaming industry is expected to consolidate and Zynga will face significant competition in executing a growth strategy. Zynga has the opportunity to substantially expand with acquisitions and strategic partnerships. Acquisitions can provide Zynga with additional monetization opportunities and methodologies as well as experienced social and mobile gaming developers. Zynga is looking to expand its business into international markets by developing offerings that are localized and customized for players in those markets. International expansion can be accomplished with an acquisition of a game developer or a partnership with a European/Asian social network. On September 26, 2011 Zynga announced its arrival on Google's new social-gaming platform. Google + has 43.4 million members and 19 total game titles that include Angry Birds, Global Warfare, and Dragon Age Legends. Zynga must also capitalize on the increasing number of smartphone/tablet users with an integration of its services into additional mobile devices like Blackberry, Amazon Kindle and Samsung Galaxy.

Product/Technology/Platform

Zynga operates its games primarily over the Internet as a live service and updates them with renewed content and new features to make them more social, enhance player engagement, and improve monetization. Zynga designs its games to inspire and enable players to express their personalities by customizing their characters and appearances. Some of Zynga's leading games include:

- **CityVille** – According to Zynga's S-1 filing, CityVille is the largest game on Facebook by monthly active users. In CityVille, players can build homes, businesses, famous landmarks and public buildings to grow the city of their dreams.
- **FarmVille** – FarmVille allows players to cultivate their farms by plowing, planting, and harvesting crops and trees. Players can also care for farm animals like cows and chickens.
- **Zynga Poker** – Zynga Poker was Zynga's first social game and is the largest free-to-play online poker game in the world. Players can choose to play at any table, meet new people and join friends for a game.
- **Empires and Allies** – Launched in June 2011, Empires and Allies lets players build up their island empires, create virtual armies of tanks, planes, and ships, and battle their enemies.
- **FrontierVille** – FrontierVille allows players to establish a plot of land and grow a homestead with friends and family. It was Zynga's first social game to enable the ability to control multiple avatars on a single screen, raise a virtual family and interact with other player's game boards.
- **Mafia Wars** – Mafia Wars allows players to build virtual criminal empires by collaborating with their friends to complete crime jobs, fight and rob other Mafia crews, run underground businesses, and purchase criminal weapons and getaway cars.

- **Words with Friends** – Words with Friends is a social mobile game, similar to Scrabble which challenges players to create the highest-scoring words while playing against family and friends.

Zynga's Virtual Goods are digital representations of real world goods, such as Big Ben in *CityVille*, poker chips in *Zynga Poker* or an aircraft carrier in *Empires & Allies*. According to Zynga's S-1 filing, players created more than three billion virtual goods per day on average in June 2011. Virtual goods allow players to extend their play sessions, enhance or personalize their game environments, accelerate their progress in games, and share and trade with friends.

In addition to the portfolio of social games, Zynga also offers players network features, which provide players real-time updates during game play on what is happening in Zynga's games and with their friends who are playing Zynga's games. These products enable players to discover new games, connect with their friends by sending and receiving messages, collaborate with their friends by giving and receiving help to advance in a game, navigate among games, claim rewards to level up and earn virtual currency across the portfolio of games.

To support the growth of its business Zynga has invested extensively in developing a proprietary technology stack. Zynga's proprietary technology stack includes datacenter and cloud computing management, a shared code base, network and cross-promotional features, proprietary data analytics, monetization and internationalization. Zynga believes that its technology stack is a competitive advantage and will continue to innovate and optimize the stack to extend its technology leadership. Zynga's technology stack has the ability to handle sudden bursts of activity for millions of players over a short period of time with high levels of performance and reliability.

Zynga's physical network infrastructure operates a combination of datacenters and public cloud datacenters linked with high-speed networking. Zynga uses commodity hardware, and its architecture is designed for high availability and fault tolerance while accommodating the demands of social game play.

