



Q1
2021

FINANCIAL RESULTS

MAY 5, 2021

Table of Contents



Overview of Q1 2021 Performance

Q2 and Updated FY 2021 Financial Guidance

GAAP to Non-GAAP Reconciliations

Appendix

Management Team



Frank Gibeau
CHIEF EXECUTIVE OFFICER



Gerard Griffin
CHIEF FINANCIAL OFFICER



zynga



Forward-Looking Statements



This presentation contains forward-looking statements, including those statements relating to our outlook for the full year and second quarter of 2021 under the headings “Q2 2021 Financial Guidance,” “Updated FY 2021 Financial Guidance,” “Q2 2021 Financial Guidance: GAAP To Non-GAAP Reconciliation” and “Updated FY 2021 Financial Guidance: GAAP To Non-GAAP Reconciliation” and our related estimates and assumptions including, among other things: our operational performance and strategy, including our focus on live services, growth contributions from recent and future titles from our new game pipeline, continued execution of our multi-year growth strategy which includes investing in new markets, categories, platforms and technologies to expand our capabilities and total addressable market such as hyper-casual games (including expansion of our developer base and games portfolio via acquisitions), cross-platform play, international expansion and advertising technologies, and our plans to enhance existing games, scale existing games, ramp investment in our key growth initiatives and increase marketing investments for both our live services portfolio and new game launches; our performance expectations regarding our live services, older mobile and web titles, Rollic’s hyper-casual portfolio, recent and future new game launches and advertising business; our opportunity to further expand our position in the mobile advertising ecosystem and unlock more value, including through the proposed acquisition of Chartboost, Inc. (“Chartboost”); our ability to achieve the intended benefits of acquiring Chartboost; the timing in which the Chartboost acquisition is expected to close; and our ability to achieve and expectations related to financial projections, including revenue, deferred revenue, bookings, income, adjusted EBITDA, contingent consideration expense, amortization of acquired intangibles, revenue mix, stock-based compensation, R&D, G&A, marketing investments, income taxes, operating expenses, operating leverage, operating results, operating cash flow and margins.

Forward-looking statements often include words such as “guidance,” “outlook,” “projected,” “intends,” “will,” “anticipate,” “believe,” “target,” “expect,” “positioned,” 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, including risks, uncertainty and assumptions relating to the COVID-19 pandemic, shelter-in-place rules and effects on business and economic conditions. 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 letter 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, 2021. 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 2021 PERFORMANCE

Q1 2021 Financial Guidance vs. Actuals



(in millions, except per share data)

GAAP	Q1 2021 Guidance⁽²⁾	Q1 2021 Actuals
Revenue	\$ 635	\$ 680
(B) Net increase in deferred revenue ⁽¹⁾	\$ (45)	\$ (39)
Net loss	\$ (50)	\$ (23)
Basic and diluted net loss per share	\$ (0.05)	\$ (0.02)
Basic and diluted share count	1,090	1,084
 Non-GAAP		
Bookings	\$ 680	\$ 720
(A) Adjusted EBITDA	\$ 100	\$ 123

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 2021 guidance as communicated in our Q4 2020 earnings letter and slides.

