



ZYNGA Q1 2018

FINANCIAL RESULTS

May 2, 2018

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MANAGEMENT TEAM



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Gerard Griffin

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements, including those statements relating to our outlook for the second quarter of 2018 under the headings "Q2 2018 Financial Guidance" and "Q2 2018 Financial Guidance: GAAP to Non-GAAP Reconciliation" and our related estimates and assumptions, including, among other things: our operational performance and progress in our turnaround; our operational strategy, including our focus on live services, growth projections relating to our mobile forever franchises; our continued investment in game innovations; our plans to acquire additional games and IP assets; the success of new product and feature launches and other special events; our expectations regarding the advertising market, including anticipated trends in that market; our expectations in the mobile game industry, including anticipated trends in that market; our performance expectations regarding our legacy portfolio of web and older mobile games; and our ability to achieve financial projections, including revenue, bookings, income and margin goals.

Forward-looking statements often include words such as "guidance," "outlook," "projected," "intends," "will," "anticipate," "believe," "target," "expect," and statements in the future tense are generally forward-looking. The achievement or success of the matters covered by such forward-looking statements involves significant risks, uncertainties, and assumptions. Our actual results could differ materially from those predicted or implied and reported results should not be considered as an indication of our future performance. Undue reliance should not be placed on such forward-looking statements, which are based on information available to us on the date hereof. We assume no obligation to update such statements. More information about factors that could affect our operating results are described in greater detail in our public filings with the Securities and Exchange Commission (the "SEC"), copies of which may be obtained by visiting our Investor Relations web site at <http://investor.zynga.com> or the SEC's web site at www.sec.gov.

In addition, the preliminary financial results set forth in this presentation are estimates based on information currently available to us. While we believe these estimates are meaningful, they could differ from the actual amounts that we ultimately report in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018. We assume no obligation and do not intend to update these estimates prior to filing our Quarterly Report on Form 10-Q.



OVERVIEW OF Q1 2018 PERFORMANCE

Q1 2018 PERFORMANCE OVERVIEW

Q1 FINANCIAL HIGHLIGHTS

- Revenue of \$208.2 million; above our guidance and up 7% year-over-year.
- GAAP operating expenses of \$134.9 million; down 2% year-over-year.
- Net income of \$5.6 million; \$10.6 million above our guidance and an improvement of \$15.1 million year-over-year.
- Net increase in deferred revenue of \$11.3 million; versus our guidance of a net increase in deferred revenue of \$10.0 million. This increase in deferred revenue was primarily driven by the first full quarter of bookings contribution from our Casual Cards acquisition.
- Bookings of \$219.5 million; above our guidance and up 6% year-over-year.
- Non-GAAP operating expenses of \$120.3 million; down 1% year-over-year.
- Adjusted EBITDA of \$26.6 million; above our guidance and an increase of \$9.9 million year-over-year.
- Use of operating cash flow of \$3.9 million; an improvement of \$0.8 million year-over-year.

Q1 MOBILE HIGHLIGHTS

- Mobile revenue of \$182.6 million; up 13% year-over-year.
- Mobile bookings of \$193.4 million; up 10% year-over-year.
- Mobile average DAUs of 23 million; up 24% year-over-year.
- Mobile user pay revenue was up 10% year-over-year, and mobile user pay bookings were up 7% year-over-year.

Q1 ADVERTISING HIGHLIGHTS

- Advertising revenue of \$44.8 million and advertising bookings of \$45.1 million were up 12% and 10% year-over-year, respectively.
- Advertising represented 22% of total revenue and 21% of total bookings as compared to 21% of total revenue and 20% of total bookings in Q1 2017.

Q1 2018 FINANCIAL GUIDANCE VS. ACTUALS

GAAP	Guidance ⁽²⁾	Actuals
Revenue	\$ 200,000	\$ 208,232
(B) Net increase in deferred revenue ⁽¹⁾	\$ (10,000)	\$ (11,240)
Net (loss) income	\$ (5,000)	\$ 5,609
Diluted share count	905,000	893,774
Diluted net (loss) income per share	\$ (0.01)	\$ 0.01
Non-GAAP		
Bookings	\$ 210,000	\$ 219,472
(A) Adjusted EBITDA	\$ 20,000	\$ 26,572

Management Reporting = (A) - (B)

Footnotes:

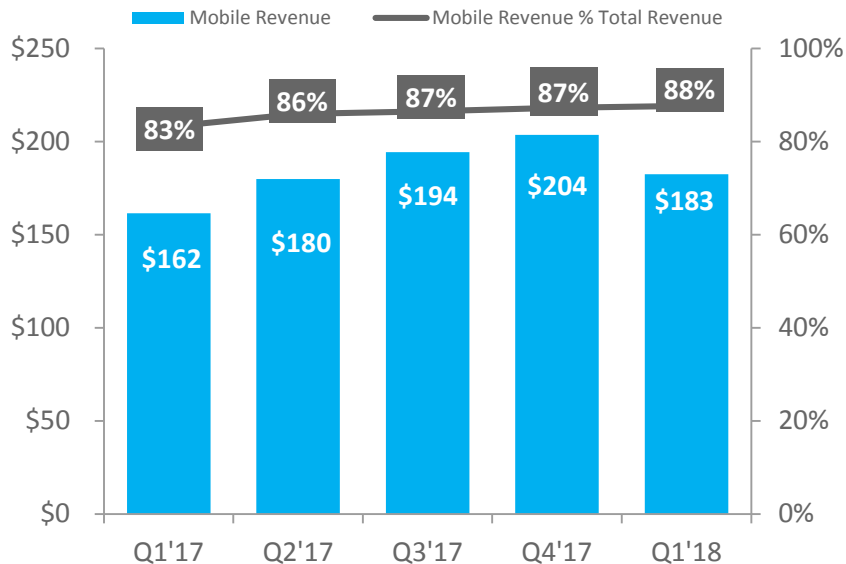
- (1) For clarity, a net release of deferred revenue results in revenue being higher than bookings and is a positive impact to Adjusted EBITDA as reported; a net increase in deferred revenue results in revenue being lower than bookings and is a negative impact to Adjusted EBITDA as reported.
- (2) Q1'18 guidance as communicated in our Q4'17 quarterly earnings letter and earnings slides