Zynga develops its architecture to work effectively in a flexible cloud environment that has a high degree of elasticity. For example, Zynga's automatic provisioning tools allow for an additional 1,000 servers in a 24-hour period in response to demand. Zynga operates at a scale that consistently delivers more than one petabyte of content per day.

SWOT Analysis

Strengths

- #1 market share in the social gaming vertical
- Sophisticated management team with depth of knowledge of the market
- Large and global community of players
- Leading portfolio of high quality social games
- Scalable technology infrastructure and game engines
- Powerful network effects
- Solid financial model
- Partnerships with Facebook and Google +

Weaknesses

- Untested long-term revenue model
- Rely on small percentage of players for nearly all of the revenue
- Market appears to be plateauing. Zynga needs additional/alternative revenue sources.
- Revenue concentration with Facebook.

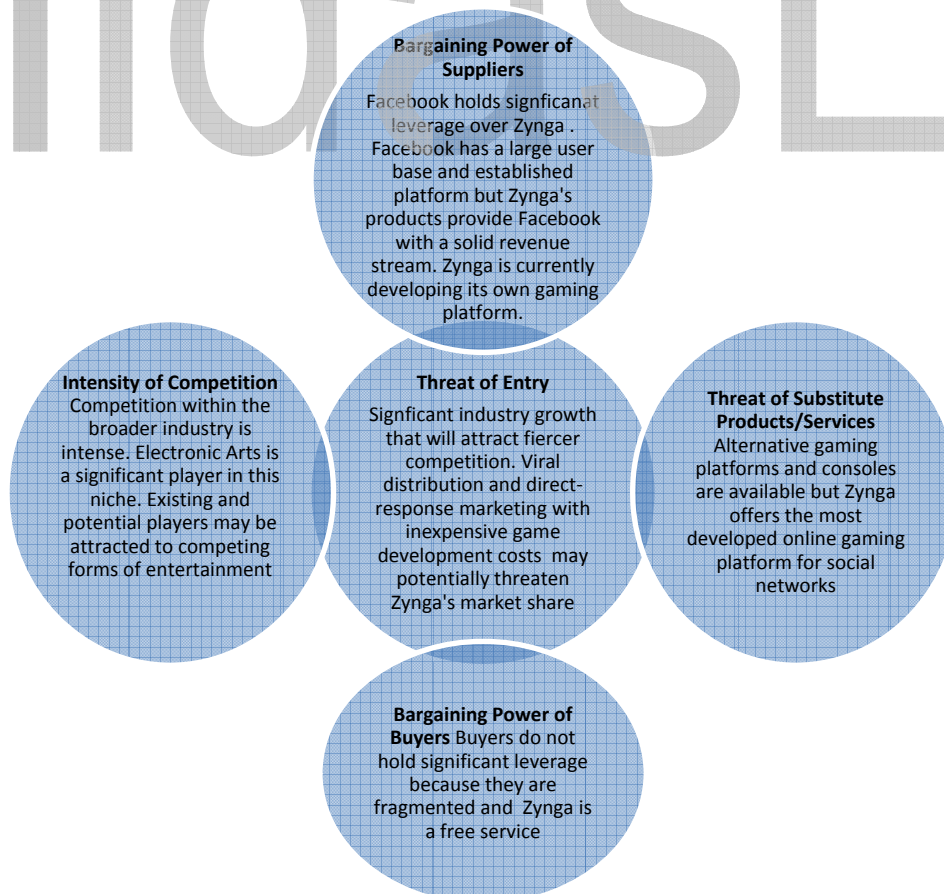
Opportunities

- Launch new games to retain and further monetize players
- Integrating with mobile devices to increase user engagement
- Capitalizing on existing revenue sources through effective use of data for targeting ads at the right audience
- Further integration with social networks in Asia and Europe

Threats

- Revenue concentration with Facebook.
- Potential security breaches, computer viruses and computer hacking
- Industry growth will attract new developers who will compete for the same potential users