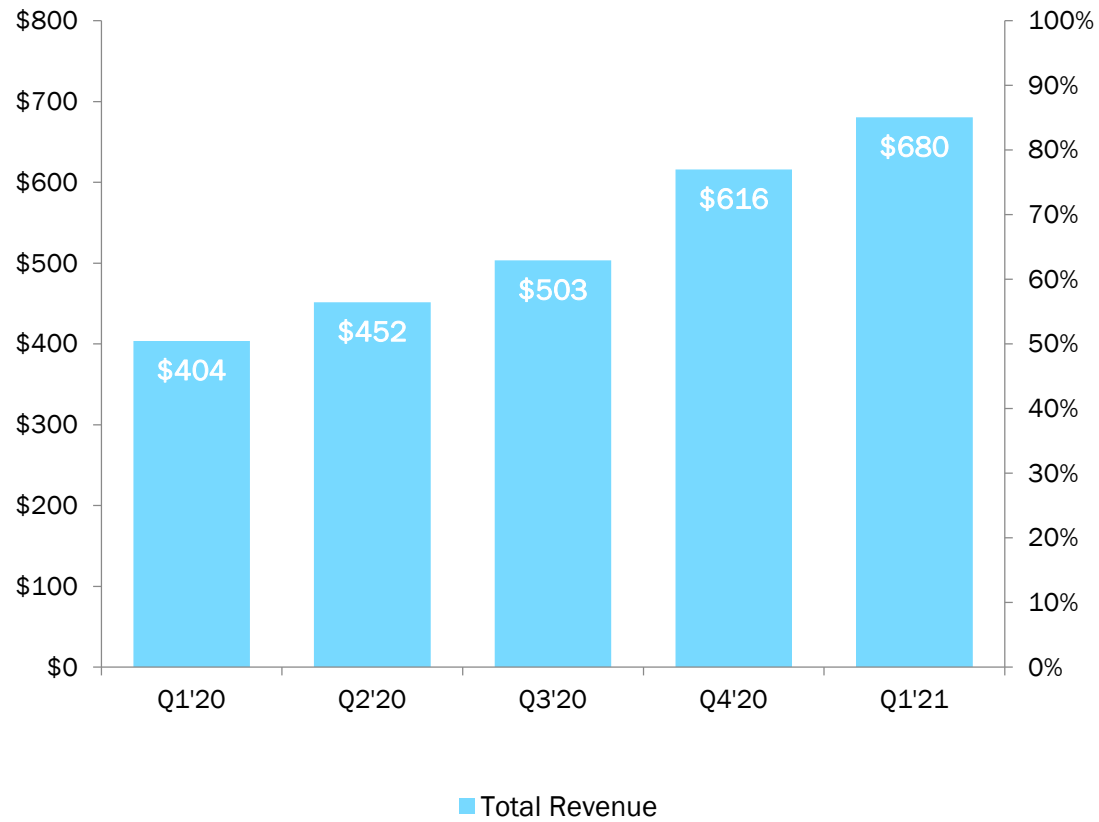
Revenue & Bookings: Total

IN MILLIONS



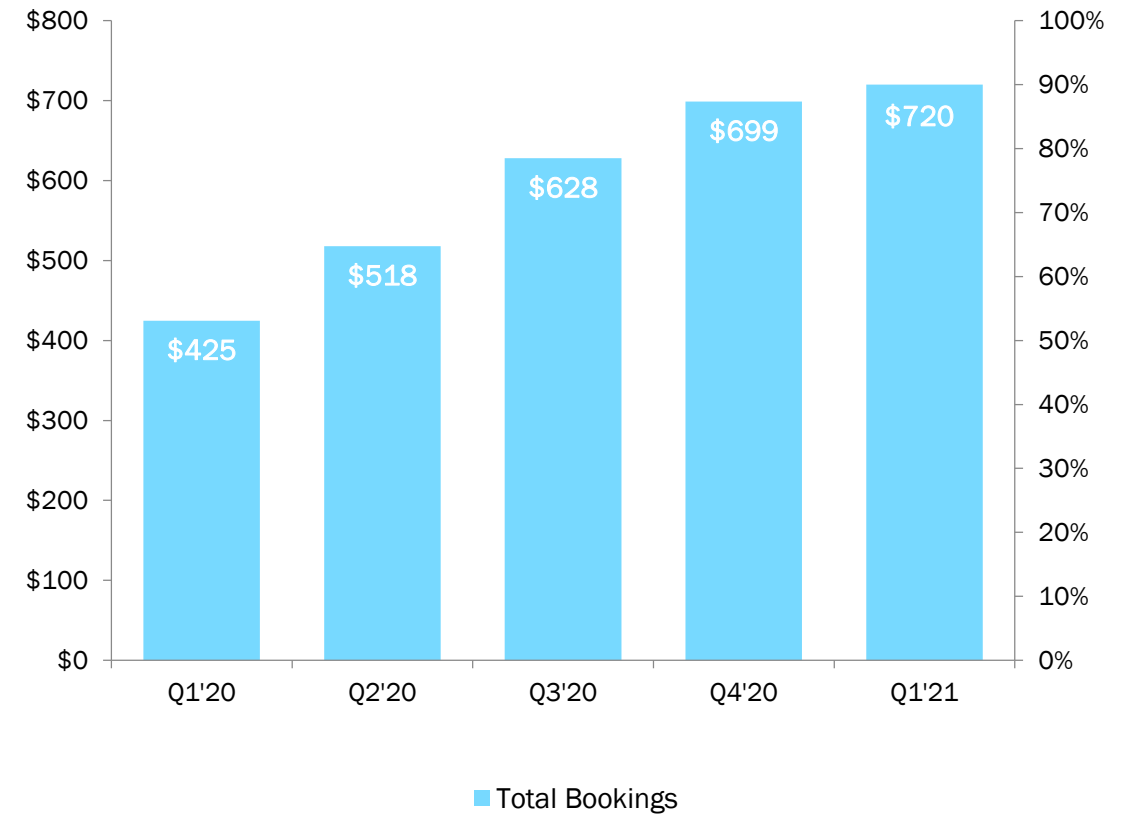
TOTAL REVENUE

UP 68% Y/Y IN Q1'21



TOTAL BOOKINGS

UP 69% Y/Y IN Q1'21



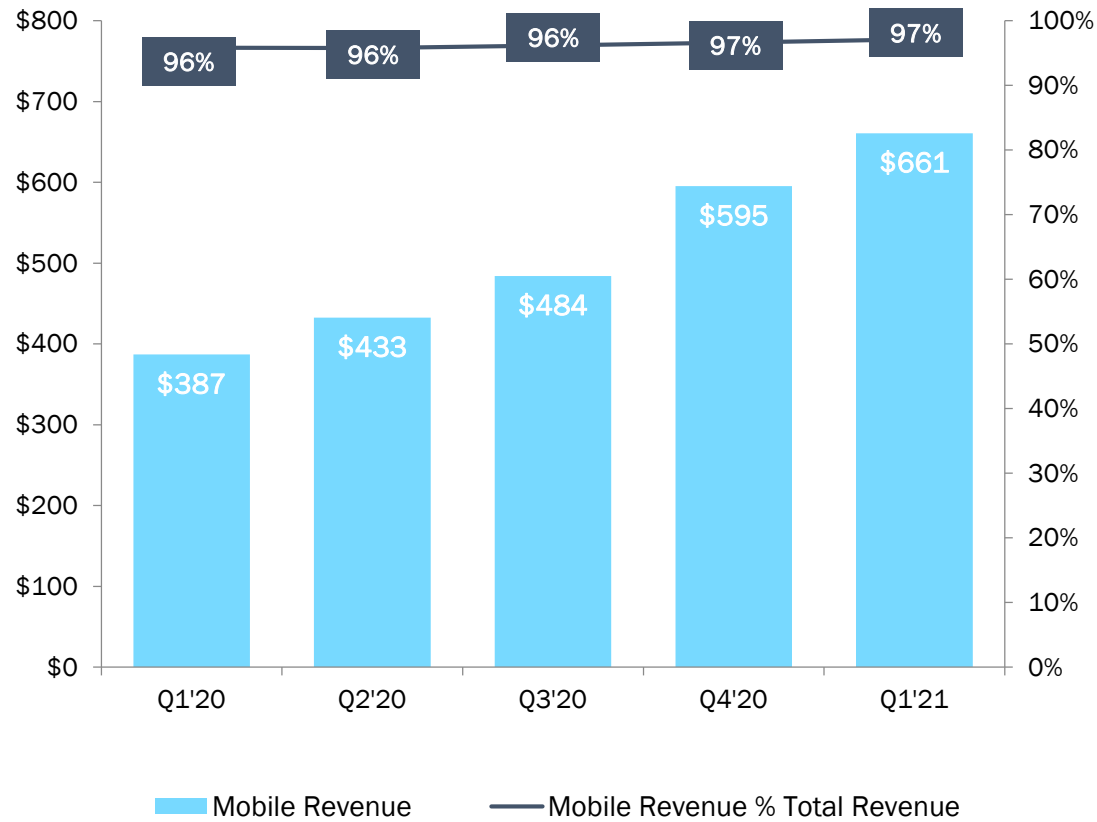
Revenue & Bookings: Mobile

IN MILLIONS



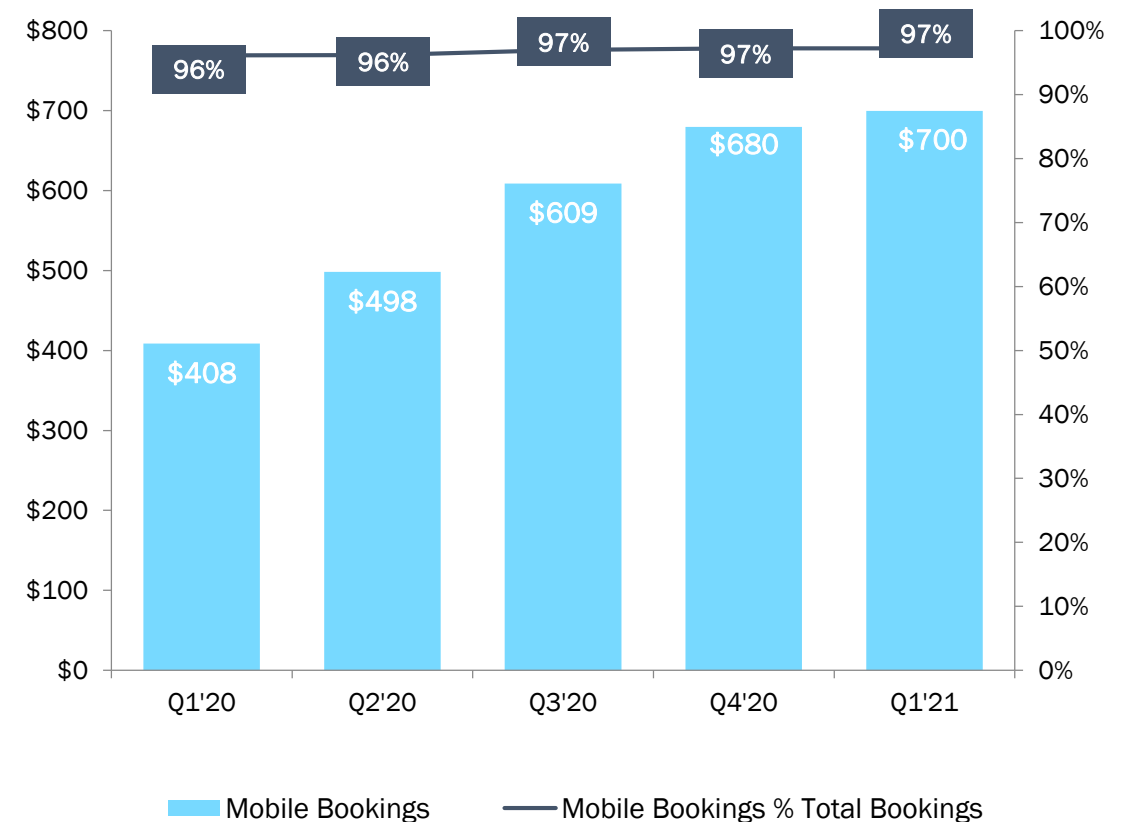
MOBILE REVENUE

97% OF TOTAL IN Q1'21



MOBILE BOOKINGS

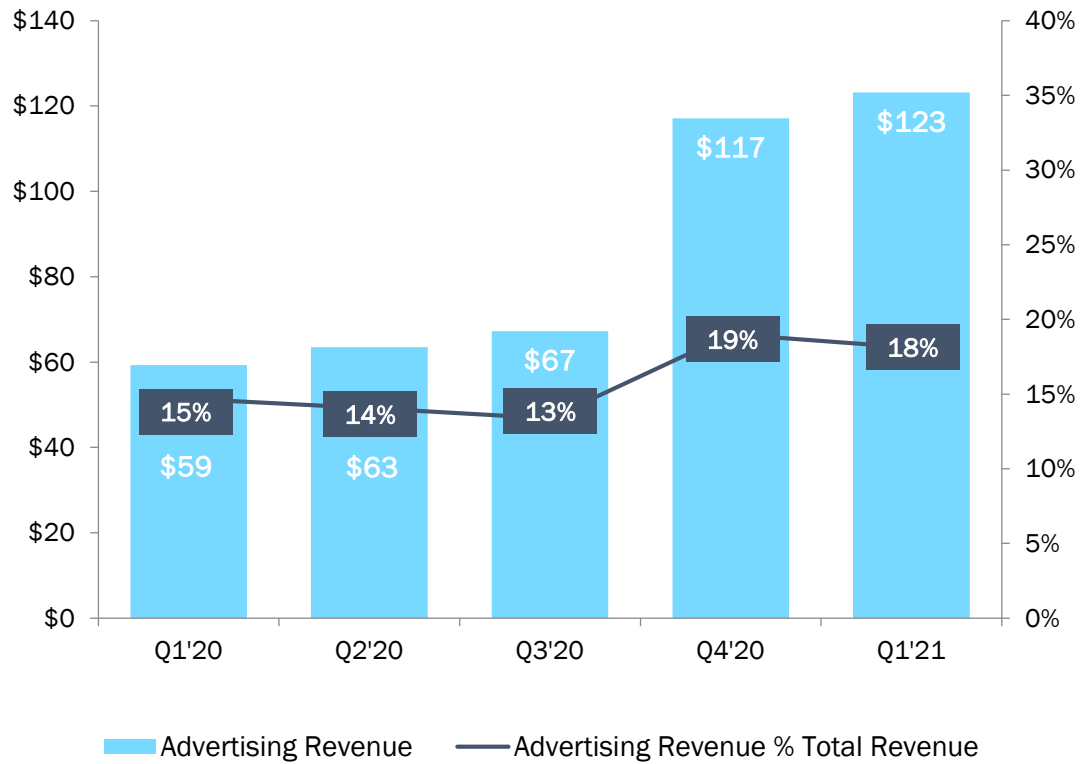