MOBILE HIGHLIGHTS

IN MILLIONS

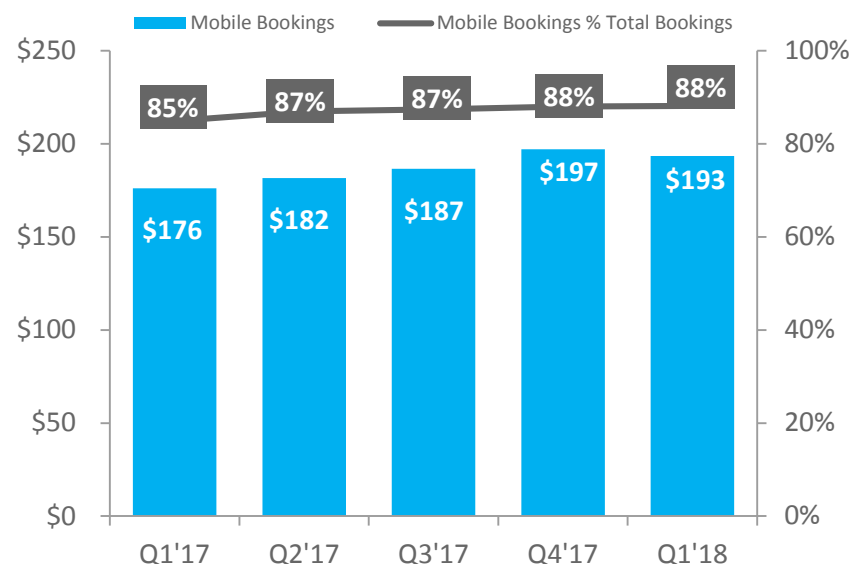
MOBILE REVENUE

88% OF TOTAL IN Q1'18



MOBILE BOOKINGS

88% OF TOTAL IN Q1'18

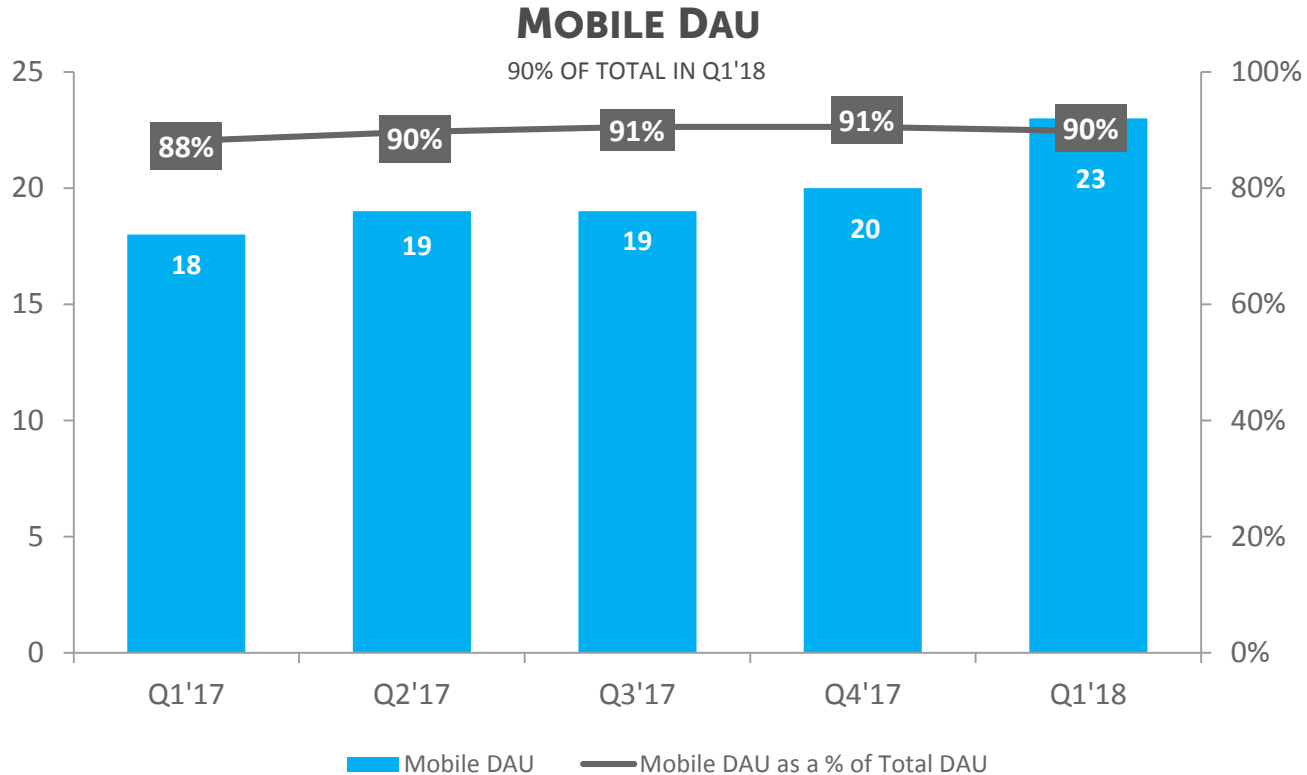


Net Release of (Increase in) Deferred Revenue ⁽¹⁾	(\$15)	(\$2)	\$8	\$7	(\$11)
Mobile Bookings	\$176 ⁽²⁾	\$182	\$187 ⁽²⁾	\$197	\$193 ⁽²⁾

Footnotes:

(1) Refer to footnote (1) on slide 7

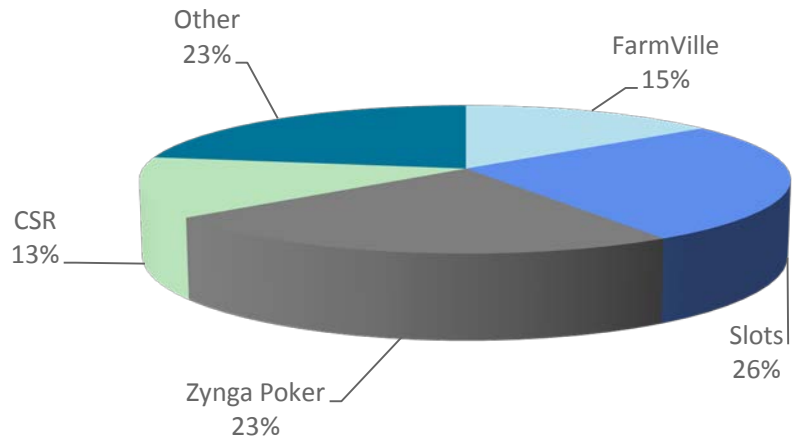
(2) This measure, as presented, differs due to the impact of rounding