Competitive Analysis

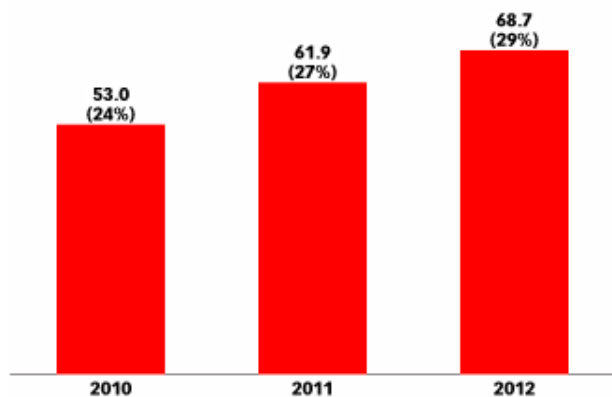


Industry Growth

According to IBISWorld, the social network game development industry launched in 2007 and is quickly expanding. Companies in the industry develop video games played on social networks like Facebook and smartphone applications. Generally speaking, the games are free to play and do not require the user to own any software or console to participate. Companies generate revenue through the sale of virtual goods within a game and through advertisements. According to IBISWorld, revenue from the industry is anticipated to grow 24.4% annually to \$11.3 billion in the five years to 2016. The continued adoption of the internet, social networks, and smartphones are driving revenues. According to research firm, Inside Network, the total U.S. market size for virtual goods is expected to grow from \$1.6 billion in 2010 to \$2.1 billion in 2011. The largest and fastest sub-segment of the U.S. virtual good market is the social network applications and games segment. This segment grew from approximately \$250 million in 2008, to \$490 million in 2009, and to \$835 million in 2010.

According to eMarketer, 24% of the online audience in the U.S. played social games at least once a month in 2010. By 2012, there will be 68.7 million social gamers in the U.S., representing a 29.5% growth from 2010. Companies in multiple industries are attracted to the growing revenue opportunity of social gaming through branded virtual goods, offers, ads and campaigns that combine digital and real-world items.

US Social Gamers, 2010-2012
millions and % of internet users



Note: social network users who play at least one game on a social network at least once per month

Source: eMarketer, Jan 2011

123437

www.eMarketer.com

asLP

Selected Competitors



Electronic Arts, Inc. is a major American developer, marketer, publisher and distributor of video games. Founded in 1982 by Trip Hawkins, the company was a pioneer of the early home computer games industry and was notable for promoting the designers and programmers responsible for its games. EA is currently the #1 publisher in Western markets with a 16% segment share and the second largest social games company on Facebook. EA's, The Sims Social is currently the fastest growing game on Facebook. The company is publicly traded on the NASDAQ under the ticker symbol: ERTS.



Founded in 2007 by Kristian Segerstrale, Sebastien de Halleux, Sami Lababidi, and Shukri Shammass, Playfish is the creator of social games for users on social platforms such as Facebook, MySpace, Bebo, Google, iPhone and Android. Playfish has seven games that are top 10 hits on Facebook, including Pet Society which generates more than 11 million people every month. Playfish was acquired by Electronic Arts in November 2009 for \$400 million.



Founded in 2008, Playdom is a prominent online games provider that is popular on Facebook and MySpace. As of July 2011, Playdom has a total of over 27 million players. On July 27, 2010, The Walt Disney Company acquired Playdom for \$763 million. At the time of the acquisition, Playdom was the No.3 social gaming company with about 42 million monthly players.



Founded in 2008 by Jeffrey Tseng and Suren Markosian, CrowdStar is a global leader in social gaming attracting tens of millions of users every month. Their most popular games include It Girl, Mighty Pirates, Happy Aquarium, Happy Pets, Happy Island and Top Girl.