97% OF TOTAL IN Q1'21



Revenue & Bookings: Advertising

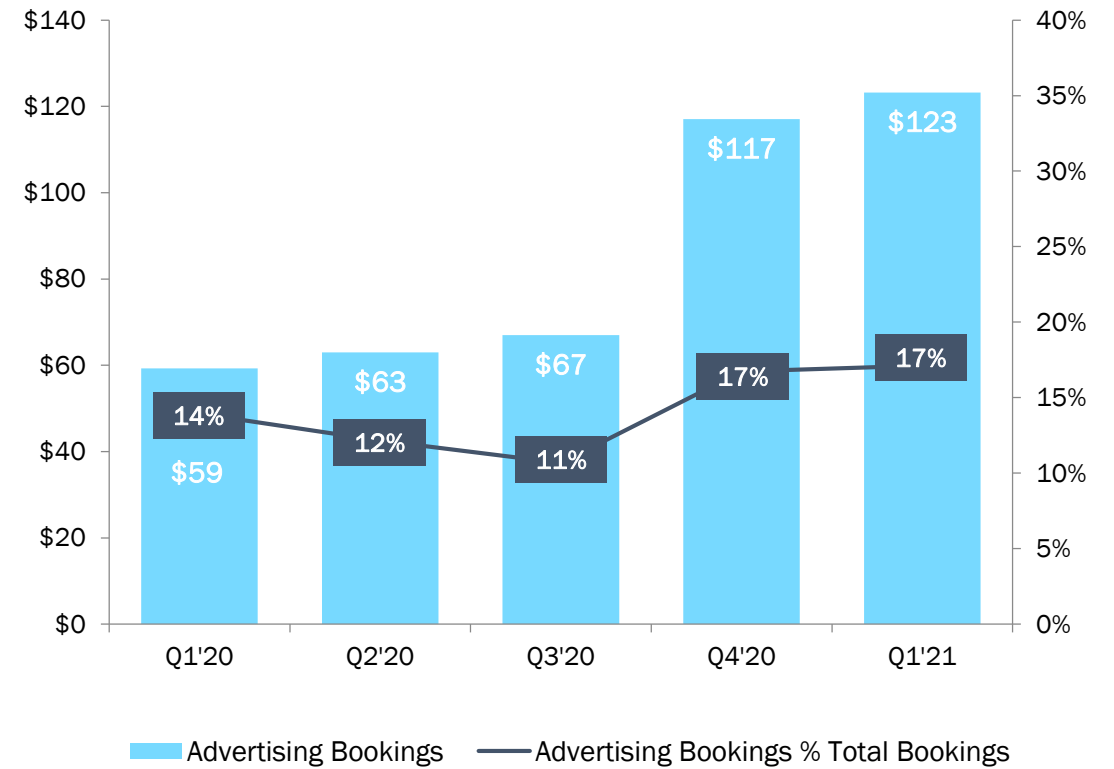
ADVERTISING REVENUE

18% OF TOTAL IN Q1'21



ADVERTISING BOOKINGS

17% OF TOTAL IN Q1'21

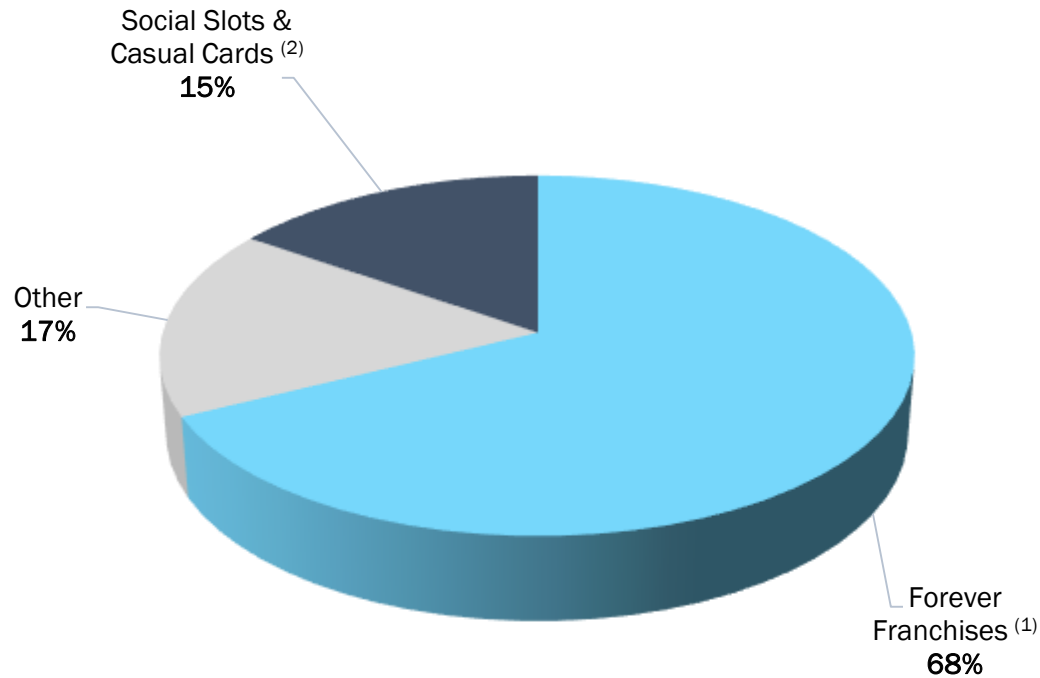


Q1 2021 Total Revenue & Bookings



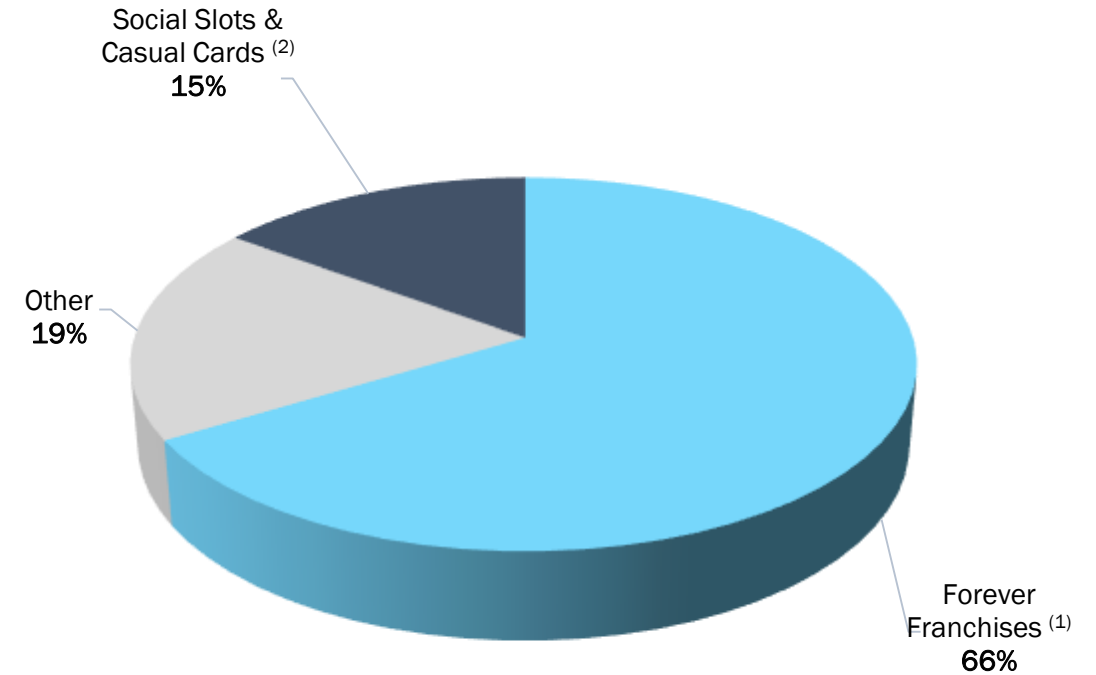
TOTAL REVENUE

TOTAL: \$680 million



TOTAL BOOKINGS

TOTAL: \$720 million



Footnotes:

(1) "Forever Franchises" includes CSR Racing, Empires & Puzzles, Merge Dragons!, Merge Magic!, Toon Blast, Toy Blast, Words With Friends and Zynga Poker.

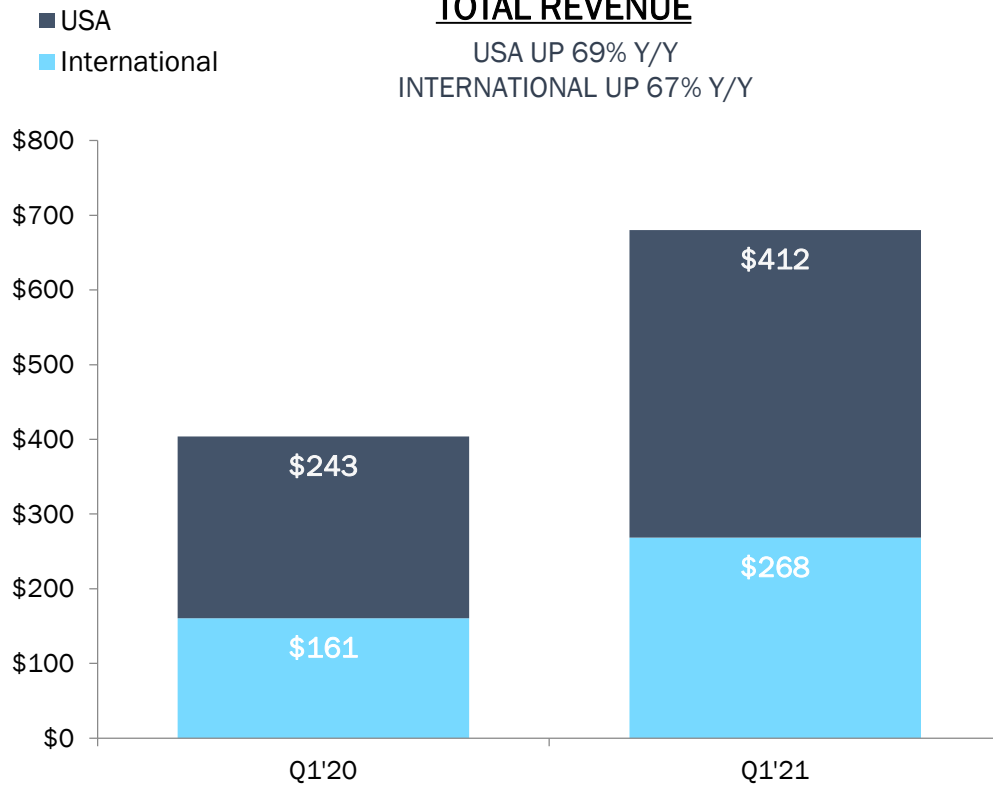
(2) "Social Slots & Casual Cards" includes Black Diamond Casino, Game of Thrones Slots Casino, Hit It Rich! Slots, Willy Wonka Slots, Wizard of Oz Slots, the Casual Card Games acquired in December 2017, Bluff Plus and Solitaire.