Q1 2018 ONLINE GAME REVENUE AND BOOKINGS BY FRANCHISE

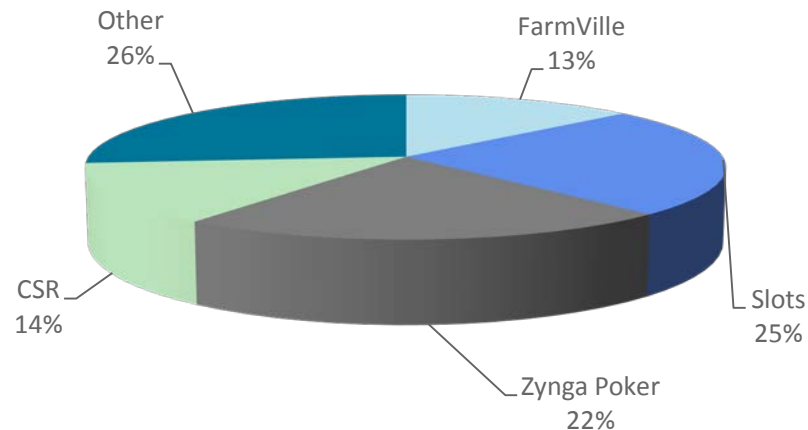
Q1 2018 ONLINE GAME REVENUE

Total Amount: \$162 million



Q1 2018 ONLINE GAME BOOKINGS

Total Amount: \$173 million ⁽¹⁾



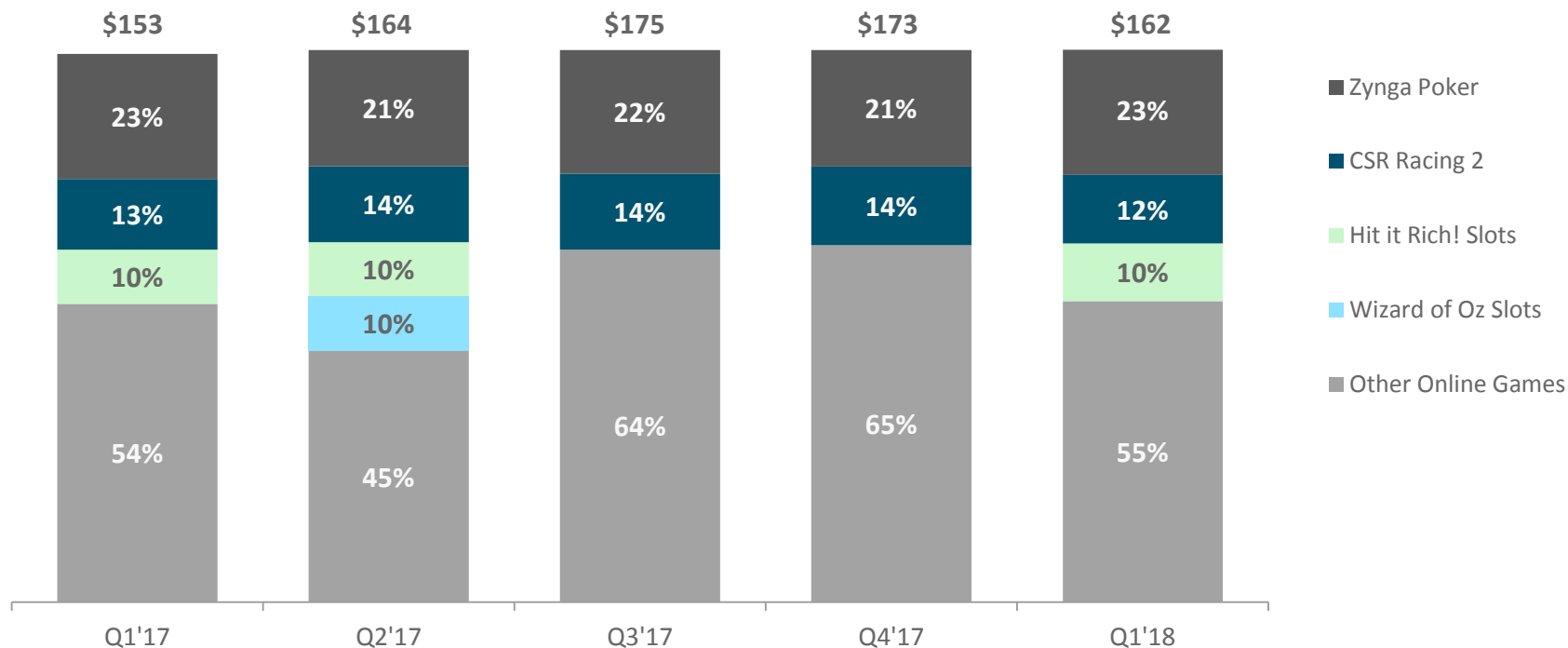
Note: Franchises representing less than 10% of online game revenue are included in “Other”.

Footnote:

(1) Online game revenue of \$162 million, plus the change in deferred revenue of \$11 million, results in online game bookings of \$173 million.

ONLINE GAME REVENUE CONCENTRATION

TOTAL REVENUE IN MILLIONS

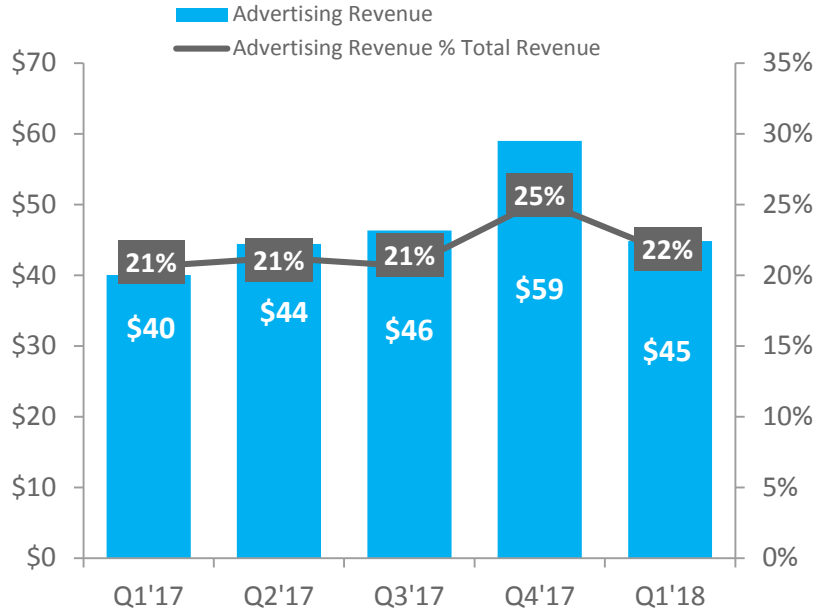


Note: Games representing less than 10% of online game revenue in any period are included in "Other Online Games".

