



ZYNGA Q4 2016

FINANCIAL RESULTS

February 9, 2017

TABLE OF CONTENTS

- Discussion of Q4 2016 Performance
- Q1 2017 Financial Outlook
- GAAP to Non-GAAP Reconciliations

MANAGEMENT TEAM



CHIEF EXECUTIVE OFFICER
Frank Gibeau



CHIEF FINANCIAL OFFICER
Gerard Griffin

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements, including those statements relating to our outlook for the first quarter of 2017 under the heading "Q1 2017 FINANCIAL OUTLOOK" and statements relating to, among other things: progress in our turnaround, our ability to grow our live services and create forever franchises, our ability to sharpen our operating model and deliver product, financial and operating performance, and our expectations with respect to new products and features. Forward-looking statements often include words such as "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 Annual Report on Form 10-K for the year ended December 31, 2016. We assume no obligation and do not intend to update these estimates prior to filing our Annual Report on Form 10-K for the year ended December 31, 2016.

KEY NON-GAAP FINANCIAL METRICS

We regularly review a number of metrics, including the following key financial and operating metrics, to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions.

Bookings. Bookings is a non-GAAP financial measure that is equal to revenue recognized during the period plus the change in deferred revenue during the period. We record the sale of virtual goods as deferred revenue and then recognize that revenue over the estimated average life of the purchased virtual goods or as the virtual goods are consumed. Advertising sales, which consist of certain branded virtual goods and sponsorships, are also deferred and recognized over the estimated average life of the branded virtual good, similar to online game revenue. Bookings, as opposed to revenue, is the fundamental top-line metric we use to manage our business, as we believe it is a useful indicator of the sales activity in a given period. Over the long term, the factors impacting our bookings and revenue are the same. However, in the short term, there are factors that may cause revenue to exceed or be less than bookings in any period.

Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure that we calculate as net income (loss), adjusted for provision for (benefit from) income taxes; other income (expense), net; interest income; gain (loss) from significant legal settlements; restructuring expense, net; depreciation and amortization; impairment of intangible assets; stock-based expense; contingent consideration fair value adjustments; and acquisition-related transaction expenses. Zynga's methodology for computing Adjusted EBITDA includes the impact of the changes in deferred revenue. We believe that adjusted EBITDA, considered in addition to the change in deferred revenue, provides additional useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board of Directors.



DISCUSSION OF Q4 2016 PERFORMANCE

Q4 2016 PERFORMANCE SUMMARY

Q4 HIGHLIGHTS

- GAAP Revenue of \$190.5 million; above the high end of the guidance range, up 3% Y/Y and up 4% Q/Q
- GAAP Operating Expenses of \$162.4 million, down 9% Y/Y and down 2% Q/Q
- GAAP Net Loss of \$35.4 million, below our guidance range but an improvement of \$15.8 million or 31% Y/Y, and \$6.3 million or 15% Q/Q
- Deferred revenue increased by \$11.0 million; \$6 million above our guidance
- Bookings of \$201.5 million; above the high end of the guidance range, up 11% Y/Y and up 2% Q/Q
- Non-GAAP operating expenses of \$126.3 million were in line with our expectations; down 3% Y/Y and flat Q/Q, driven by lower sales and marketing spend
- Adjusted EBITDA, which includes the impact of changes in deferred revenue, of \$10.6 million; below our guidance range primarily due to the platform fees associated with the higher revenue deferrals
- Operating cash flow of \$27.7 million, up \$24.3 million Y/Y and up \$6.7 million Q/Q

2016 FINANCIAL HIGHLIGHTS

- GAAP Revenue of \$741.4 million, down \$23.3 million or 3% Y/Y
- GAAP Net Loss of \$108.2 million, an improvement of \$13.3 million or 11% Y/Y
- Deferred revenues increased \$13.1 million compared to a release of \$64.8 million in 2015 representing a \$77.9 million swing Y/Y
- Bookings of \$754.5 million, up \$54.6 million or 8% Y/Y
- Adjusted EBITDA, which includes the impact of changes in deferred revenue, was \$48.8 million, down \$33.0 million or 40% Y/Y with strong operational performance in 2016 more than offset by the swing in deferred revenue Y/Y
- Operating cash flow of \$60.0 million, a \$104.5 million increase compared to 2015 and our best performance since 2012

2016 MOBILE HIGHLIGHTS

- Mobile revenue of \$154.7 million or 81% of overall revenue; up 20% Y/Y and up 6% Q/Q
- Mobile bookings of \$167.1 million or 83% of overall bookings; up 25% Y/Y and up 3% Q/Q
- Average mobile DAUs of 16 million; up 5% Y/Y and flat Q/Q
- Apple and Google continue to be our two largest platform partners for online game bookings

Q4 2016 FINANCIAL OUTLOOK VS. ACTUALS

* Q4'16 outlook as communicated in our Q3'16 press release and shareholder's letter

(in millions, except per share data)

GAAP

	Outlook*	Actuals
Revenue	\$ 180,000 - 190,000	\$ 190,540
Net release of (increase in) deferred revenue ⁽¹⁾	\$ (5,000)	\$ (10,992)
Net income (loss)	\$ (27,000) - (25,000)	\$ (35,432)
Diluted share count	889,000	888,272
Net income (loss) per share	\$ (0.03)	\$ (0.04)

Non-GAAP

Bookings	\$ 185,000 - 195,000	\$ 201,532
Adjusted EBITDA	\$ 12,000 - 14,000	\$ 10,584

Footnotes:

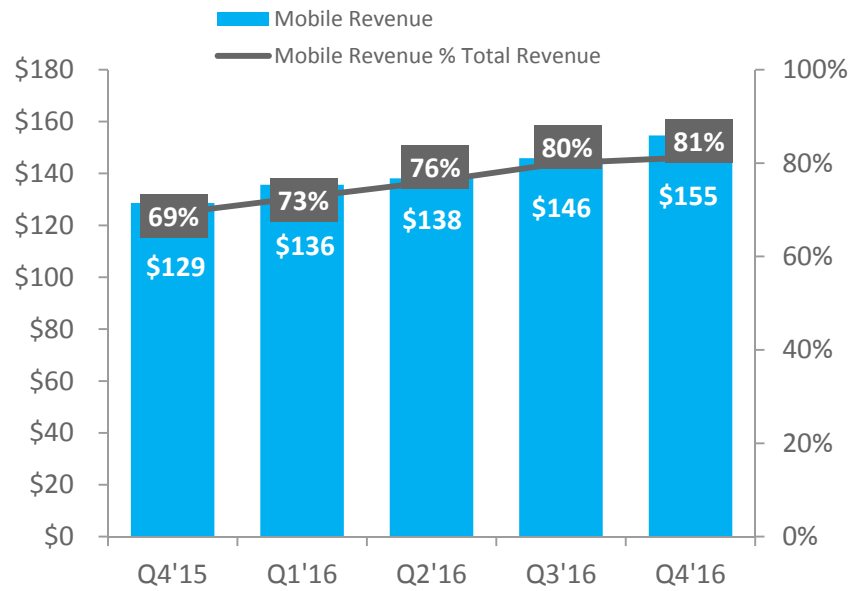
(1) For clarity, a net increase in deferred revenue is a negative impact to revenue and results in an increase in deferred revenue on the balance sheet.