By Geography: Revenue & Bookings

IN MILLIONS

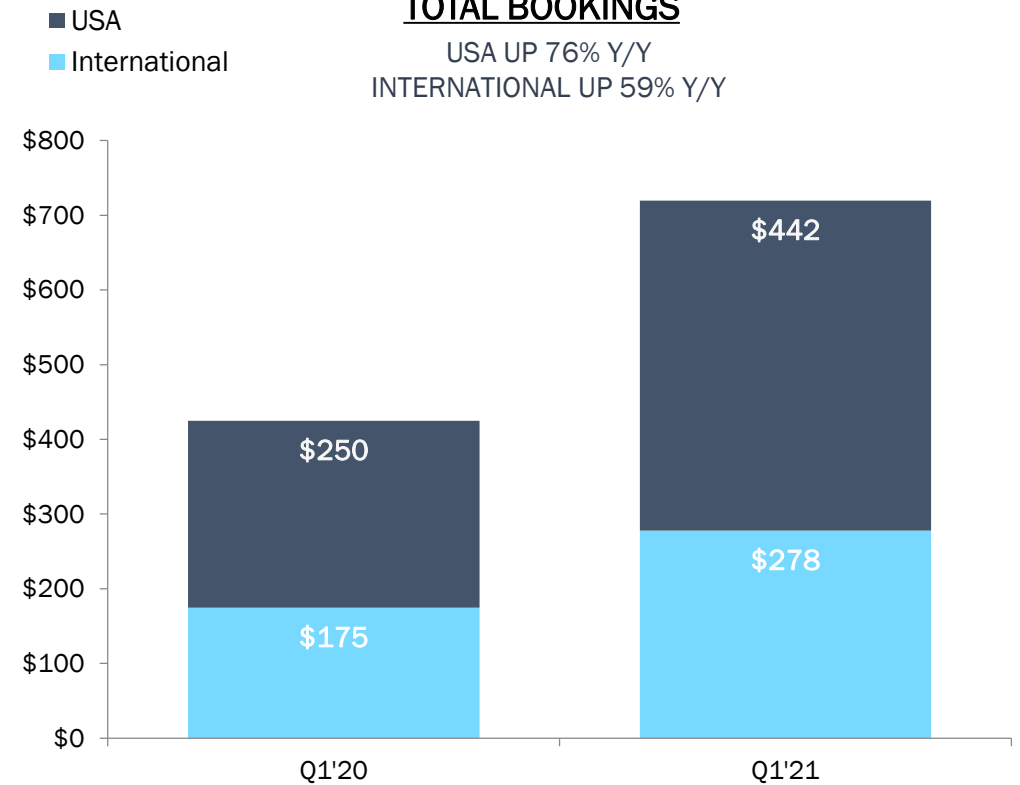


TOTAL REVENUE
 USA UP 69% Y/Y
 INTERNATIONAL UP 67% Y/Y



USA % Total	60%	61%
International % Total	40%	39%

TOTAL BOOKINGS
 USA UP 76% Y/Y
 INTERNATIONAL UP 59% Y/Y



USA % Total	59%	61%
International % Total	41%	39%

Net Income (Loss) & Cash Flow



(in millions, except per share data)

	Q1'21	Q4'20	Q3'20	Q2'20	Q1'20
Net income (loss)	\$ (23)	\$ (53)	\$ (122)	\$ (150)	\$ (104)
Diluted net income (loss) per share	\$ (0.02)	\$ (0.05)	\$ (0.11)	\$ (0.16)	\$ (0.11)
Operating cash flow	\$ (164)	\$ 206	\$ 113	\$ 145	\$ (35)
Free cash flow (non-GAAP)	\$ (165)	\$ 203	\$ 109	\$ 142	\$ (44)
Cash, cash equivalents and investments	\$ 1,362	\$ 1,575	\$ 758	\$ 1,572	\$ 1,434

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 estimate our metrics. We believe that the amounts are reasonable estimates of our user base for the applicable period of measurement that the methodologies we employ and update from time-to-time are reasonably based on our efforts to identify trends in player behavior; however, factors relating to user activity and systems and our ability to identify and detect attempts to replicate legitimate player activity may impact these numbers.

Further, consistent with our operational focus on mobile gaming platforms, we report these audience-related metrics based only on mobile platforms. We have ceased including our web-based games in these audience metrics as a result of their decreasing significance as part of our overall financial and operating results and the technical challenges resulting from increased volumes of apparent player activity that we are unable to reliably validate and de-duplicate, as these web-based games are generally more susceptible than mobile platforms in attempts to replicate legitimate player activity.

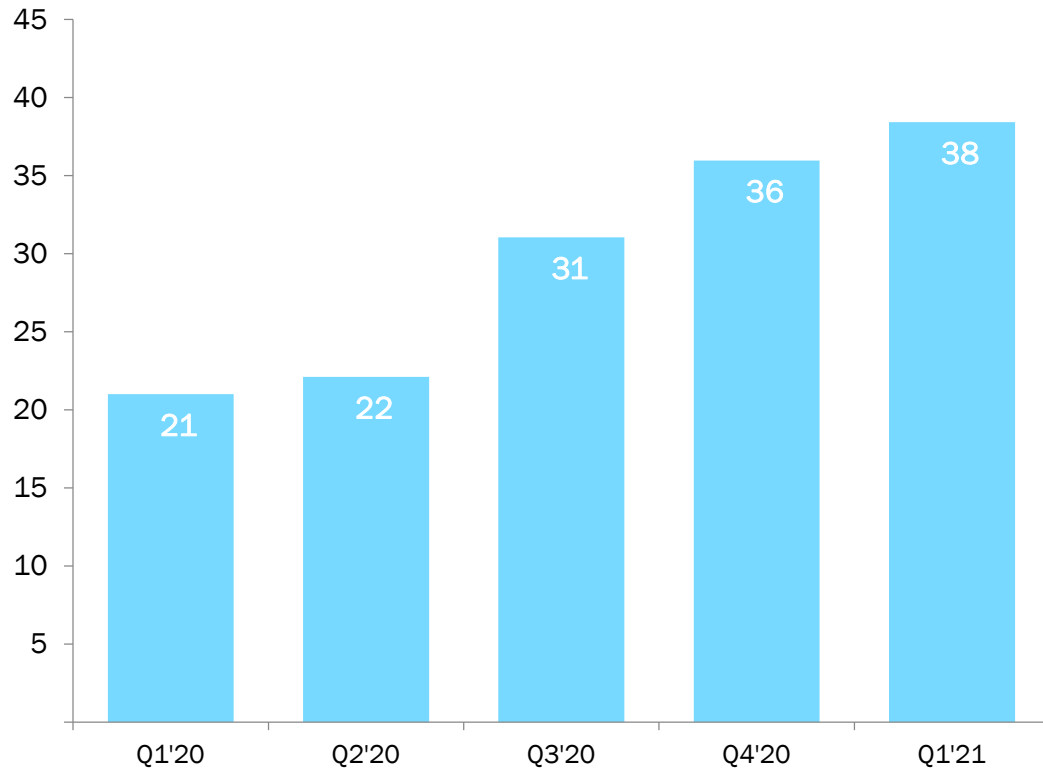
Mobile DAUs. We define Mobile Daily Active Users (DAUs) as the number of individuals who played one of our mobile games during a particular day. Under this metric, an individual who plays two different mobile games on the same day is counted as two Mobile DAUs. We use information provided by third parties to help us identify individuals who play the same mobile 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 Mobile DAUs. Average Mobile DAUs for a particular period is the average of the Mobile DAUs for each day during that period. We use Mobile DAUs as a measure of audience engagement.