Founded in 2000, PopCap Games is a video game developer and publisher based in Seattle, Washington. Most of PopCap games are available for free; however the full version requires a fee. PopCap's most famous game is Bejeweled, which has sold over 50 million units across all major platforms. PopCap was acquired by Electronic Arts in July 2011 for \$1.3 billion.



Vostu is a social gaming company that was founded in 2007. The company was initially a social network for Latin America. Vostu then launched its first successful social game in June 2009 called "Joga Craque". As of January 2010, Vostu's farming game called "Mini Fazenda" generated 8 million monthly active users and was rated #1 social game on the Orkut platform.

Cursory, Long Term Valuation Thoughts And Valuation Comparables

A common stock comparison table is attached overleaf. *Deep valuation thoughts/cash flow models and analysis are available to MidasLP registered accredited investors. Please fill out our accredited investor form at investors.midaslp.com to access deep insights and information.*

Gaming Services Comparable Company Analysis

Company	Ticker	Price (10.19.11)	Shares Outstanding (In Millions)	Market Valuation (In Millions)		Earnings Per Share			Forward P/E		
				Equity Value	Enterprise Value	2011	2012	2013	2011	2012	2013
Electronic Arts	ERTS	\$24.51	329.94	\$8,086.83	\$6,913.83	\$0.94	\$1.20	\$1.20	26.07x	20.43x	20.43x
Activision Blizzard, Inc.	ATVI	\$13.04	1140	\$14,865.60	\$12,531.60	\$0.79	\$0.93	NA	16.51x	14.02x	NA
Take-Two Interactive	TTWO	\$14.17	86.74	\$1,229.11	\$1,089.59	NA	\$0.18	\$2.36	NA	78.72x	6.00x
THQ Inc.	THQI	\$1.90	68.33	\$129.83	\$110.79	NA	(\$0.19)	\$0.26	NA	NA	7.31x
Majesco Entertainment	COOL	\$3.41	41.3	\$140.83	\$121.16	\$0.40	\$0.44	NA	8.53x	7.75x	NA
Glu Mobile Inc.	GLUU	\$3.15	63.16	\$198.95	\$172.55	(\$0.27)	(\$0.24)	NA	NA	NA	NA
Mean		\$10.03	\$288.25	\$4,108.52	\$3,489.92	\$0.47	\$0.39	\$1.27	17.04x	30.23x	11.25x
Median		\$8.23	\$77.54	\$714.03	\$631.07	\$0.60	\$0.31	\$1.20	16.51x	17.22x	7.31x

Company	Financial Statistics (In Millions)					
	LTM Sales	LTM Gross Profit	LTM Operating Income	LTM Depreciation/Amortization	LTM EBITDA	LTM Net Income
Electronic Arts	\$3,773.00	\$2,256.00	(\$183.00)	\$55.00	(\$128.00)	(\$151.00)
Activision Blizzard, Inc.	\$4,767.00	\$2,744.00	\$799.00	\$0.00	\$799.00	\$656.00
Take-Two Interactive	\$1,095.86	\$439.31	\$39.89	\$14.48	\$54.37	\$13.44
THQ Inc.	\$711.03	\$166.30	(\$145.76)	\$0.00	(\$145.76)	(\$144.44)
Majesco Entertainment	\$123.54	\$45.02	\$13.00	\$0.26	\$13.26	\$9.20
Glu Mobile	\$65.22	\$47.07	(\$10.43)	\$0.09	(\$10.34)	(\$11.47)
Mean	\$1,755.94	\$949.62	\$85.45	\$11.64	\$97.09	\$61.96
Median	\$903.45	\$302.81	\$1.29	\$0.18	\$1.46	(\$1.14)