MOBILE HIGHLIGHTS

IN MILLIONS

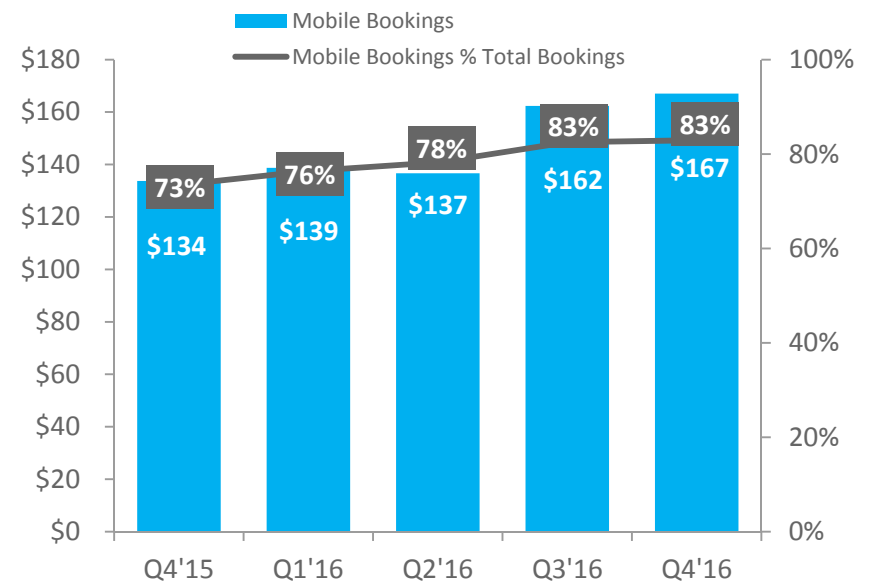
MOBILE REVENUE

81% OF TOTAL IN Q4'16, UP 1% Q/Q



MOBILE BOOKINGS

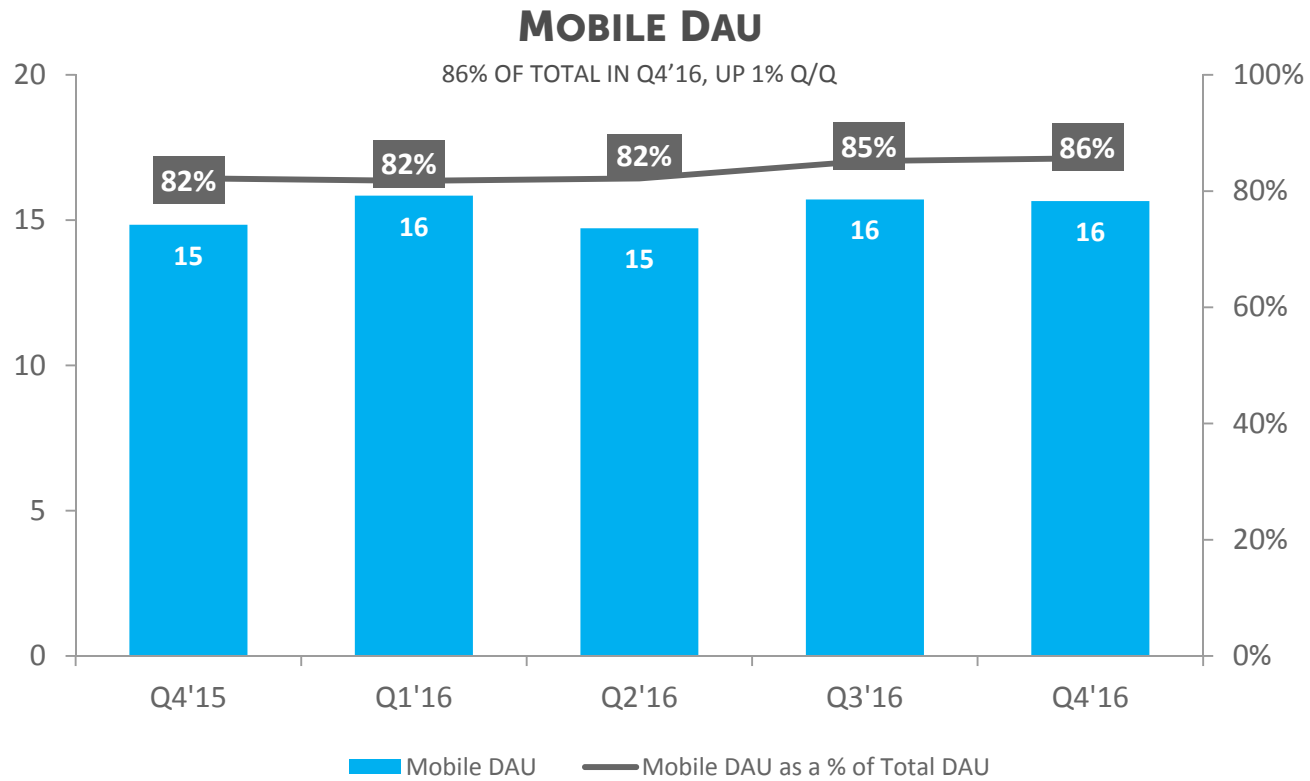
83% OF TOTAL IN Q4'16, FLAT Q/Q



Change in Mobile Deferred Revenue	\$5	\$3	(\$1)	\$16	\$12
Mobile Bookings	\$134	\$139	\$137	\$162	\$167