ADVERTISING: REVENUE AND BOOKINGS

ADVERTISING REVENUE

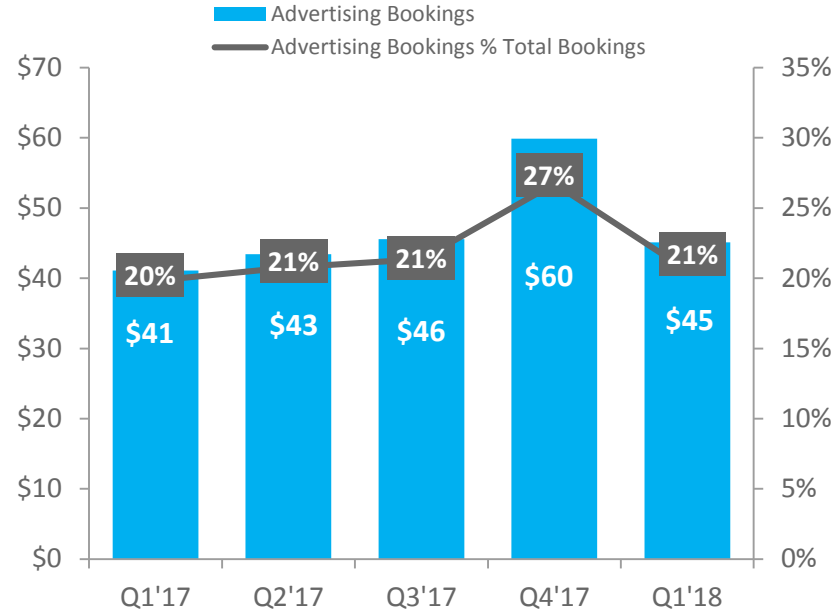
22% OF TOTAL IN Q1'18



IN MILLIONS

ADVERTISING BOOKINGS

21% OF TOTAL IN Q1'18



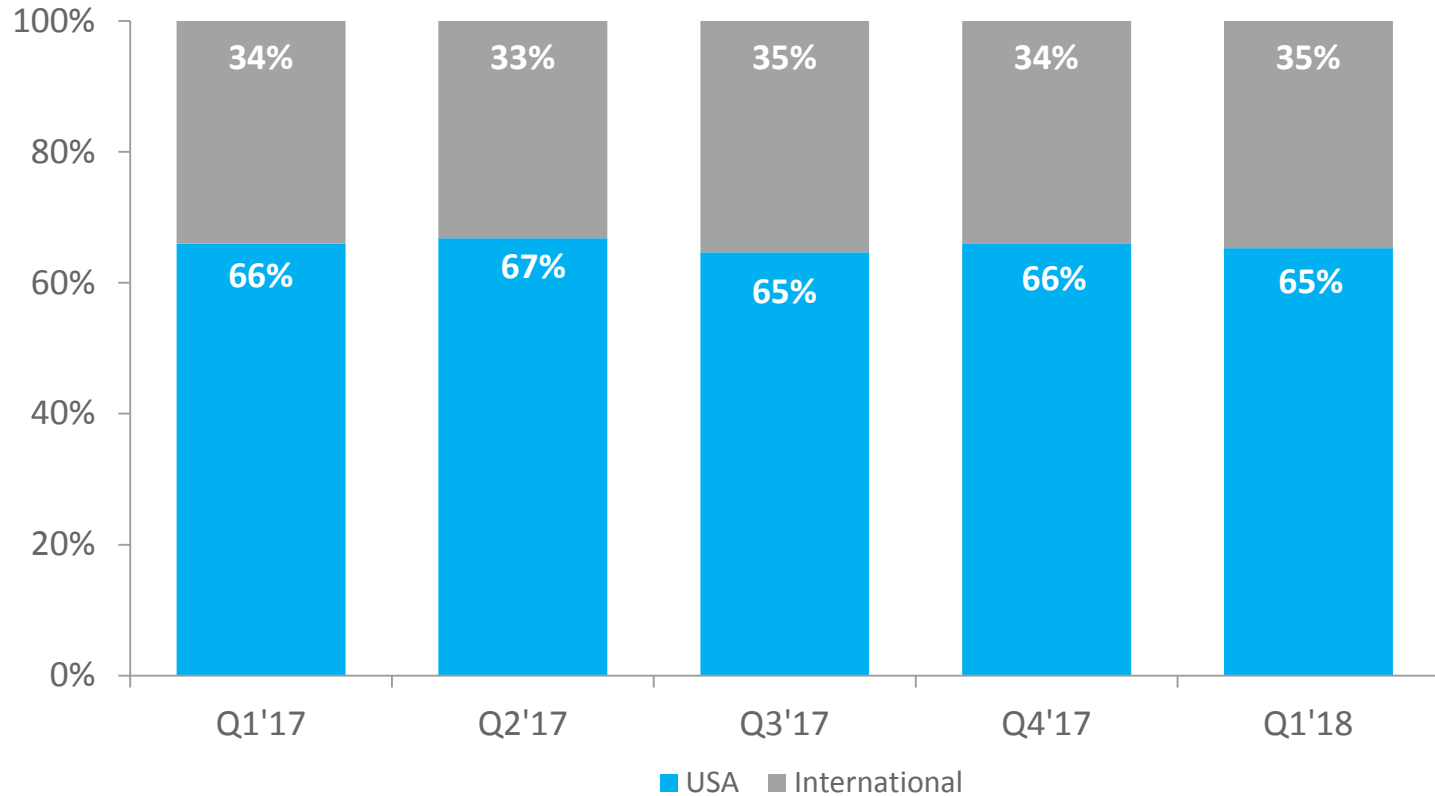
Net Release of (Increase in) Deferred Revenue ⁽¹⁾	(\$1)	\$1	\$1	(\$1)	\$0
Advertising Bookings	\$41	\$43	\$46 ⁽²⁾	\$60	\$45