Mobile MAUs. We define Mobile Monthly Active Users (MAUs) as the number of individuals who played one of our mobile games in the 30-day period ending with the measurement date. Under this metric, an individual who plays two different mobile games in the same 30-day period is counted as two Mobile MAUs. We use information provided by third parties to help us identify individuals who play the same mobile 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 Mobile MAUs. Average Mobile MAUs for a particular period is the average of the Mobile MAUs at each month-end during that period. We use Mobile MAUs as a measure of total game audience size.

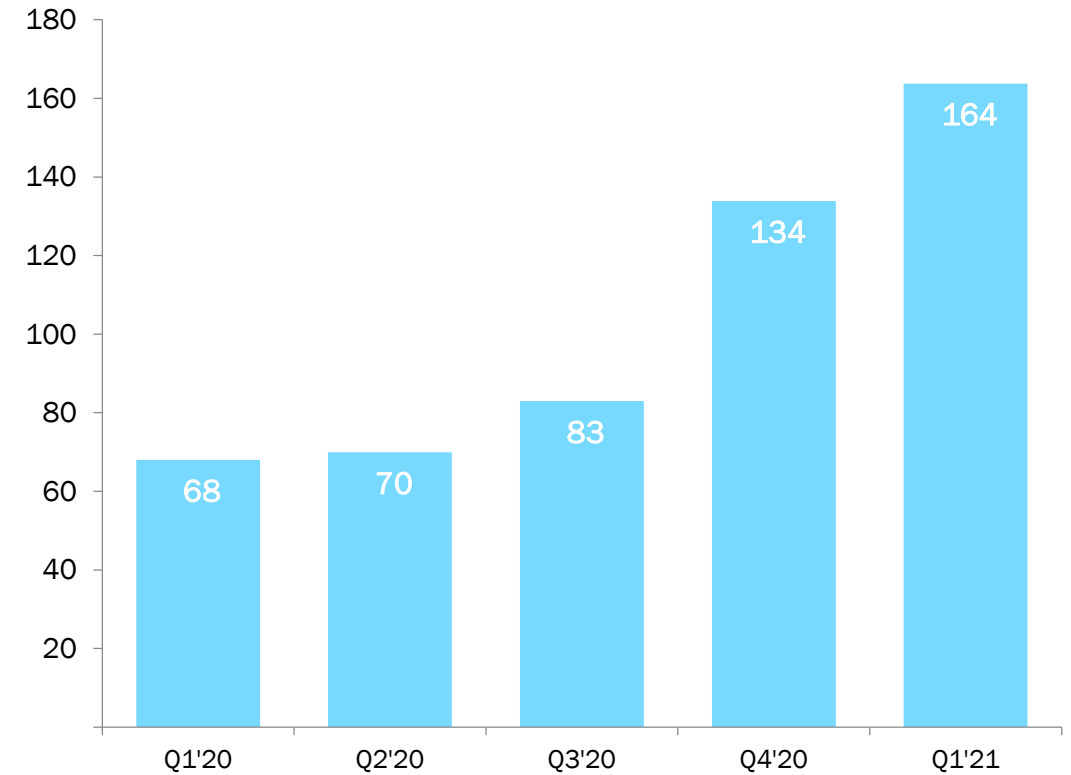
Mobile ABPU. We define Mobile Average Daily Bookings per Average Mobile DAU (ABPU) as our total mobile bookings in a given period, divided by the number of days in that period, divided by, the average Mobile DAUs during the period. We believe that Mobile ABPU provides useful information to investors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