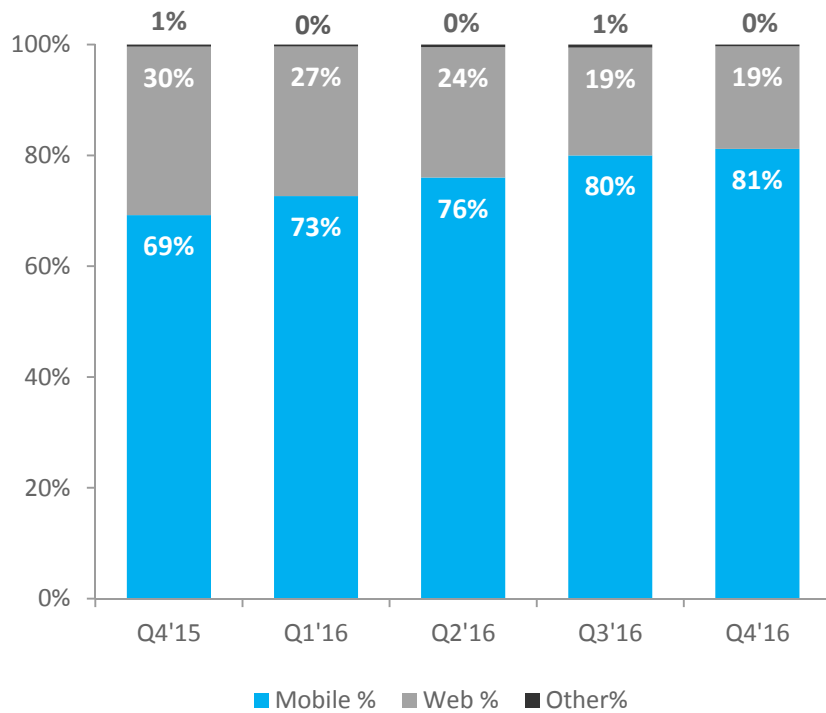
MOBILE HIGHLIGHTS

IN MILLIONS

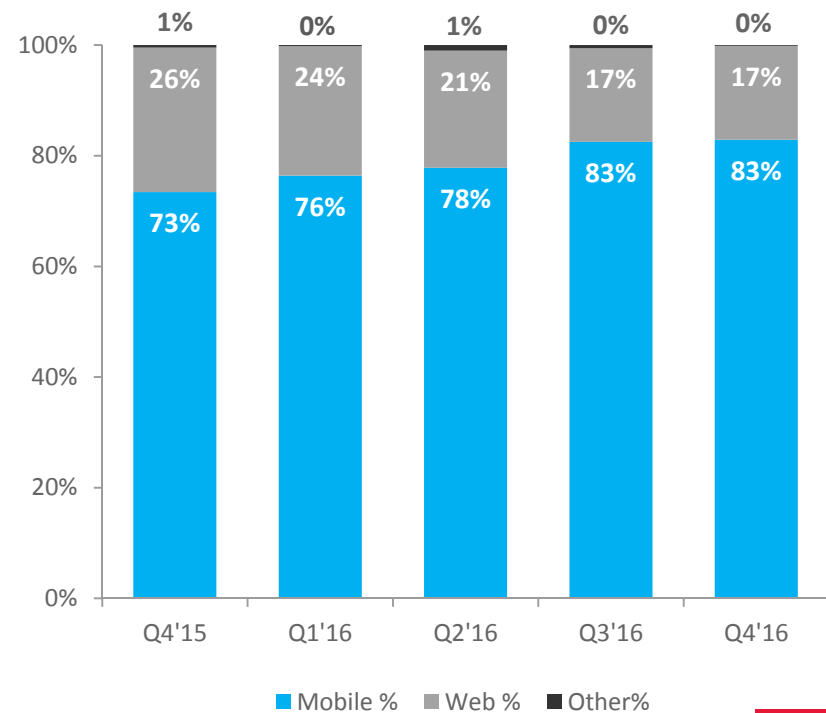


PLATFORM MIX: REVENUE AND BOOKINGS

PLATFORM REVENUE MIX



PLATFORM BOOKINGS MIX



OUR PRODUCTS

SOCIAL CASINO



- Mobile bookings for our Social Slots portfolio grew 8% Y/Y but declined 4% Q/Q
 - Driven by a 10% Q/Q decline in *Wizard of Oz Slots* mobile bookings, partially offset by *Willy Wonka and the Chocolate Factory Slots* which grew its mobile bookings 27% Q/Q



- Mobile bookings for *Zynga Poker* grew 44% Y/Y and 29% Q/Q
 - Record highs in mobile bookings and engagement in Q4, with mobile audience increasing by 21% Q/Q



- *Zynga Poker* had its best annual mobile bookings performance in franchise history, up 20% Y/Y due to the introduction of Leagues and Challenges

CASUAL



- Mobile bookings for *Words With Friends* were flat Y/Y and up 1% Q/Q
 - *Words With Friends* delivered record annual mobile bookings up 32% Y/Y, based on features like Weekly Challenges and new social innovation on iMessage
- Became one of the first gaming companies to launch on the App Store for iMessage with our *Words With Friends* iMessage app

OUR PRODUCTS

ACTION STRATEGY



- *CSR Racing 2* delivered a strong Q4 with new bold beats including the Bugatti Chiron launch as part of the Games for (RED) campaign
- Recently entered into a long term relationship with Porsche for the inclusion of several of their luxury super cars in *CSR Racing 2*
- Released *Dawn of Titans* worldwide to critical acclaim in Q4 - recognized by players for its stunning visuals and innovative game play
- We expect to grow *Dawn of Titans* over time as we improve engagement and the elder game experience through new features and events



INVEST EXPRESS

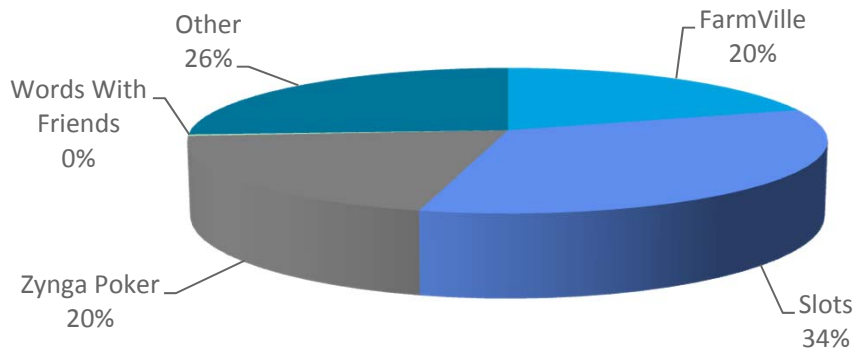


- *FarmVille: Tropic Escape* delivered a number of expansions, features and seasonal events to increase player engagement and retention in Q4
 - Partnered with Apple through the Games for (RED) campaign in December
 - Hosted its first holiday event, featuring brand-new characters and crafting activities
- *FarmVille 2* delivered strong quarterly results driven by their new bold beat, Book of Christmas Tradition

Q4'2016 ONLINE GAME REVENUE AND BOOKINGS BY FRANCHISE

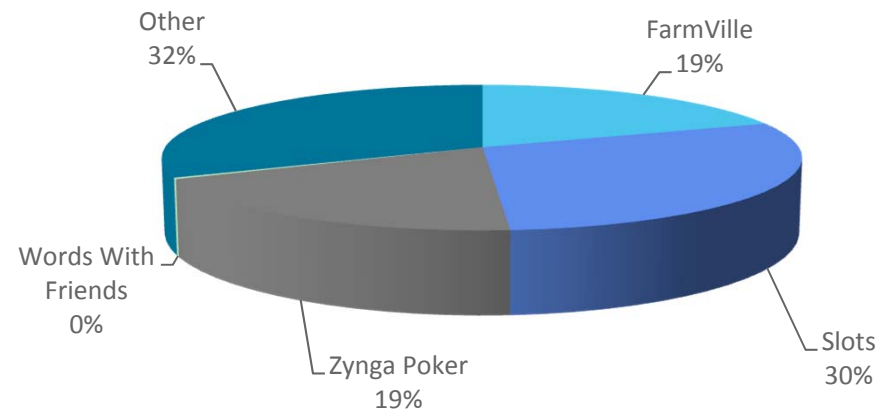
Q4'2016 ONLINE GAME REVENUE

Total Amount: \$140 million



Q4'2016 ONLINE GAME BOOKINGS

Total Amount: \$151 million

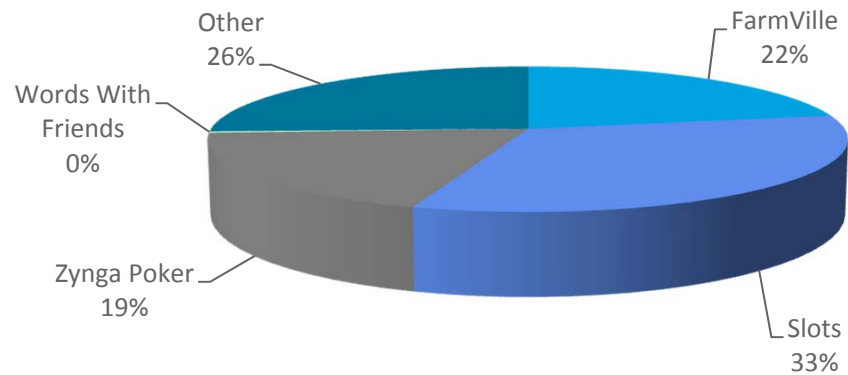


Note: Online game revenue/bookings excludes advertising and other revenue/bookings