Footnotes:

(1) Refer to footnote (1) on slide 7 for additional clarity on this financial measure

(2) This measure, as presented, differs due to the impact of rounding

REVENUE BY GEOGRAPHY



NET INCOME (LOSS) AND CASH FLOW

(in millions, except per share data)

	Q1'18	Q4'17	Q3'17	Q2'17	Q1'17
Net income (loss)	\$ 5.6	\$ 12.9	\$ 18.1	\$ 5.1	\$ (9.5)
Diluted net income (loss) per share	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.01	\$ (0.01)
Operating cash flow⁽¹⁾	\$ (3.9)	\$ 26.4	\$ 35.1	\$ 37.6	\$ (4.7)
Free cash flow (non-GAAP)⁽¹⁾	\$ (5.4)	\$ 23.3	\$ 32.4	\$ 35.8	\$ (7.0)
Cash, cash equivalents and short-term investments	\$ 635.4	\$ 681.4	\$ 772.2	\$ 739.0	\$ 720.4

Footnotes:

(1) All prior period amounts presented have been retrospectively adjusted for adoption of ASU 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash*.

KEY OPERATING METRICS

The company tracks operating metrics using internal systems which rely on internal company data and third party data. We rely on the veracity of data provided by individuals and reported by third parties to calculate our metrics and reduce duplication of data.

DAUs. We define Daily Active Users (DAUs) as the number of individuals who played one of our games during a particular day. Under this metric, an individual who plays two different games on the same day is counted as two DAUs. We use information provided by third parties to help us identify individuals who play the same game to reduce this duplication. However, because we do not always have the third party network login data to link an individual who has played under multiple user accounts, a player may be counted as multiple DAUs. Average DAUs for a particular period is the average of the DAUs for each day during that period. We use DAUs as a measure of audience engagement.

MAUs. We define Monthly Active Users (MAUs) as the number of individuals who played one of our games in the 30-day period ending with the measurement date. Under this metric, an individual who plays two different games in the same 30-day period is counted as two MAUs. We use information provided by third parties to help us identify individuals who play the same game to reduce this duplication. However, because we do not always have the third party network login data to link an individual who has played under multiple user accounts, a player may be counted as multiple MAUs. Average MAUs for a particular period is the average of the MAUs at each month-end during that period. We use MAUs as a measure of total game audience size.

MUUs. We define Monthly Unique Users (MUUs) as the number of individuals who played one or more of our games, which we were able to verify were played by the same individual in the 30-day period ending with the measurement date. An individual who plays more than one of our games in a given 30-day period would be counted as a single MUU to the extent we can verify that the games were played by the same individual. However, because we do not always have the third party network login data necessary to link an individual who has paid under multiple user accounts in a given 30-day period, an individual may be counted as multiple MUUs. Because many of our players play more than one game in a given 30-day period, MUUs are always equal to or lower than MAUs in any given time period. Average MUUs for a particular period is the average of the MUUs at each month end during that period. We use MUUs as a measure of total audience reach across our network of games.

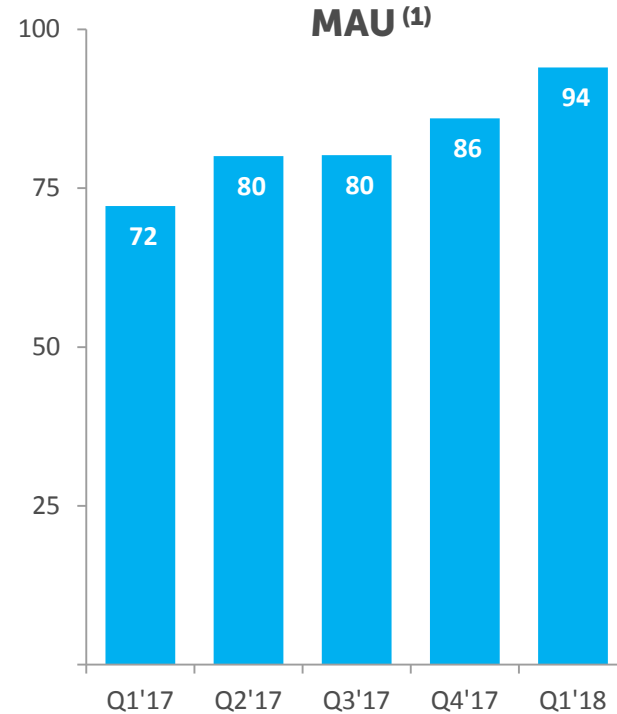
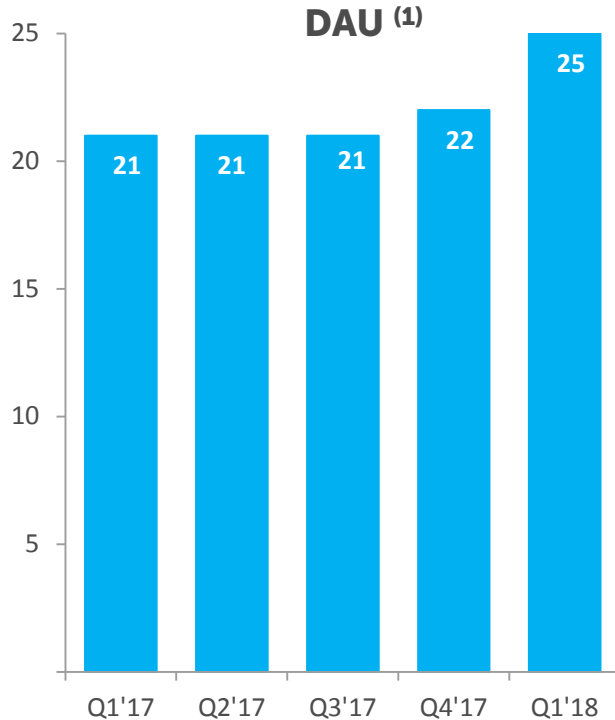
MUPs. We define Monthly Unique Payers (MUPs) as the number of individuals who made a payment at least once during the applicable 30-day period through a payment method for which we can quantify the number of individuals, including payers from certain mobile games. MUPs does not include individuals who use certain payment methods for which we cannot quantify the number of unique payers. However, because we do not always have the third party network login data necessary to link an individual who has paid under multiple user accounts in a 30-day period, a player who has paid using multiple user accounts may be counted as multiple MUPs. MUPs are presented as an average of the three months in the applicable quarter. We use MUPs as a measure of the number of individuals who made payments across our network of games during a 30-day period.