Mobile Audience Metrics

MOBILE DAUs⁽¹⁾



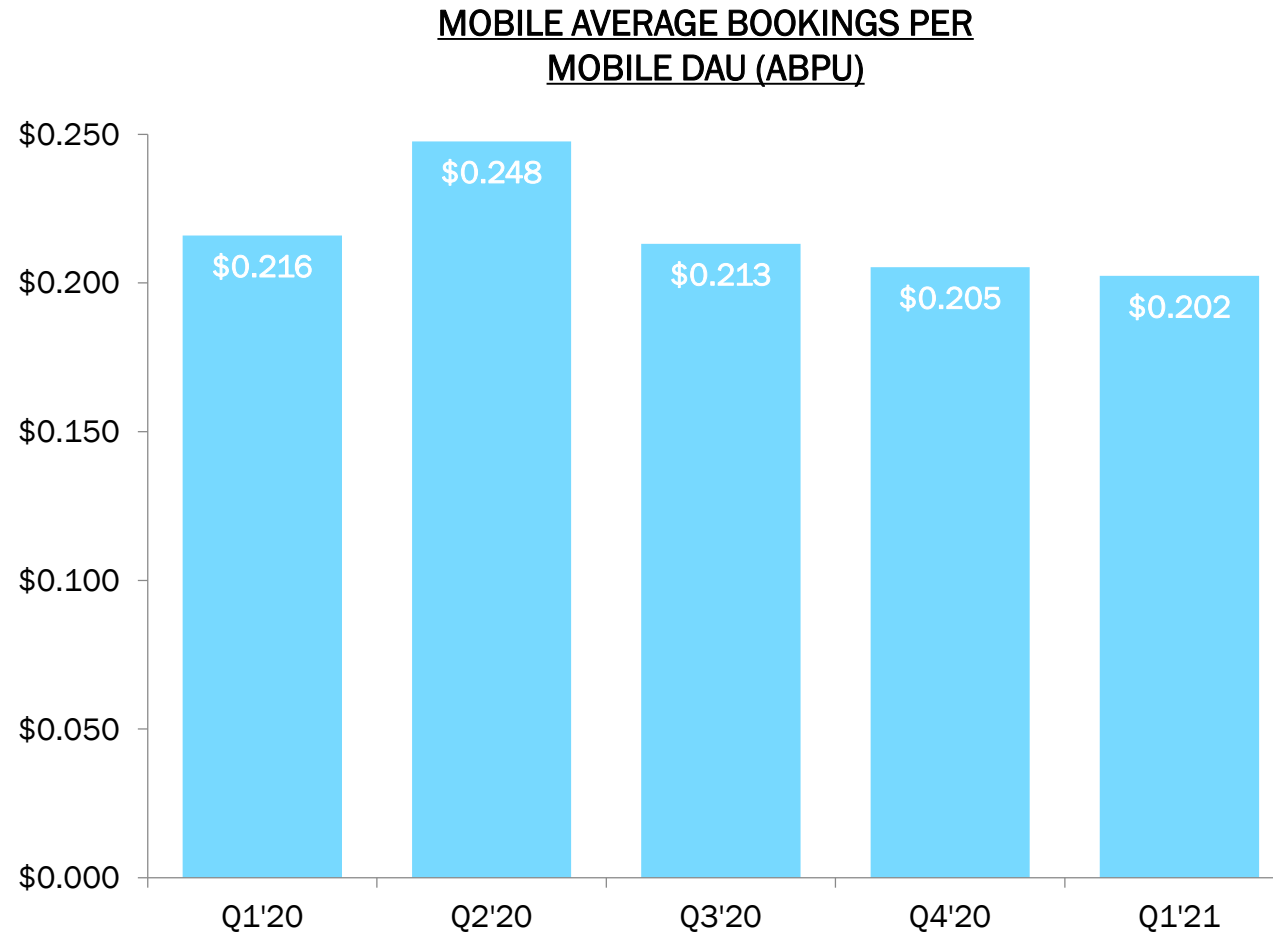
MOBILE MAUs⁽¹⁾



Footnote:

(1) We do not have the third party network login data to link an individual who has played under multiple user accounts for our mobile messenger games, *Merge Magic!* and games acquired from Gram Games, Small Giant, Peak and Rollic and accordingly, actual Mobile DAUs and Mobile MAUs may be lower than reported due to the potential duplication of these individuals. Please refer to Slide 15 – “Key Operating Metrics” for further discussion on the uses, limitations and comparability of the operating metrics presented

Mobile Audience Metrics



Please refer to Slide 15 – “Key Operating Metrics” for further discussion on the uses, limitations and comparability of the operating metrics presented.



Q2 AND UPDATED FY 2021 FINANCIAL GUIDANCE

Q2 2021 Financial Guidance



(in millions, except per share data)

GAAP	Q2'21 Guidance⁽²⁾	Q2'20 Actual	Variance
Revenue	\$ 675	\$ 452	\$ 223
(B) Net increase in deferred revenue ⁽¹⁾	\$ (35)	\$ (66)	\$ 31
Net loss	\$ (30)	\$ (150)	\$ 120
Basic and diluted net loss per share	\$ (0.03)	\$ (0.16)	\$ 0.13
Basic and diluted share count	1,090	957	133
Non-GAAP			
Bookings	\$ 710	\$ 518	\$ 192
(A) Adjusted EBITDA	\$ 115	\$ 70	\$ 45

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.

⁽²⁾ Our guidance does not include any contributions from our recently announced acquisition of Chartboost, which is expected to close in the third quarter of 2021.

Updated FY 2021 Financial Guidance



(in millions, except per share data)

	Updated FY'21 Guidance ⁽²⁾	FY'20 Actual	Variance
GAAP			
Revenue	\$ 2,700	\$ 1,975	\$ 725
(B) Net increase in deferred revenue ⁽¹⁾	\$ (200)	\$ (295)	\$ 95
Net loss	\$ (135)	\$ (429)	\$ 294
Basic and diluted net loss per share	\$ (0.12)	\$ (0.42)	\$ 0.30
Basic and diluted share count	1,100	1,017	83
Non-GAAP			
Bookings	\$ 2,900	\$ 2,270	\$ 630
(A) Adjusted EBITDA	\$ 450	\$ 266	\$ 184

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.

⁽²⁾ Our guidance does not include any contributions from our recently announced acquisition of Chartboost, which is expected to close in the third quarter of 2021.



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 the impact of stock-based compensation expense, acquisition-related transaction expenses and contingent consideration fair value adjustments;
- Adjusted EBITDA does not reflect provisions for or benefits from income taxes and does not include other income (expense) net, which includes foreign exchange and asset disposition gains and losses, interest expense 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;
- Free cash flow is derived from net cash provided by (used in) operating activities less cash spent on capital expenditures; and
- Non-GAAP operating expenses do not include the impact of stock-based compensation expense, acquisition-related transaction expenses and contingent consideration fair value adjustments.

Finally, certain measures as presented throughout this presentation differ due to the impact of rounding.

Revenue To Bookings: Total



(in millions, unaudited)

	3 months ended				
	3/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020
Reconciliation of Revenue to Bookings: Total					
Revenue	\$ 680	\$ 616	\$ 503	\$ 452	\$ 404
Change in deferred revenue	39	83	125	66	21
Bookings: Total	\$ 720	\$ 699	\$ 628	\$ 518	\$ 425

Revenue To Bookings: Mobile



(in millions, unaudited)

	3 months ended				
	3/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020
Reconciliation of Revenue to Bookings: Mobile					
Revenue	\$ 661	\$ 595	\$ 484	\$ 433	\$ 387
Change in deferred revenue	39	84	125	66	22
Bookings: Mobile	\$ 700	\$ 680	\$ 609	\$ 498	\$ 408

Revenue To Bookings: Advertising



(in millions, unaudited)

	3 months ended				
	3/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020
Reconciliation of Revenue to Bookings: Advertising					
Revenue	\$ 123	\$ 117	\$ 67	\$ 63	\$ 59
Change in deferred revenue	-	-	-	-	-
Bookings: Advertising	\$ 123	\$ 117	\$ 67	\$ 63	\$ 59

Revenue To Bookings: By Platform (3 months)



(in millions, unaudited)

	3 months ended			3 months ended		
	3/31/2021			3/31/2020		
Reconciliation of Revenue to Bookings: Online Game	Mobile	Other ⁽¹⁾	Total	Mobile	Other ⁽¹⁾	Total
Revenue	\$ 539	\$ 18	\$ 557	\$ 329	\$ 16	\$ 344
Change in deferred revenue	39	-	39	22	-	21
Bookings: Online Game	<u>\$ 578</u>	<u>\$ 19</u>	<u>\$ 596</u>	<u>\$ 350</u>	<u>\$ 15</u>	<u>\$ 366</u>

(in millions, unaudited)

	3 months ended			3 months ended		
	3/31/2021			3/31/2020		
Reconciliation of Revenue to Bookings: Advertising & Other	Mobile	Other ⁽¹⁾	Total	Mobile	Other ⁽¹⁾	Total
Revenue	\$ 122	\$ 1	\$ 123	\$ 58	\$ 1	\$ 59
Change in deferred revenue	-	-	-	-	-	-
Bookings: Advertising & Other	<u>\$ 122</u>	<u>\$ 1</u>	<u>\$ 123</u>	<u>\$ 58</u>	<u>\$ 1</u>	<u>\$ 59</u>

Footnote:

(1) Includes web for "Online Game" and web advertising and other revenue for "Advertising and Other"

