



Zynga Q3'14 Financial Results

November 6, 2014

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Management Team



Don Mattrick

Chief Executive Officer



Clive Downie

Chief Operating Officer



David Lee

Chief Financial Officer and
Chief Accounting Officer

Forward-Looking Statements

This presentation contains, and our call will contain, forward-looking statements relating to, among other things, our outlook for fourth quarter 2014 revenue, net loss, diluted net loss per share, weighted average diluted share count, bookings, Adjusted EBITDA, non-GAAP earnings (loss) per share and non-GAAP weighted average diluted share count; our outlook for full year 2014 revenue, net loss, diluted net loss per share, weighted average diluted share count, bookings, Adjusted EBITDA and non-GAAP earnings (loss) per share; tax rates for 2014 and beyond and certain other financial items necessary for GAAP to Non-GAAP reconciliation; our future spend, including spend on R&D and marketing and our future margins; the breadth and depth of our game slate for 2015 and the success of this slate, including as it relates to the investment in this slate in 2014; the process of integrating NaturalMotion's operations into our operations, including but not limited to our expected ability to expand our creative pipeline, accelerate our mobile growth and deliver hit NaturalMotion games in 2015; the continued success of our franchises and franchise games including our top franchises, *Casino*, *Words With Friends*, *FarmVille* and *Racing*; our ability to tune and iterate new *Zynga Poker* and work with consumers who prefer the original *Poker Classic* to deliver our poker community an authentic casino experience that they want to play; the planned launch of mobile first games and new features for existing games in the fourth quarter, including the planned global launch of *Looney Tunes Dash!* and geo-lock launch of *Words on Tour*; the launch of new branded slots in *Hit it Rich!* and the launch of new events and features for *FarmVille 2: Country Escape* and the success of these launches, games and features; our plans for the Zynga Sports 365 brand, including our continued launch of features and content for *NFL Showdown* and our expected approach to our Tiger Woods golf game and the success of this brand and these games and features; our entry into, or expanded game offerings in new evergreen content categories, including the Sports and Runner categories, the evergreen potential of these categories, the timely launch of our games in these categories and the success of these games; our ability to develop, identify, market and launch hit games for mobile and web on schedule; our ability to monetize these games; our ability to attract and retain key employees in light of business challenges, including employees key to franchise games and planned launches; the impact of our new hires on our organization and other changes in personnel and roles; our ability to execute with a sense of urgency against our strategy and deliver long term value for our shareholders, consumers and employees; our ability to successfully transition our business and take advantage of our scale and diversified product portfolio to aggressively compete and take advantage of the market opportunity in our industry; our ability to improve our execution against audience growth and product quality; our ability to grow and sustain our user base and increase customer satisfaction; our ability to reset our product pipeline and reduce the cost of operating live games; our ability to maintain a strong balance sheet and reduce costs while positioning the company for long-term growth; our ability to develop more efficient business processes and improve execution across the company; our ability to embrace new practices to strengthen our game development, testing and marketing processes; our ability to manage new IP costs; our ability to successfully defend our intellectual property; our ability to understand industry trends such as seasonality and position our business to take advantage of these trends, including the seasonal advertising increase we expect to see in the fourth quarter; market opportunity in the social games market, including the mobile market and the advertising market and our ability to capitalize on and contribute to this market opportunity; our ability to effectively market our games; and our future operational plans, use of cash, strategies and prospects. 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 statements. 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. Factors that could cause or contribute to such differences include, but are not limited to, the ability of key games, including *Hit it Rich*, *New Zynga Poker* and *Farmville 2: Country Escape* to sustain or grow audience and bookings, our relationship with Facebook or changes in the Facebook platform, our relationship with and/or agreements with Apple, Google and other Android platform providers and/or changes to the Android or iOS platforms, our relationships with and/or agreements with key licensing partners, attrition and declines in our existing games, our ability to launch new games in a timely manner and monetize these games and features effectively on the web and on mobile, including planned launches from NaturalMotion and from our franchises and our planned launches in new evergreen content categories, our ability to successfully identify new evergreen content categories and launch games that will capture the market potential of these categories, our ability to launch games that are successful across platforms, our ability to continue to maintain bookings for franchise games, despite increasing decay rates for games generally, the effectiveness of our marketing initiatives and ability to obtain game featuring from partners, seasonal changes in advertising rates, our ability to use consumer feedback to improve our games, our ability to anticipate and address technical challenges that may arise, our ability to protect our players' information and adequately address privacy concerns, competition, delays or challenges in implementing cost cutting activities and our ability to control and reduce expenses, our use of working capital in general, changing interests of players, our exposure to illegitimate credit card activity and other security risks, sales or purchases of virtual goods used in *Zynga Poker* or our other games through unauthorized or illegitimate third-party websites, regulatory issues, intellectual property disputes or other litigation, asset impairment charges, our ability to retain key employees and retain and attract new talent, acquisitions by us and changes in corporate strategy or management.