ABPU. We define Average Daily Bookings per Average DAU (ABPU) as our total bookings in a given period, divided by the number of days in that period, divided by, the average DAUs during the period. We believe that ABPU provides useful information to investors and others in understanding and evaluating our results in the same manner as our management and Board of Directors. We use ABPU as a measure of overall monetization across all of our players through the sale of virtual goods and advertising.

Payer Conversion. We define payer conversion as MUPs divided by MUUs.

AUDIENCE METRICS

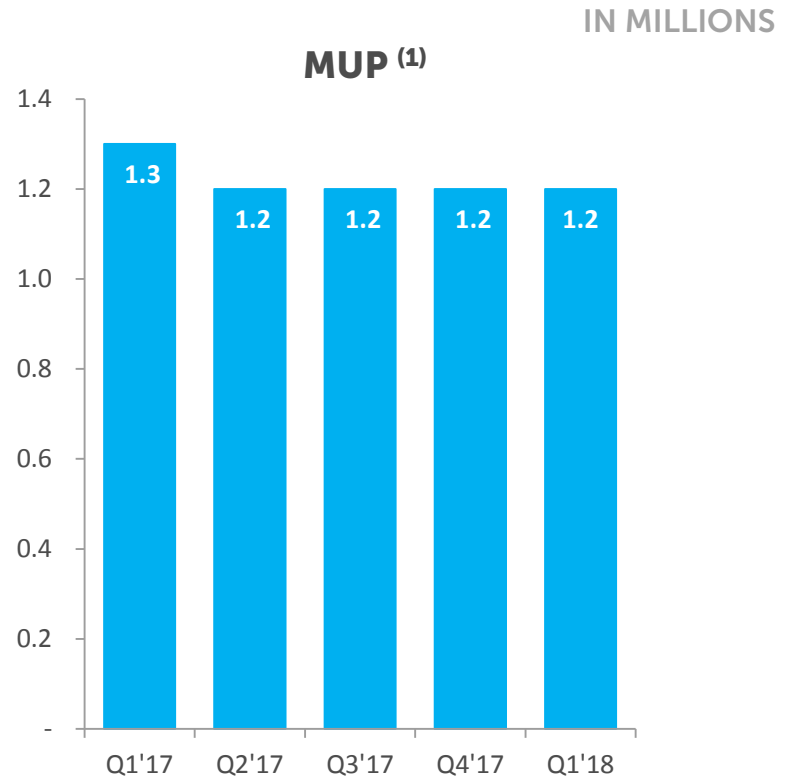
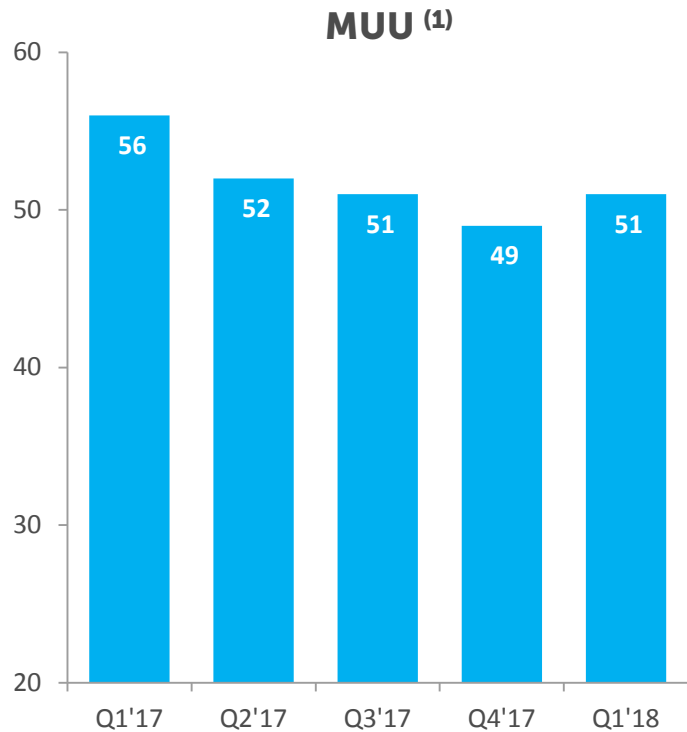
IN MILLIONS



Footnote:

- (1) We do not have the third party network login data to link an individual who has played under multiple user accounts and accordingly, actual DAU and MAU may be lower than reported due to the potential duplication of these individuals. Specifically, for the first quarter of 2018 and fourth quarter of 2017, DAUs and MAUs incrementally include *Daily Celebrity Crossword*, *Solitaire*, our Facebook Instant Games and casual card games acquired in December 2017; for the first, second and third quarters of 2017, DAUs and MAUs incrementally include *Daily Celebrity Crossword*, *Solitaire* and our Facebook Instant Games.