2016 ONLINE GAME REVENUE AND BOOKINGS BY FRANCHISE

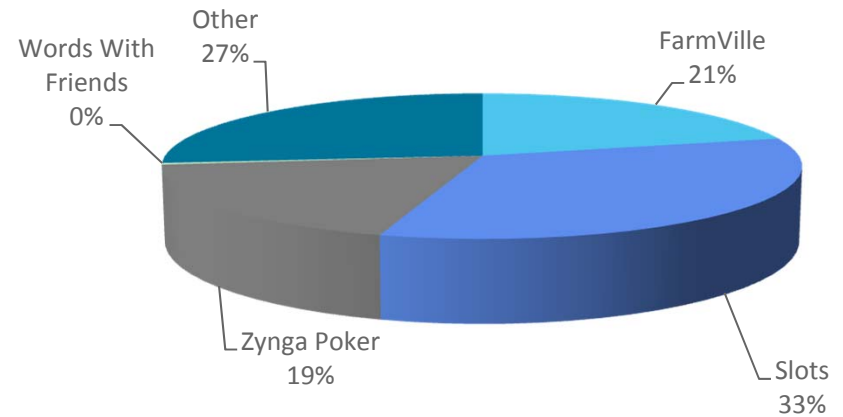
2016 ONLINE GAME REVENUE

Total Amount: \$547 million



2016 ONLINE GAME BOOKINGS

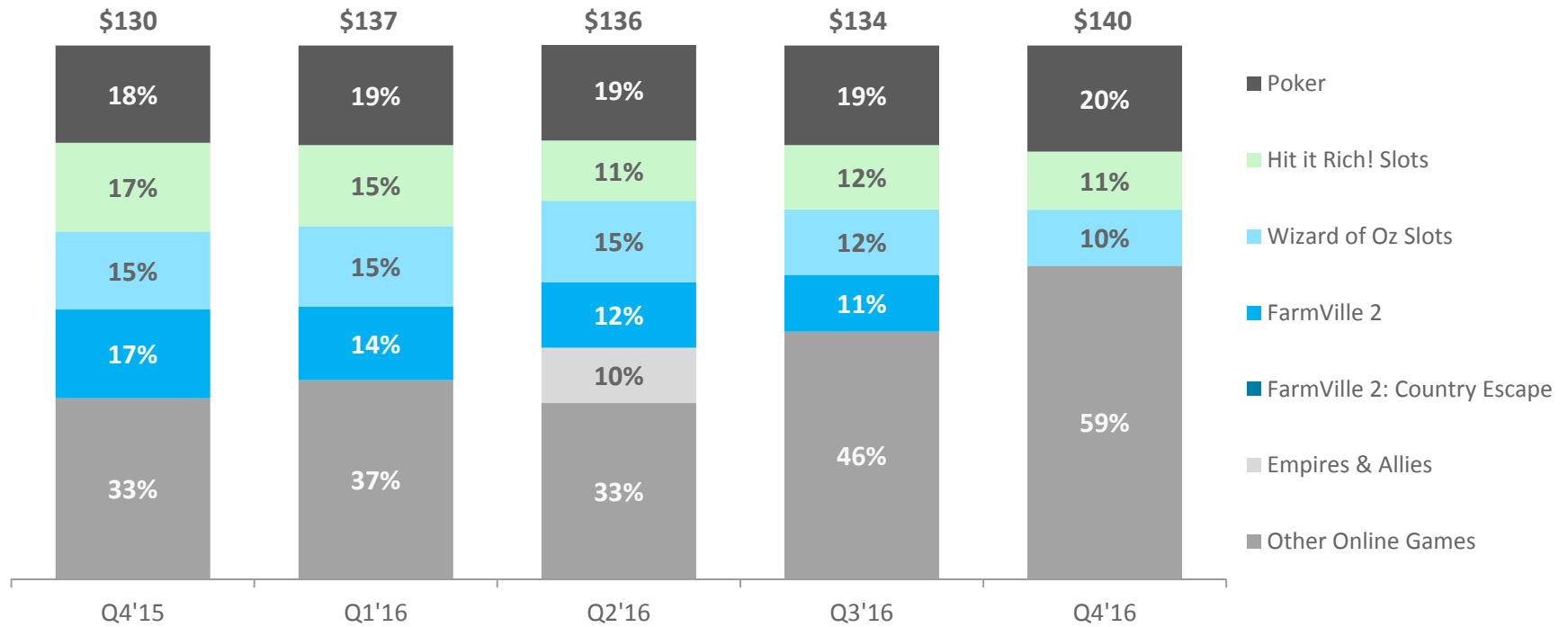
Total Amount: \$563 million



Note: Online game bookings/revenue excludes advertising and other bookings/revenue

ONLINE GAME REVENUE CONCENTRATION

TOTAL REVENUE IN MILLIONS

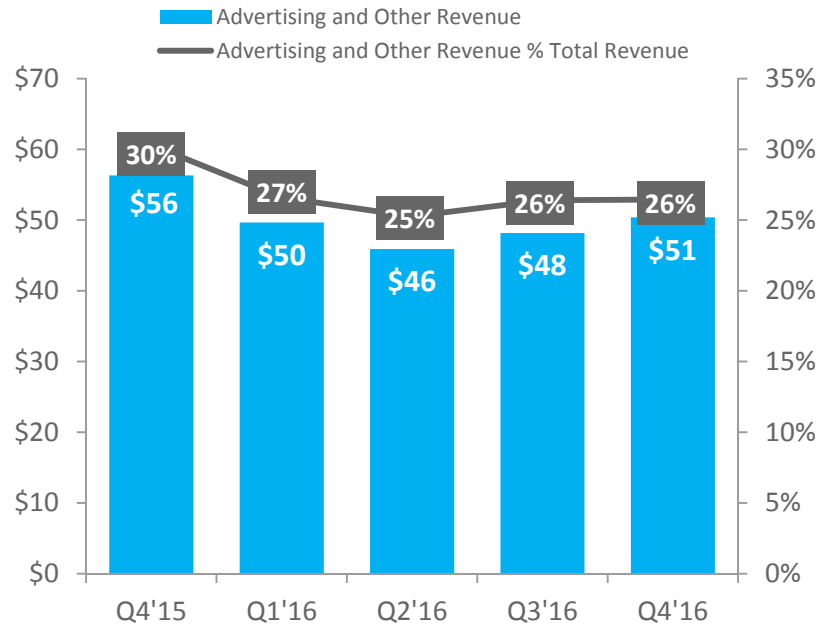


Note: Games representing less than 10% of online game revenue in any period are included in "Other Online Games"

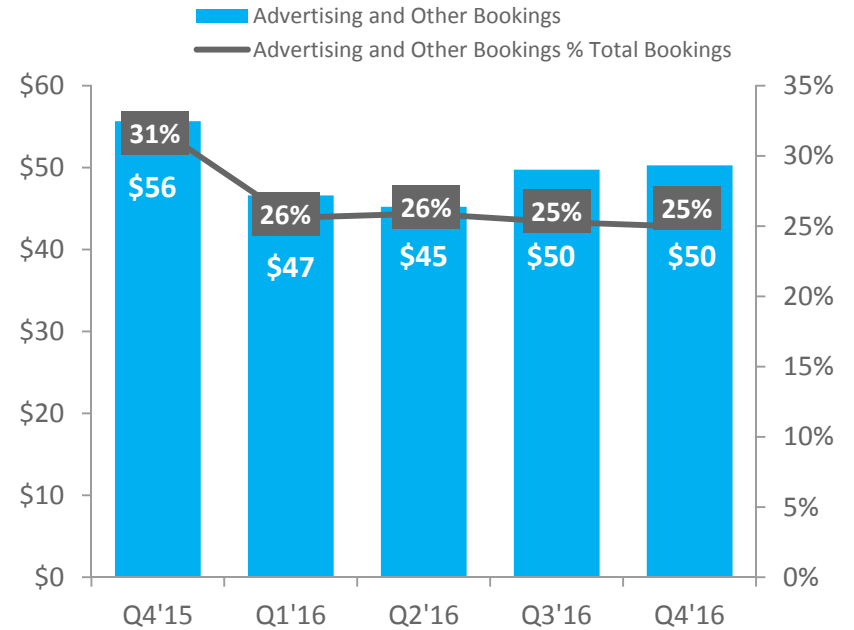
ADVERTISING AND OTHER: REVENUE AND BOOKINGS