Company	Financial Statistics		LTM Profitability Margins			Enterprise Value	
	LTM EPS	LTM PE	Gross Profit	EBITDA	Net Income	LTM Sales	LTM EBITDA
Electronic Arts	(\$0.16)	NA	59.79%	-3.39%	-4.00%	1.83x	NA
Activision Blizzard, Inc.	\$0.74	17.62x	57.56%	16.76%	13.76%	2.63x	15.68x
Take-Two Interactive	\$0.17	83.35x	40.09%	4.96%	1.23%	0.99x	20.04x
THQ Inc.	(\$1.96)	NA	23.39%	-20.50%	-20.31%	0.16x	NA
Majesco Entertainment	\$0.28	12.18x	36.44%	10.73%	7.45%	0.98x	9.14x
Glu Mobile	(\$0.20)	NA	72.17%	-15.85%	-17.59%	2.65x	NA
Mean	(\$0.19)	37.72x	48.24%	-1.22%	-3.24%	1.54x	14.95x
Median	\$0.00	17.62x	48.83%	0.78%	-1.39%	1.41x	15.68x

Market Capitalization/Sales

Company	Ref.	Market Valuation (In Millions)		
		Market Capitalization	LTM Sales	Market Capitalization/Sales
Twitter	1	\$8,000.00	\$45.00	177.78x
Facebook	2	\$50,000.00	\$1,860.00	26.88x
Zynga	3	\$10,000.00	\$888.47	11.26x
Groupon	4	\$4,750.00	\$1,290	3.68x
eBay	5	\$39,393.14	\$13,312.60	2.96x
Amazon	6	\$93,629.48	\$43,594.00	2.15x
LinkedIn	7	\$8,205.55	\$413.36	19.85x
Mean		\$30,568.31	\$8,771.92	34.94x
Median		\$10,000.00	\$1,290.00	11.26x

Ref.

(1) Twitter's Enterprise Value is based off last direct financing round. Twitter's sales are based off eMarketer's revenue estimates for 2010

(2) Facebook's Enterprise Value is based off last direct financing round. Facebook's sales are based off eMarketer's revenue estimates for 2010

(3) Zynga's Enterprise Value is based off last direct financing round. Zynga's LTM Sales are based off it

(4) Groupon's Enterprise Value is based off last direct financing round. Groupon's LTM Sales are based off its S-1 filing

(5) Source: eBay's 10-Q filing on 10/21/2011

(6) Source: Amazon's 10-Q filing on 10/26/2011

(7) Source: LinkedIn's 10-Q filing on 8/9/2011

Profitability Margins

Company	Ref.	LTM Financial Statistics (In Millions)			LTM Profitability Margins		
		LTM Gross Profit	LTM Operating Profit	LTM Net Income	Gross Profit	Operating Profit	Net Income
Zynga	1	\$641.22	\$154.95	\$88.36	72%	17%	10%
Groupon	2	\$1,103.00	(\$554.54)	(\$527.71)	86%	-43%	-41%
eBay	3	\$9,455.40	\$2,775.24	\$2,284.83	71%	21%	17%
Amazon	4	\$9,819.00	\$1,076.00	\$871.00	23%	2%	2%
LinkedIn	5	\$341.65	\$27.58	\$20.16	83%	7%	5%
Mean		\$4,272.05	\$695.85	\$547.33	67%	1%	-1%
Median		\$1,103.00	\$154.95	\$88.36	72%	7%	5%

Ref.

(1) Source: Zynga's Amended S-1 filing on 10/13/2011

(2) Source: Groupon's Amended S-1 filing on 11/1/2011

(3) Source: eBay's 10-Q filing on 10/21/2011

(4) Source: Amazon's 10-Q filing on 10/26/2011

(5) Source: LinkedIn's 10-Q filing on 8/9/2011

Concerns

Zynga's bookings dropped from \$287 million in Q1 2011 to \$275 million in Q2 2011. Bookings represent a measure of the company's sales in a period. They include all revenue generated in the given period through sales of virtual goods. Revenue is represented by the sales of virtual goods amortized over the expected life of the virtual goods or as the goods are consumed. Additionally, Zynga's EBITDA decreased to \$65 million in Q2 2011, from \$112 million in Q1 2011. Net income also decreased from \$17 million in Q1 2011, to \$1 million in Q2 2011.