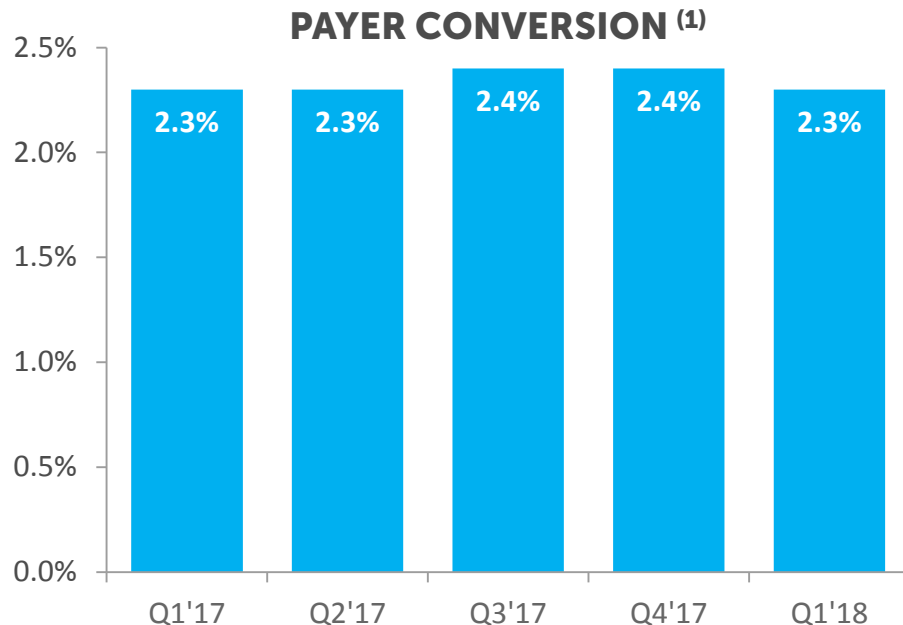
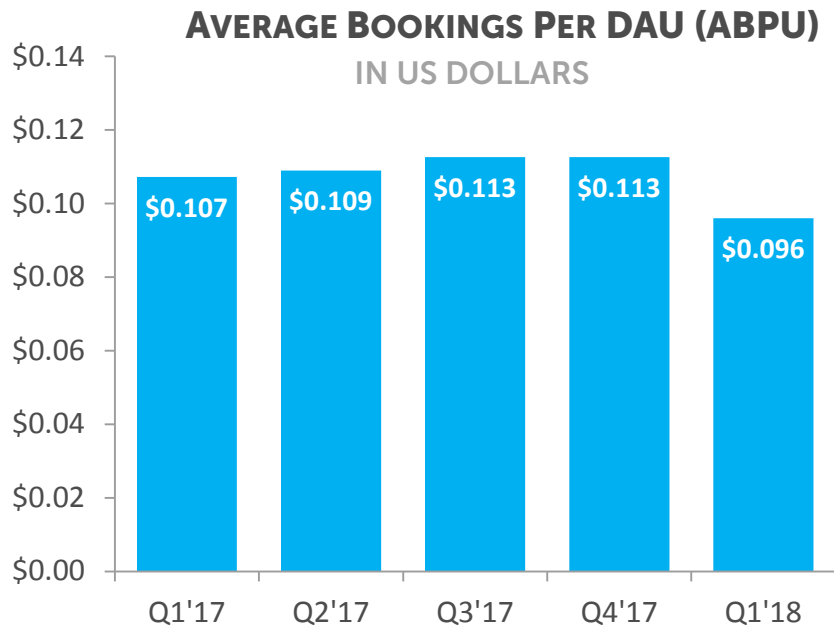
AUDIENCE METRICS



Footnote:

(1) For the first quarter of 2018 and fourth quarter of 2017, MUUs and MUPs exclude *Daily Celebrity Crossword*, *Solitaire*, our Facebook Instant Games and casual card games acquired in December 2017. For the first, second and third quarters of 2017, MUUs and MUPs exclude *Daily Celebrity Crossword*, *Solitaire* and our Facebook Instant Games.

MONETIZATION



Footnote:

(1) For the first quarter of 2018 and fourth quarter of 2017, payer conversion excludes *Daily Celebrity Crossword*, *Solitaire*, our Facebook Instant Games and casual card games acquired in December 2017. For the first, second and third quarters of 2017 payer conversion excludes *Daily Celebrity Crossword*, *Solitaire* and our Facebook Instant Games.



Q2 2018 FINANCIAL GUIDANCE

Q2 2018 FINANCIAL GUIDANCE

(in thousands, except per share data)

GAAP		<u>Q2'18 Guidance</u>
Revenue	\$	208,000
(B) Net increase in deferred revenue ⁽¹⁾	\$	(10,000)
Net income	\$	1,000
Diluted share count		900,000
Diluted net income per share	\$	0.00

Non-GAAP

Bookings	\$	218,000
(A) Adjusted EBITDA	\$	27,000

Management Reporting = (A) - (B)

Footnote:

⁽¹⁾ For clarity, a net release of deferred revenue results in revenue being higher than bookings and is a positive impact to Adjusted EBITDA as reported; a net increase in deferred revenue results in revenue being lower than bookings and is a negative impact to Adjusted EBITDA as reported.



GAAP TO NON-GAAP RECONCILIATIONS

NON-GAAP FINANCIAL MEASURES

We have provided in this presentation certain non-GAAP financial measures to supplement our consolidated financial statements prepared in accordance with U.S. GAAP (our “GAAP financial statements”). Management uses non-GAAP financial measures internally in analyzing our financial results to assess operational performance and liquidity. Our non-GAAP financial measures may be different from non-GAAP financial measures used by other companies.

The presentation of our non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, our GAAP financial statements. We believe that both management and investors benefit from referring to our non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. We believe our non-GAAP financial measures are useful to investors because they allow for greater transparency with respect to key financial measures we use in making operating decisions and because our investors and analysts use them to help assess the health of our business.

We have provided reconciliations of our non-GAAP financial measures used in this presentation to the most directly comparable GAAP financial measures in the following tables and elsewhere in this presentation.

Because of the following limitations of our non-GAAP financial measures, you should consider the non-GAAP financial measures presented in this presentation with our GAAP financial statements. Key limitations of our non-GAAP financial measures include:

- Bookings does not reflect that we defer and recognize online game revenue and revenue from certain advertising transactions over the estimated average playing period of payers for durable virtual items or as consumed for consumable virtual items;
- Adjusted EBITDA does not include, as applicable, the impact of stock-based compensation expense, acquisition-related transaction expenses, contingent consideration fair value adjustments, impairment of intangible assets, legal settlements and/or restructuring expense;
- Adjusted EBITDA does not reflect provisions for or benefits from income taxes and does not include other income (expense) net, which includes foreign exchange gains and losses, and interest income;
- Adjusted EBITDA excludes depreciation and amortization of tangible and intangible assets. Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized may have to be replaced in the future; and
- Free cash flow is derived from net cash provided by operating activities less cash spent on capital expenditures.