IN MILLIONS

ADVERTISING AND OTHER REVENUE

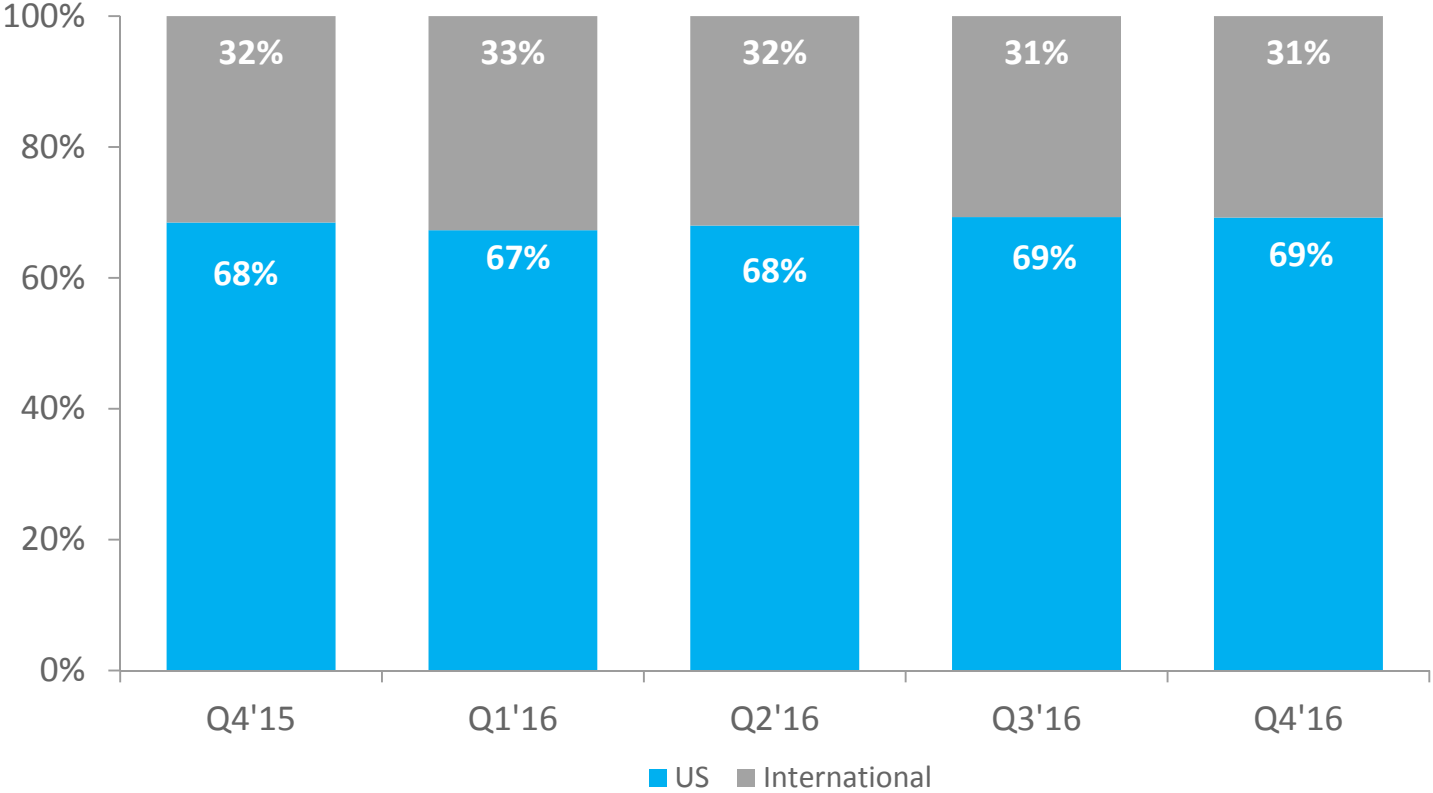


ADVERTISING AND OTHER BOOKINGS



Change in Ad & Other Deferred Revenue	(\$1)	(\$3)	(\$1)	\$2	(\$1)
Ad & Other Bookings	\$56*	\$47	\$45	\$50	\$50

REVENUE BY GEOGRAPHY



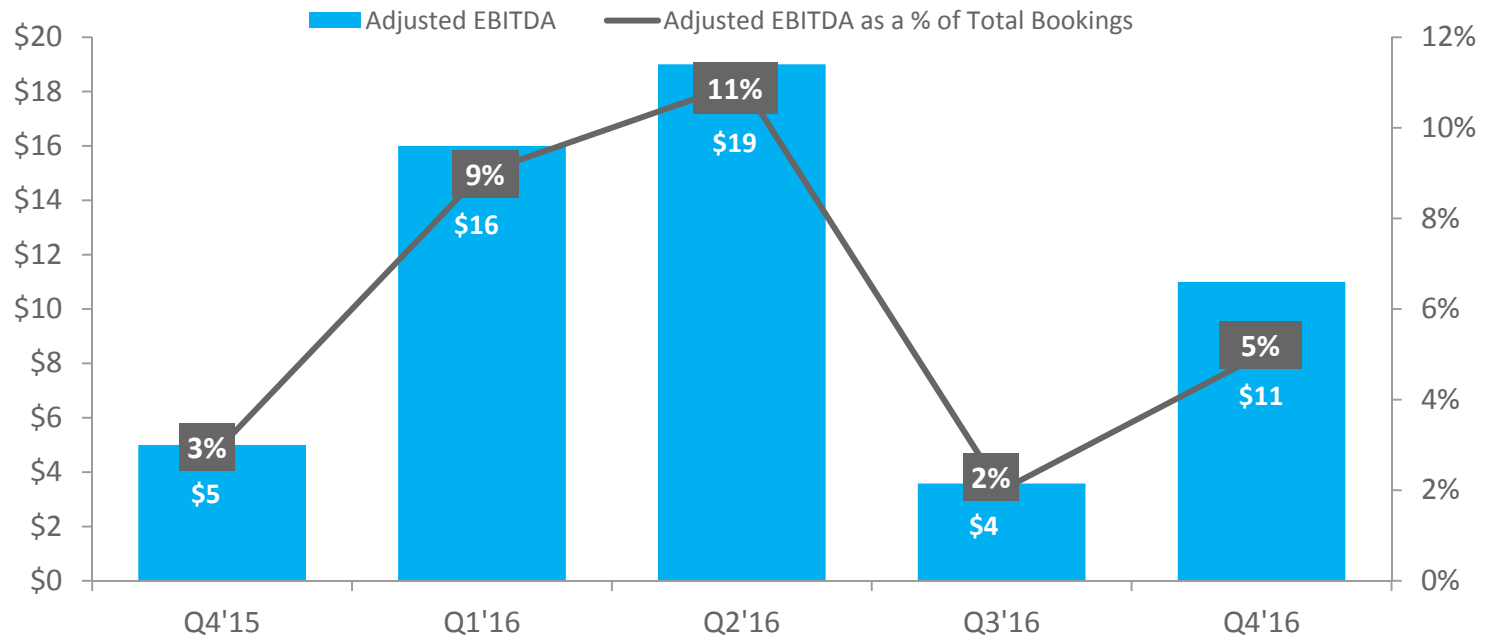
NET INCOME (LOSS) AND CASH FLOW

(in millions, except per share data)

	Q4'16	Q3'16	Q4'15
GAAP			
Net income (loss)	\$ (35.4)	\$ (41.7)	\$ (51.2)
Diluted net income (loss) per share	\$ (0.04)	\$ (0.05)	\$ (0.06)
Operating cash flow	\$ 27.7	\$ 21.0	\$ 3.5
Free cash flow	\$ 24.1	\$ 18.4	\$ 3.4
Cash, cash equivalents and marketable securities	\$ 852	\$ 871	\$ 987

ADJUSTED EBITDA

IN MILLIONS



Change in Deferred Revenue	(\$4)	(\$5)	(\$7)	\$14	\$11
Change in Deferred Revenue as a % of Total Bookings	(2%)	(3%)	(4%)	7%	5%

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 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 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 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.