According to Zynga's October 13, 2011 S-1 filing, Zynga's monthly active users and daily active users witnessed a decline in the most recent quarter. Zynga's monthly active users declined from 236 million in Q1 2011 to 228 million in Q2 2011. Additionally, Zynga's daily active users declined from 62 million in Q1 2011 to 59 million in Q2 2011.

MidasLP Valuation Analysis Social Media Cross Segment Leaders (Preliminary Draft Estimates)

	Users	LTM or available	Valuation (Recent)		Source: www.MidasLP.com			Ref.
		Est. Revenues	Non-Sec. Round Or Filing	Revenues/User	Value/User	Revenues Multiple		
Facebook	750 m	\$3,000 m	\$90,000 m	\$4.00	\$66.67	17 x	1-3	
Twitter	200 m	\$150 m	\$8,400 m	\$0.75	\$42.00	56 x	4-6	
Skype	663 m	\$860 m	\$8,500 m	\$1.30	\$12.82	10 x	7-9	
Zynga	232 m	\$839 m	\$17,500 m	\$3.62	\$75.43	21 x	10-12	
LinkedIn	120 m	\$400 m	\$7,500 m	\$3.33	\$62.50	19 x	13	
GroupON	116 m	\$2,500 m	\$25,000 m	\$21.55	\$215.52	10 x	14-15	
LivingSocial	43 m	\$1,000 m	\$2,900 m	\$23.26	\$67.44	3 x	16-17	
Yelp	20 m	\$57 m	\$500 m	\$2.85	\$25.00	9 x	18-19	
Gilt Groupe	3.5 m	\$500 m	\$1,000 m	\$142.86	\$285.71	2 x	20-21	

Ref.

- (1) Facebook Users - Source Facebook Website
- (2) Facebook 2010 revenues - Source - Wornack, Brian (December 16, 2010). "Facebook 2010 Sales Said Likely to Reach \$2 Billion" Retrieved January 5, 2011.
- MidasLP Facebook revenue estimate is average of 2010 and 2011 estimated revenues
- (2b) Facebook 2011 revenues - eMarketer - http://www.emarketer.com/Reports/All/Emarketer_2000757.aspx
- (3) Facebook valuation from Goldman Sachs/DST purchase from Facebook of class A stock
- (4) Twitter Revenues - Wired - <http://www.wired.com/wiredcenter/2011/01/twitter-revenues/>
- (5) Twitter Valuation - <http://allthingsd.com/20110801/twitter-confirms-funding-with-dst/> 12/10 received \$200 m from KPCB at \$3.7 b value
- (6) Twitter number of users, Media Bistro. - http://www.medlabistro.com/alltwitter/how-many-twitter-users_b13110 also - <http://socialmediatoday.com/1mckeewocanlccom/282916/how-many-users-does-twitter-really-have>
- (7) Skype number of users - SEC filing - <http://www.sec.gov/Archives/edgar/data/1498209/000119312511056174/ds1a.htm>
- (8) Skype revenues - SEC filing - <http://www.sec.gov/Archives/edgar/data/1498209/000119312511056174/ds1a.htm>
- (9) Skype valuation: Microsoft agreed to acquire Skype for \$8.5b. Skype has approx 10% active user base i.e. less than stated # of users
- (10) Zynga - Users - SEC Filing - <http://www.sec.gov/Archives/edgar/data/1439404/0001193125111219334/ds1a.htm>
- (11) Zynga Valuation, CNBC. http://www.cnbc.com/id/43564083/Zynga_IPO_implies_a_15_20_Billion_Valuation
- (12) Zynga revenues - WSJ et al, utilizes a non-GAAP measure that is accepted but non-GAAP see - <http://www.businessinsider.com/chart-of-the-day-zynga-revenue-net-income-2011-7>
- (13) LinkedIn users, revenues and valuation are all public information (NYSE:LNKD)
- (14) GroupOn Revenues And Users Estimates, SEC + MidasLP, <http://www.sec.gov/Archives/edgar/data/1490281/000104746911007178/a22043992s-1a.htm>
MidasLP 12 month revenues estimate based on 6 months ending June 2011 revenues of \$1.5 billion.
- (15) GroupOn Valuation Estimates, Reuters, - <http://www.reuters.com/article/2011/08/12/us-groupon-valuation-idUKTRE7785QL20110812>
- (16) LivingSocial Financials and Valuation - <http://techcrunch.com/2011/04/15/livingsocial-financials-exposed-2-9-billion-valuation-50-million-in-revenue-per-mor>
- (17) LivingSocial Users - <http://livingsocial.com/lythnumbers>
- (18) Yelp Revenue and Valuation - <http://www.businessinsider.com/yelp-ipo-2010-10>
- (19) Yelp number of reviews - <http://www.yelp.com/about>
- (20) Gilt Groupe Revenue and Valuation - <http://online.wsj.com/article/SB10001424052748703730804576313390486181732.html>
- (21) Gilt Groupe Members - <http://www.gilt.com/press>