REVENUE TO BOOKINGS: TOTAL

<i>(in thousands, unaudited)</i>	3 months ended	
	3/31/18	3/31/17
Reconciliation of Revenue to Bookings: Total		
Revenue	\$ 208,232	\$ 194,284
Change in deferred revenue	11,240	13,074
Bookings: Total	<u>\$ 219,472</u>	<u>\$ 207,358</u>

REVENUE TO BOOKINGS: MOBILE

<i>(in thousands, unaudited)</i>	3 months ended	
	3/31/18	3/31/17
Reconciliation of Revenue to Bookings: Mobile		
Revenue	\$ 182,601	\$ 161,613
Change in deferred revenue	10,822	14,508
Bookings: Mobile	<u>\$ 193,423</u>	<u>\$ 176,121</u>

REVENUE TO BOOKINGS: ADVERTISING

<i>(in thousands, unaudited)</i>	3 months ended	
	3/31/18	3/31/17
Reconciliation of Revenue to Bookings: Advertising		
Revenue	\$ 44,826	\$ 40,054
Change in deferred revenue	296	1,053
Bookings: Advertising	<u>\$ 45,122</u>	<u>\$ 41,107</u>

REVENUE TO BOOKINGS: BY PLATFORM

	3 months ended			
<i>(in thousands, unaudited)</i>	3/31/18			
Reconciliation of Revenue to Bookings: Online Game	Mobile	Web	Other	Total
Revenue	\$ 139,830	\$ 21,723	\$ -	\$ 161,553
Change in deferred revenue	10,526	652	-	11,178
Bookings: Online Game	\$ 150,356	\$ 22,375	\$ -	\$ 172,731
Reconciliation of Revenue to Bookings: Advertising and Other	Mobile	Web	Other	Total
Revenue	\$ 42,771	\$ 2,055	\$ 1,853	\$ 46,679
Change in deferred revenue	296	-	(234)	62
Bookings: Advertising and Other	\$ 43,067	\$ 2,055	\$ 1,619	\$ 46,741

REVENUE TO BOOKINGS: BY PLATFORM

	3 months ended			
<i>(in thousands, unaudited)</i>	3/31/17			
Reconciliation of Revenue to Bookings: Online Game	Mobile	Web	Other	Total
Revenue	\$ 127,239	\$ 26,242	\$ -	\$ 153,481
Change in deferred revenue	12,928	(935)	-	11,993
Bookings: Online Game	\$ 140,167	\$ 25,307	\$ -	\$ 165,474
Reconciliation of Revenue to Bookings: Advertising and Other	Mobile	Web	Other	Total
Revenue	\$ 34,374	\$ 5,680	\$ 749	\$ 40,803
Change in deferred revenue	1,580	(527)	28	1,081
Bookings: Advertising and Other	\$ 35,954	\$ 5,153	\$ 777	\$ 41,884

NET INCOME (LOSS) TO ADJUSTED EBITDA

<i>(in thousands, unaudited)</i>	3 months ended	
	3/31/18	3/31/17
Reconciliation of Net Income (Loss) to Adjusted EBITDA		
Net income (loss)	\$ 5,609	\$ (9,474)
Provision for income taxes	3,859	2,867
Other income, net	(3,401)	(1,436)
Interest income	(1,810)	(937)
Restructuring expense (benefit), net	471	(845)
Depreciation and amortization	7,731	8,881
Acquisition-related transaction expenses	—	187
Contingent consideration fair value adjustment	—	(94)
Stock-based compensation expense	14,113	17,526
Adjusted EBITDA	\$ 26,572	\$ 16,675

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES TO FREE CASH FLOW

<i>(in thousands, unaudited)</i>	3 months ended	
	3/31/18	3/31/17 ⁽¹⁾
Reconciliation of net cash provided by (used in) operating activities to free cash flow		
Net cash provided by (used in) operating activities	\$ (3,947)	\$ (4,721)
Acquisition of property and equipment	(1,424)	(2,285)
Free cash flow	<u>\$ (5,371)</u>	<u>\$ (7,006)</u>

Footnote:

(1) Refer to footnote (1) on slide 14 for discussion on the retrospective adjustment of cash flow information

GAAP TO NON-GAAP COSTS AND EXPENSES

Adjustments to GAAP to arrive at non-GAAP measures

Three months ended March 31, 2018

(in thousands, unaudited)

	GAAP measure	Restructuring Expense	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition- related expenses	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 69,042	\$ (27)	\$ (4,009)	\$ -	\$ -	\$ (431)	\$ 64,575
Operating expenses							
Research and development	60,825	(186)	-	-	-	(8,625)	52,014
Sales and marketing	50,855	-	(534)	-	-	(1,836)	48,485
General and administrative	23,253	(258)	-	-	-	(3,221)	19,774
Total operating expenses	134,933	(444)	(534)	-	-	(13,682)	120,273
Total costs and expenses	\$ 203,975	\$ (471)	\$ (4,543)	\$ -	\$ -	\$ (14,113)	\$ 184,848

Three months ended March 31, 2017

	GAAP measure	Restructuring expense	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition- related expenses	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 64,877	\$ -	\$ (4,295)	\$ -	\$ -	\$ (619)	\$ 59,963
Operating expenses							
Research and development	69,202	932	-	94	-	(11,713)	58,515
Sales and marketing	46,620	-	(1,053)	-	(201)	(1,787)	43,579
General and administrative	22,565	(87)	-	-	14	(3,407)	19,085
Total operating expenses	138,387	845	(1,053)	94	(187)	(16,907)	121,179
Total costs and expenses	\$ 203,264	\$ 845	\$ (5,348)	\$ 94	\$ (187)	\$ (17,526)	\$ 181,142

Q2 2018 FINANCIAL GUIDANCE: GAAP TO NON-GAAP RECONCILIATION

(in thousands, except per share data)

	<u>Q2'18 Guidance</u>
Reconciliation of Revenue to Bookings	
Revenue	\$ 208,000
Change in deferred revenue	10,000
Bookings	<u>\$ 218,000</u>
Reconciliation of Net Income to Adjusted EBITDA	
Net income	\$ 1,000
Provision for income taxes	5,000
Other income, net	(3,000)
Interest income	(2,000)
Depreciation and amortization	8,000
Stock-based compensation expense	18,000
Adjusted EBITDA	<u>\$ 27,000</u>
GAAP diluted shares	900,000
Diluted net income per share	\$ 0.00