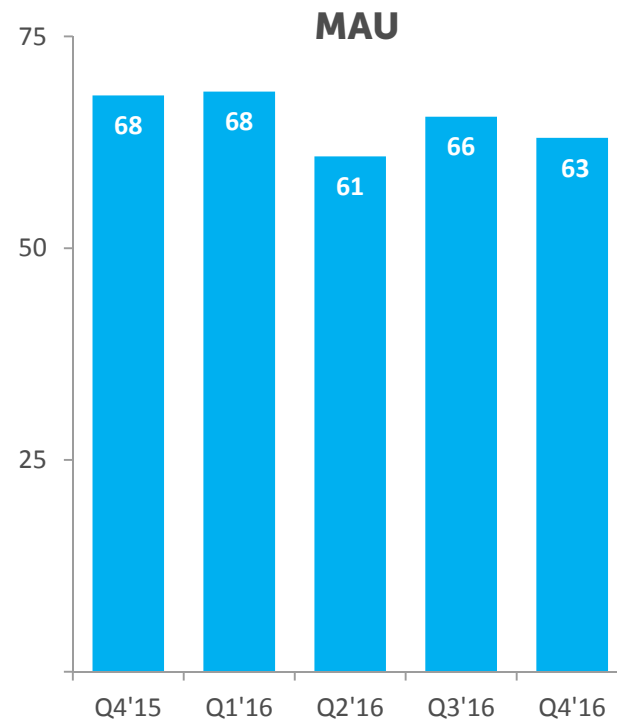
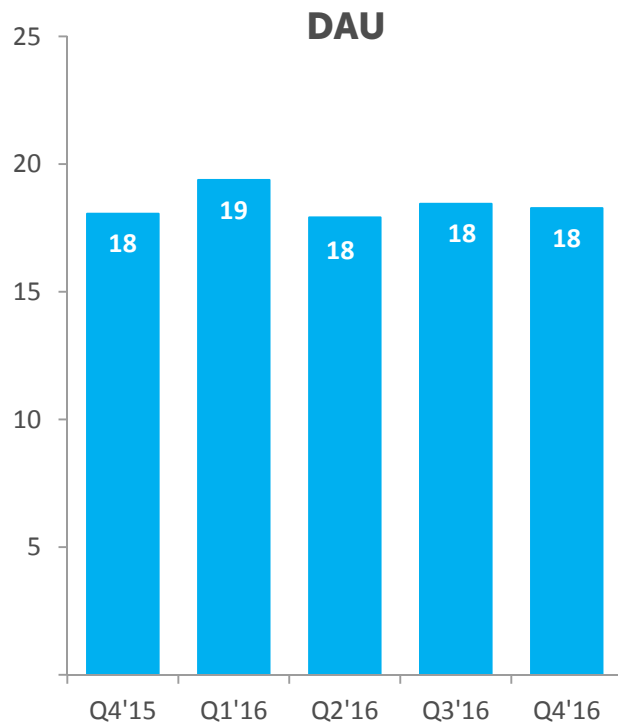
MUPs. We define MUPs as the number of individuals who made a payment at least once during the applicable 30-day period through a payment method for which we can quantify the number of individuals, including payers from certain mobile games. MUPs does not include individuals who use certain payment methods 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 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.

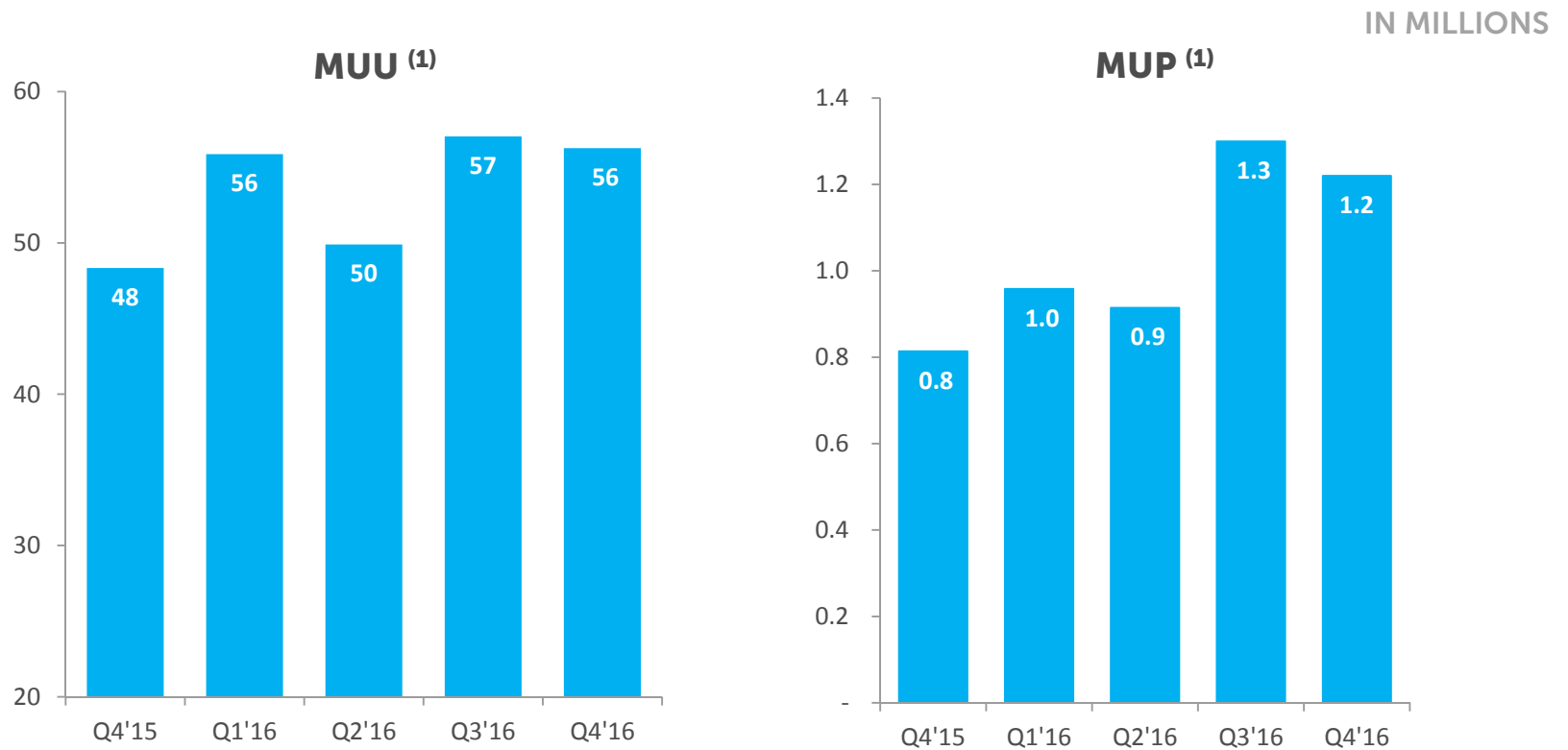
Payer Conversion. We define payer conversion as MUPs divided by MUUs.