Source - www.MidasLP.com

Financial Statements

Summary of Income Statement (In Thousands)

	Year Ended December 31			Three Months Ended March 31	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
Revenue	\$ 19,410	\$ 121,467	\$ 597,459	\$ 100,927	\$ 235,421
Total Costs and Expenses	41,993	174,245	471,987	94,612	206,688
Operating Income	(22,583)	(52,778)	125,472	6,315	28,733
Interest Income	319	177	1,222	81	518
Other Income (Expense)	187	(209)	365	430	(736)
Income (Loss) Before Income Tax Expense	(22,077)	(52,810)	127,059	6,826	28,515
Provision For Income Taxes	(38)	(12)	(36,464)	(391)	(16,710)
Net Income (Loss)	(22,115)	(52,822)	90,595	6,435	11,805

Summary of Balance Sheet (In Thousands)

	Year Ended December 31		
	<u>2009</u>	<u>2010</u>	<u>31-Mar-11</u>
Assets			
Total Current Assets	222,140	906,214	1,179,775
Other Assets	36,708	206,358	248,574
Total Assets	258,848	1,112,572	1,428,349
Liabilities And Stockholder's Equity			
Total Current Liabilities	234,636	520,650	576,339
Other Liabilities	45,690	109,707	118,209
Total Stockholder's Equity	(21,478)	482,215	733,801
Total Liabilities And Stockholder's Equity	258,848	1,112,572	1,428,349

Summary of Cash Flow Statement (In Thousands)

	Year Ended December 31			Three Months Ended March 31	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
Cash Flow Operations	\$ 11,482	\$ 190,995	\$ 326,412	\$ 89,896	\$ 103,657
Cash Flow Investing	(21,196)	(103,392)	(617,438)	(103,329)	(55,538)
Cash Flow Financing	29,547	14,169	351,437	159	225,249
Net Change in Cash	19,833	101,772	60,495	(13,267)	273,389

MidasLP Accredited Investor Form

PLEASE FILL OUT THE ATTACHED SUITABILITY FORM IF YOU ARE INTERESTED IN:

- (1) More detailed access to our research offerings
- (2) Current or future opportunities with our funds; or
- (3) Gaining access to our public due diligence data room (this contains a sample of our detailed analysis including collected data from third parties on companies that we may invest in or target as well as investment reports)

You can also fill out this form online at investors.midaslp.com. Otherwise you can email it to investors@midaslp.com. You may fax it to (202) 478-2809 attention "Midas Investor Relations." You may also mail this form to 2751 Hennepin Avenue South, Suite 30, Minneapolis, MN 55408.

