

Game maker Zynga wants Nevada gambling license

By Gerry Shih, Reuters

Social games maker Zynga Inc. has filed a preliminary application to run real-money gambling games in Nevada, a significant step in cracking a complex but potentially massive new market that could resuscitate its faltering business.

The Nevada Gaming Control Board will now examine whether Zynga is fit to hold a gaming license that would allow gamblers in the state to bet real money on the San Francisco-based company's popular games like Zynga Poker, which currently involve only virtual chips with no monetary value.

Zynga is hoping that a lucrative real-money market could make up for a steep slide in revenue from its games like "FarmVille" and other fading titles that still generate the bulk of its sales.

"We anticipate that the process will take approximately 12 to 18 months to complete," Zynga Chief Revenue Officer Barry Cottle said in a statement. "As we've said previously, the broader U.S. market is an opportunity that's further out on the horizon based on legislative developments, but we are preparing for a regulated market."

Zynga, along with many major gaming industry players, is hoping that a tide of proposed legislation to regulate gaming could sweep through states across the U.S. and open a massive new online market.

Nevada, Delaware and New Jersey are among the states that have moved or are moving toward interactive gaming after the U.S. Justice Department last year declared that only online betting on sporting contests was unlawful, presenting the opportunity

for states to legalize some forms of online gambling, from lotteries to poker.

Although widespread legalization of online gaming in the United States appears years away at the minimum, obtaining a license in Nevada would be a meaningful foot in the door for Zynga's nationwide aspirations.

Zynga has told investors in recent quarters that a concerted move into real-money gaming could represent a hefty – and badly needed – source of new revenue for the company, which has seen revenues sag and its stock plummet by more than three-quarters in the past year as gamers abandoned titles like “CityVille.”

In October, the company slashed its 2012 full-year earnings outlook for the second time and laid off employees to trim costs, while CEO Mark Pincus implored investors to give him time to turn around the company by pursuing initiatives like real-money gaming.

That month, Zynga struck a deal with bwin.party, a Gibraltar-based gaming company, to provide real money casino games like poker and slots in the United Kingdom beginning in the first half of 2013.