AUDIENCE METRICS

IN MILLIONS



AUDIENCE METRICS

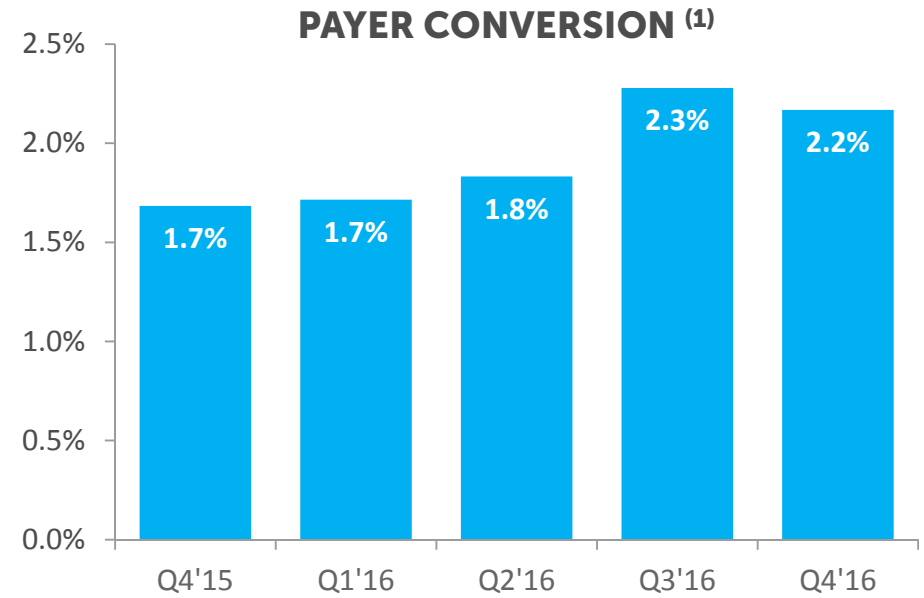
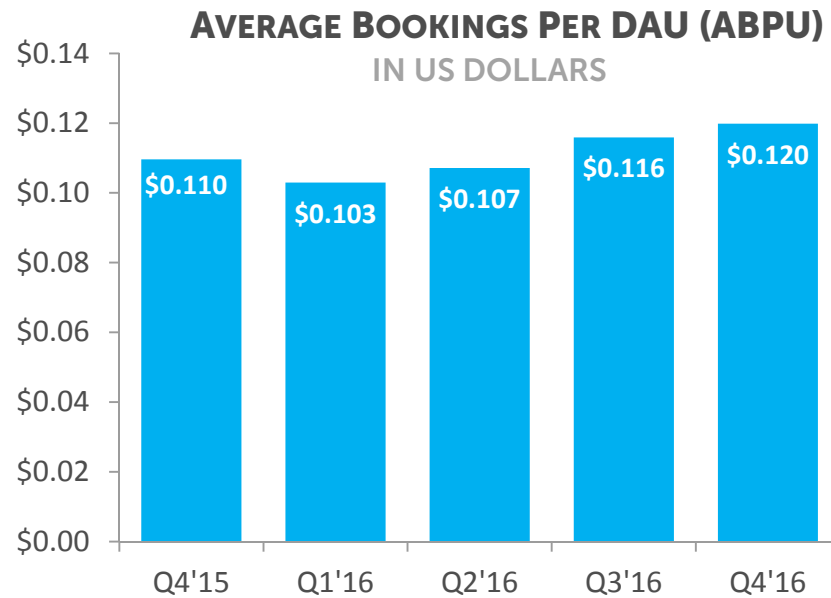


Footnote:

(1) In the fourth quarter of 2016, MUU and MUP exclude *Vegas Diamond Slots* and *Daily Celebrity Crossword*. In the first, second and third quarters of 2016, MUU and MUP exclude *Black Diamond Casino*, *Vegas Diamond Slots*, *Yummy Gummy*, *Crazy Kitchen* and *Daily Celebrity Crossword*. In 2015, MUU and MUP exclude *CSR Racing*, *CSR Classics* and *Clumsy Ninja*. These games are excluded as the necessary data is not available.



MONETIZATION



Footnote:

(1) In the fourth quarter of 2016, payer conversion excludes *Vegas Diamond Slots* and *Daily Celebrity Crossword*. In the first, second and third quarters of 2016, payer conversion excludes *Black Diamond Casino*, *Vegas Diamond Slots*, *Yummy Gummy*, *Crazy Kitchen* and *Daily Celebrity Crossword*. In 2015, payer conversion excludes *CSR Racing*, *CSR Classics* and *Clumsy Ninja*. These games are excluded as the necessary data is not available.



Q1 2017 FINANCIAL OUTLOOK

Q1 2017 FINANCIAL OUTLOOK

(in millions, except per share data)

GAAP

	<u>Q1'17 Outlook</u>
Revenue	\$ 185
Net release of (increase in) deferred revenue ⁽¹⁾	\$ (5)
Net income (loss)	\$ (16)
Diluted share count	881
Net income (loss) per share	\$ (0.02)

Non-GAAP

Bookings	\$ 190
Adjusted EBITDA	\$ 14

Footnotes:

(1) For clarity, a net increase in deferred revenue is a negative impact to revenue and results in an increase in deferred revenue on the balance sheet.



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 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 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 metrics 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 tables below 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. Some limitations of our non-GAAP financial measures include:

- Adjusted EBITDA does not include the impact of stock-based expense, acquisition-related transaction expenses, contingent consideration fair value adjustments and restructuring expense;
- Bookings does not reflect that we defer and recognize online game revenue and revenue from certain advertising transactions over the estimated average life of durable virtual goods or as virtual goods are consumed;
- Adjusted EBITDA does not reflect income tax expense 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 intangible assets. Although depreciation and amortization are non-cash charges, the assets being depreciated and 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 and acquisitions, and removing the excess income tax benefits or costs associated with stock-based awards.

REVENUE TO BOOKINGS: TOTAL

(in thousands, unaudited)	3 months ended					12 months ended	
	12/31/16	9/30/16	6/30/16	3/31/16	12/31/15	12/31/16	12/31/15
Reconciliation of Revenue to Bookings							
Revenue	\$ 190,540	\$ 182,424	\$ 181,735	\$ 186,721	\$ 185,769	\$ 741,420	\$ 764,717
Change in deferred revenue	10,992	14,299	(7,082)	(5,096)	(3,665)	13,113	(64,762)
Bookings	\$ 201,532	\$ 196,723	\$ 174,653	\$ 181,625	\$ 182,104	\$ 754,533	\$ 699,955

REVENUE TO BOOKINGS: ADVERTISING AND OTHER; ADVERTISING

(in thousands, unaudited)	3 months ended		12 months ended	
	12/31/16	12/31/15	12/31/16	12/31/15
Reconciliation of Revenue to Bookings: Advertising & Other				
Revenue	\$ 50,382	\$ 56,306	\$ 194,129	\$ 173,962
Change in deferred revenue	(97)	(641)	(2,258)	(1,882)
Bookings: Advertising & Other	\$ 50,285	\$ 55,665	\$ 191,871	\$ 172,080
Less Bookings: Other	\$ (641)	\$ (1,953)	\$ (5,038)	\$ (5,833)
Bookings: Advertising	\$ 49,644	\$ 53,712	\$ 186,833	\$ 166,247

REVENUE TO BOOKINGS: MOBILE

(in thousands, unaudited)	12 months ended	
	12/31/16	12/31/15
Reconciliation of Revenue to Bookings: Mobile		
Revenue	\$ 574,371	\$ 489,543
Change in deferred revenue	30,404	(13,899)
Bookings: Mobile	\$ 604,775	\$ 475,644