Name _____

Address _____

City _____ State _____ Zip _____ Country _____

Do one or more of the following apply to you? Please click the check box if applicable.

- You are a natural person whose individual, net worth or joint net worth with your spouse exceeds \$1,000,000.
- You are a natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with your spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same level in the current year.
- The investor is a bank as defined in Section 3(a)(2) of the Act or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company as defined in Section 2(13) of the Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that act; Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Administration Act of 1958; any plan established and maintained by a state, its political subdivisions or instrumentality of a state or its political subdivisions for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; employee benefit plan within the meaning of the Employee Retirement Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with decisions made solely by accredited investors.
- The investor is a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.
- The investor is an organization described in Section 501(c)(3) of the Internal Revenue Code or a corporation, a Massachusetts or similar business trust, or partnership) not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.
- The investor is an entity in which all of the equity owners are Accredited Investors.
- The investor is a trust with total assets in excess of \$5,000,000, not formed the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in rule 506(b)(2)(ii) of the Act.

Signature _____

Date _____

You can also fill out this form online at investors.midaslp.com. Otherwise you can email it to investors@midaslp.com. You may fax it to (202) 478-2809 attention "Midas Investor Relations." You may also mail this form to 2751 Hennepin Avenue South, Suite 30, Minneapolis, MN 55408.

DISCLAIMER

Midas, LP (including its officers, employees, members and advisers) provides no warranty or representation whatsoever in connection with any data, information or matters contained herein or arising from this document which may contain errors and inaccuracies. You are strongly encouraged to consult an outside financial, legal or other separate adviser in connection with all matters referred to herein. The information herein does not contain any financial or investment advice and under no circumstances should be construed as financial or investment advice. Midas, LP provides no representation or warranty regarding the accuracy, completeness, timeliness or suitability for any purpose of this document. This document is not an offer and does not constitute an offer for the sale of any securities whatsoever in any region whatsoever. By utilizing this report you agree that nothing arising out of this report shall be cause for any legal action of any kind whatsoever and agree to indemnify MidasLP against any action that you or anyone acting on your behalf may bring against MidasLP as a result of this report. Such indemnification shall cover all legal expenses incurred by MidasLP and any other costs or judgments of any kind whatsoever. You also agree that the maximum amount of any liability asserted against MidasLP may not exceed the amounts of any money that you have paid directly to MidasLP and if you have paid no monies to MidasLP, the maximum liability asserted against MidasLP may not exceed \$100.

DISCLOSURES

Midas, LP may from time to time take positions in securities issued by companies that are mentioned in its research or strategic reports including this report.

CAUTION CONCERNING FORWARD LOOKING STATEMENTS

The information in this document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often include words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance in connection with discussions of future operating or financial performance. Examples of forward-looking statements include, but are not limited to statements regarding the investment plans and expected performance of Midas.

Our forward-looking statements are based on our current expectations and assumptions regarding our business and performance, the economy and other future conditions and forecasts of future events, circumstances and results. As with any projection or forecast, they are inherently susceptible to uncertainty, error and changes in circumstances. Our actual results may vary materially from those expressed or implied in these forward-looking statements. Important factors that could cause our actual results to differ materially from those in our forward-looking statements include but are not limited to government regulation, economic, strategic, political and social conditions and the following factors: our ability to deal effectively with an economic slowdown or other economic or market difficulty; decreased liquidity in the capital markets, changes in tax or monetary policy and changes in stock and capital markets performance and outlook. It is not our intention now or at any other time to update or correct any errors or any other information in this document.

MidasLP

MidasLP invests in the world's best pre-IPO companies. For us, the best companies have high gross and/or net margins, an enormous number of customers (often > 1 million customers or users), significant global growth prospects and limited competition. Some of the companies that we invest in have more customers or users than the populations of countries like the United States, United Kingdom or Switzerland. In general, we target private companies that are vastly superior to many public companies.