Revenue To Bookings: By Geography



	3 months ended <i>USA</i>		3 months ended <i>International</i>	
	3/31/2021	3/31/2020	3/31/2021	3/31/2020
<i>(in millions, unaudited)</i>				
Reconciliation of Revenue to Bookings: By Geography				
Revenue	\$ 412	\$ 243	\$ 268	\$ 161
Change in deferred revenue	30	7	9	14
Bookings: By Geography	\$ 442	\$ 250	\$ 278	\$ 175

Net Income (Loss) To Adjusted EBITDA



(in millions, unaudited)

	3 months ended	
	3/31/2021	3/31/2020
Reconciliation of Net Income (Loss) to Adjusted EBITDA		
Net income (loss)	\$ (23)	\$ (104)
Provision for (benefit from) income taxes	13	9
Other expense (income), net	(9)	2
Interest income	(2)	(6)
Interest expense	15	7
Depreciation and amortization	57	19
Acquisition-related transaction expenses	2	1
Contingent consideration fair value adjustment	33	120
Stock-based compensation expense	37	20
Adjusted EBITDA	\$ 123	\$ 68

Net Cash Provided By (Used In) Operating Activities To Free Cash Flow



(in millions, unaudited)

	3 months ended	
	3/31/2021	3/31/2020
Reconciliation of net cash provided by (used in) operating activities to free cash flow		
Net cash provided by (used in) operating activities	\$ (164)	\$ (35)
Acquisition of property and equipment	(2)	(9)
Free cash flow	<u>\$ (165)</u>	<u>\$ (44)</u>

GAAP To Non-GAAP Costs & Expenses (3 months)



3 months ended March 31, 2021

(in millions, unaudited)

	Adjustments to GAAP to arrive at non-GAAP measures					Non-GAAP measure
	GAAP measure	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition-related expenses	Stock-based compensation expense	
Cost of revenue	\$ 261	\$ (53)	\$ -	\$ -	\$ (1)	\$ 207
Operating expenses						
Research and development	141	-	(33)	-	(24)	83
Sales and marketing	249	-	-	-	(4)	245
General and administrative	36	-	-	(2)	(8)	26
Total operating expenses	425	-	(33)	(2)	(37)	354
Total costs and expenses	\$ 686	\$ (53)	\$ (33)	\$ (2)	\$ (37)	\$ 561

3 months ended March 31, 2020

(in millions, unaudited)

	Adjustments to GAAP to arrive at non-GAAP measures					Non-GAAP measure
	GAAP measure	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition-related expenses	Stock-based compensation expense	
Cost of revenue	\$ 146	\$ (16)	\$ -	\$ -	\$ -	\$ 129
Operating expenses						
Research and development	198	-	(120)	-	(11)	67
Sales and marketing	123	-	-	-	(3)	120
General and administrative	28	-	-	(1)	(6)	21
Total operating expenses	349	-	(120)	(1)	(20)	208
Total costs and expenses	\$ 495	\$ (16)	\$ (120)	\$ (1)	\$ (20)	\$ 338

Q2 2021 Financial Guidance: GAAP To Non-GAAP Reconciliation



(in millions, except per share data)

	Q2'21 Guidance ⁽¹⁾	Q2'20 Actual	Variance
Reconciliation of Revenue to Bookings			
Revenue	\$ 675	\$ 452	\$ 223
Change in deferred revenue	35	66	(31)
Bookings	<u>\$ 710</u>	<u>\$ 518</u>	<u>\$ 192</u>
Reconciliation of Net (Loss) Income to Adjusted EBITDA			
Net (loss) income	\$ (30)	\$ (150)	\$ 120
Provision for income taxes	6	18	(12)
Other income, net	-	(1)	1
Interest income	(2)	(4)	2
Interest expense	15	7	8
Depreciation and amortization	55	19	36
Acquisition-related transaction expenses	2	6	(4)
Contingent consideration fair value adjustment	25	149	(124)
Stock-based compensation expense	44	26	18
Adjusted EBITDA	<u>\$ 115</u>	<u>\$ 70</u>	<u>\$ 45</u>
Basic and diluted net loss per share	\$ (0.03)	\$ (0.16)	\$ 0.13
GAAP basic and diluted shares	1,090	957	133

Footnote:

⁽¹⁾ For clarity, our guidance does not include any contributions from our recently announced acquisition of Chartboost, which is expected to close in the third quarter of 2021 ☐

Updated FY 2021 Financial Guidance: GAAP To Non-GAAP Reconciliation



(in millions, except per share data)

	Updated FY'21 Guidance ⁽¹⁾	FY'20 Actual	Variance
Reconciliation of Revenue to Bookings			
Revenue	\$ 2,700	\$ 1,975	\$ 725
Change in deferred revenue	200	295	(95)
Bookings	\$ 2,900	\$ 2,270	\$ 630
Reconciliation of Net (Loss) Income to Adjusted EBITDA			
Net (loss) income	\$ (135)	\$ (429)	\$ 294
Provision for income taxes	45	24	21
Other expense (income), net	(9)	17	(26)
Interest income	(9)	(12)	3
Interest expense	60	30	30
Depreciation and amortization	220	142	78
Acquisition-related transaction expenses	7	13	(6)
Contingent consideration fair value adjustment	100	359	(259)
Stock-based compensation expense	171	123	48
Adjusted EBITDA	\$ 450	\$ 266	\$ 184
Basic and diluted net loss per share	\$ (0.12)	\$ (0.42)	\$ 0.30
GAAP basic and diluted shares	1,100	1,017	83

Footnote:

(1) For clarity, our guidance does not include any contributions from our recently announced acquisition of Chartboost, which is expected to close in the third quarter of 2021

WHAT WILL
OUR PLAYERS
THANK US FOR?



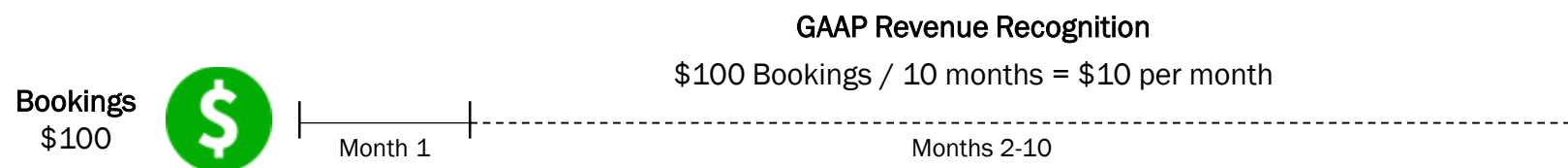
APPENDIX - REVENUE TO BOOKINGS ILLUSTRATION

Revenue, Deferred Revenue And Bookings Illustration

The following example illustrates GAAP revenue recognition for online game bookings in a Zynga mobile game:

Example: Assume that a player purchases \$100 of virtual currency in a Zynga mobile game

- The player uses the virtual currency to purchase a durable virtual good
- For the purpose of this example, the estimated average playing period of payers for this mobile game is 10 months



Bookings recognized in month 1 = **\$100**

Revenue recognized in month 1 = **\$10**

Deferred Revenue at end of month 1 = **\$90** (to be recognized as revenue in months 2-10)

$$\text{Revenue } (\$10) + \text{Deferred Revenue } (\$90) = \text{Bookings } (\$100)$$



Q1
2021