NET INCOME (LOSS) TO ADJUSTED EBITDA

(in thousands, unaudited)	3 months ended					12 months ended	
	12/31/16	9/30/16	6/30/16	3/31/16	12/31/15	12/31/16	12/31/15
Reconciliation of Net income (loss) to Adjusted EBITDA							
Net income (loss)	\$ (35,432)	\$ (41,737)	\$ (4,446)	\$ (26,558)	\$ (51,198)	\$ (108,173)	\$ (121,510)
Provision for (benefit from) income taxes	3,238	(2,782)	506	2,480	(1,862)	3,442	(8,672)
Other income (expense), net	(1,476)	(980)	(1,905)	(2,100)	(1,463)	(6,461)	(13,306)
Interest income	(791)	(800)	(761)	(705)	(603)	(3,057)	(2,568)
Restructuring expense, net	(191)	(49)	1,710	468	19,748	1,938	36,480
Depreciation and amortization	9,612	10,511	10,835	10,812	11,966	41,770	54,315
Acquisition-related transaction expenses	—	75	199	—	249	274	1,144
Contingent consideration fair value adjustment	9,145	(5,810)	(14,390)	2,030	(3,288)	(9,025)	6,112
Gain (loss) on legal settlements	—	—	—	—	—	—	(1,681)
Impairment of intangible assets	—	20,677	—	—	—	20,677	—
Stock-based expense	26,479	24,475	26,899	29,608	31,772	107,461	131,575
Adjusted EBITDA	\$ 10,584	\$ 3,580	\$ 18,647	\$ 16,035	\$ 5,321	\$ 48,846	\$ 81,889

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

	3 months ended		12 months ended	
	12/31/16	12/31/15	12/31/16	12/31/15
(in thousands, unaudited)				
Reconciliation of net cash provided by (used in) operating activities to free cash flow				
Net cash provided by (used in) operating activities	\$ 27,743	\$ 3,465	\$ 60,016	\$ (44,447)
Acquisition of property and equipment	(3,692)	(985)	(10,313)	(7,832)
Excess tax benefits from stock-based awards	—	899	—	989
Free cash flow	\$ 24,051	\$ 3,379	\$ 49,703	\$ (51,290)

Q4 2016 GAAP TO Non-GAAP COSTS AND EXPENSES

Adjustments to GAAP to arrive at non-GAAP measure
(In thousands, unaudited)

Three months ended December 31, 2016

	GAAP measure	Restructuring expense, net	Amortization of intangible assets from acquisitions	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Impairment of intangible assets	Stock-based expense	Non-GAAP measure
Cost of revenue	\$ 62,629	\$ -	\$ (4,540)	\$ -	\$ -	\$ -	\$ (895)	\$ 57,194
Research and development	92,417	-	-	-	(9,145)	-	(21,158)	62,114
Sales and marketing	46,860	-	(1,520)	2	-	-	(1,516)	43,826
General and administrative	23,095	191	-	(2)	-	-	(2,910)	20,374
Impairment of intangible assets	-	-	-	-	-	-	-	-
Total costs and expenses	<u>\$ 225,001</u>	<u>\$ 191</u>	<u>\$ (6,060)</u>	<u>\$ -</u>	<u>\$ (9,145)</u>	<u>\$ -</u>	<u>\$ (26,479)</u>	<u>\$ 183,508</u>

Twelve months ended December 31, 2016

	GAAP measure	Restructuring expense, net	Amortization of intangible assets from acquisitions	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Impairment of intangible assets	Stock-based expense	Non-GAAP measure
Cost of revenue	\$ 238,546	\$ -	\$ (23,922)	\$ -	\$ -	\$ -	\$ (3,720)	\$ 210,904
Research and development	320,300	(124)	-	(1)	9,025	-	(84,236)	244,964
Sales and marketing	183,637	-	(4,257)	(179)	-	-	(7,254)	171,947
General and administrative	92,509	(1,814)	-	(94)	-	-	(12,251)	78,350
Impairment of intangible assets	20,677	-	-	-	-	(20,677)	-	-
Total costs and expenses	<u>\$ 855,669</u>	<u>\$ (1,938)</u>	<u>\$ (28,179)</u>	<u>\$ (274)</u>	<u>\$ 9,025</u>	<u>\$ (20,677)</u>	<u>\$ (107,461)</u>	<u>\$ 706,165</u>

Q4 2015 GAAP TO NON-GAAP COSTS AND EXPENSES

Adjustments to GAAP to arrive at non-GAAP measure
(In thousands, unaudited)

Three months ended December 31, 2015

	<u>GAAP</u> <u>measure</u>	<u>Restructuring</u> <u>expense, net</u>	<u>Amortization</u> <u>of intangible</u> <u>assets from</u> <u>acquisitions</u>	<u>Acquisition-</u> <u>related</u> <u>transaction</u> <u>expenses</u>	<u>Contingent</u> <u>consideration</u> <u>fair value</u> <u>adjustment</u>	<u>Gain (loss)</u> <u>from legal</u> <u>settlements</u>	<u>Stock-based</u> <u>expense</u>	<u>Non-GAAP</u> <u>measure</u>
Cost of revenue	\$ 63,397	\$ (406)	\$ (6,623)	\$ -	\$ -	\$ -	\$ (1,712)	\$ 54,656
Research and development	85,099	(4,346)	-	-	3,288	-	(24,063)	59,978
Sales and marketing	53,066	(1)	(779)	-	-	-	(2,320)	49,966
General and administrative	39,333	(14,995)	-	(249)	-	-	(3,677)	20,412
Total costs and expenses	<u>\$ 240,895</u>	<u>\$ (19,748)</u>	<u>\$ (7,402)</u>	<u>\$ (249)</u>	<u>\$ 3,288</u>	<u>\$ -</u>	<u>\$ (31,772)</u>	<u>\$ 185,012</u>

Twelve months ended December 31, 2015

	<u>GAAP</u> <u>measure</u>	<u>Restructuring</u> <u>expense, net</u>	<u>Amortization</u> <u>of intangible</u> <u>assets from</u> <u>acquisitions</u>	<u>Acquisition-</u> <u>related</u> <u>transaction</u> <u>expenses</u>	<u>Contingent</u> <u>consideration</u> <u>fair value</u> <u>adjustment</u>	<u>Gain (loss)</u> <u>from legal</u> <u>settlements</u>	<u>Stock-based</u> <u>expense</u>	<u>Non-GAAP</u> <u>measure</u>
Cost of revenue	\$ 235,985	\$ (1,066)	\$ (22,916)	\$ -	\$ -	\$ -	\$ (4,547)	\$ 207,456
Research and development	361,931	(14,081)	-	-	(6,112)	-	(94,548)	247,190
Sales and marketing	169,573	(787)	(3,143)	-	-	-	(7,501)	158,142
General and administrative	143,284	(20,546)	-	(1,144)	-	1,681	(24,979)	98,296
Total costs and expenses	<u>\$ 910,773</u>	<u>\$ (36,480)</u>	<u>\$ (26,059)</u>	<u>\$ (1,144)</u>	<u>\$ (6,112)</u>	<u>\$ 1,681</u>	<u>\$ (131,575)</u>	<u>\$ 711,084</u>

Q1 2017 FINANCIAL OUTLOOK: GAAP TO NON-GAAP RECONCILIATION

(in thousands, except per share data)

Reconciliation of Revenue to Bookings

	Q1'17
Revenue	\$ 185,000
Change in deferred revenue	5,000
Bookings	\$ 190,000

Reconciliation of Net income (loss) to Adjusted EBITDA

Net income (loss)	\$ (16,000)
Provision for (benefit from) income taxes	3,500
Other income (expense), net	(1,500)
Interest income	(1,000)
Depreciation and amortization	8,000
Stock-based expense	21,000
Adjusted EBITDA	\$ 14,000

GAAP diluted shares	881,000
Net income (loss) per share	\$ (0.02)