More information about factors that could affect our operating results is included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2013 and our Form 10-Q for the quarter ended June 30, 2014, 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. Undue reliance should not be placed on the forward-looking statements in this presentation, which are based on information available to us on the date hereof. There is no guarantee that the circumstances described in our forward-looking statements will occur. We assume no obligation to update such statements.

Non-GAAP Financial Measures:

We have provided in this release non-GAAP financial information including bookings, Adjusted EBITDA, free cash flow, non-GAAP net income and non-GAAP EPS, as a supplement to the consolidated financial statements, which are prepared in accordance with generally accepted accounting principles (“GAAP”). Management uses these non-GAAP financial measures internally in analyzing our financial results to assess operational performance and liquidity. The presentation of this financial information is not intended to be considered in isolation or as a substitute for the financial information prepared in accordance with GAAP. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. We believe these 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 between our historical and fourth quarter 2014 outlook for non-GAAP financial measures to the most directly comparable GAAP financial measures.

Some limitations of bookings, Adjusted EBITDA, non-GAAP net income (loss), non-GAAP earnings (loss) per share, free cash flow and Adjusted EBITDA margin are:

- Adjusted EBITDA and non-GAAP net income (loss) do not include the impact of stock-based expense, asset impairment charges, acquisition related transaction expenses, contingent consideration fair value adjustments, and restructuring expense;
- Bookings, Adjusted EBITDA and non-GAAP net income (loss) do not reflect that we defer and recognize online game revenue and revenue from certain advertising transactions over the estimated average life of virtual goods or as virtual goods are consumed;
- Adjusted EBITDA does not reflect income tax expense;
- Adjusted EBITDA does not include other income and expense, which includes foreign exchange gains and losses and interest income
- Adjusted EBITDA excludes both depreciation and amortization of intangible assets, while non-GAAP net income (loss) excludes amortization of intangible assets from acquisitions. Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future;
- Adjusted EBITDA and non-GAAP net income (loss) do not include gains and losses associated with significant legal settlements;
- Non-GAAP earnings (loss) per share gives effect to all dilutive awards based on the treasury stock method that were excluded from the GAAP diluted earnings per share calculation in periods when non-GAAP net income (loss) is positive and GAAP net income (loss) is negative;
- Free cash flow is derived from net cash provided by operating activities less cash spent on capital expenditures, and removing the excess income tax benefits or costs associated with stock-based awards; and
- Other companies, including companies in our industry, may calculate bookings, Adjusted EBITDA, non-GAAP net income (loss), non-GAAP earnings (loss) per share and free cash flow differently or not at all, which will reduce their usefulness as a comparative measure.

Because of these limitations, you should consider bookings, Adjusted EBITDA, non-GAAP net income, non-GAAP earnings (loss) per share, free cash flow and Adjusted EBITDA margin, along with other financial performance measures, including revenue, net income (loss), diluted net loss per share, cash flow from operations, GAAP operating margin and our other financial results presented in accordance with GAAP. See the GAAP to non-GAAP reconciliations below for further details.



Discussion of Q3'14 Performance

Q3'14 Highlights



- Generated bookings of \$175 million, Adjusted EBITDA of \$2 million and Non-GAAP net loss of \$7 million, performing within outlook range
- Delivered a 111% increase in mobile bookings year over year and a 10% increase quarter over quarter
 - In terms of platform mix, mobile bookings represented 55% of total bookings, up 5% from the second quarter of 2014
- Bookings for the Company's core franchises – *Casino*, *Words with Friends*, *FarmVille* and *Racing* – grew 7% in total from the second quarter of 2014
- Casino franchise delivered double digit percentage bookings growth driven by *Hit It Rich! Slots*, up 77% quarter over quarter in terms of bookings and up 35% sequentially in terms of average MAU
 - Launched new *Zynga Poker* which includes a sophisticated design and feature set that inspires more competition, authenticity and social connections between players. The game experienced performance challenges on older devices, and as a part of a commitment to player feedback, Zynga made the decision to bring back the original game and offer two distinct products – *Zynga Poker Classic* and the new *Zynga Poker*
- Entered the Sports category with the launch of the Zynga Sports 365 brand
 - Launched *NFL Showdown* at the beginning of the NFL season with the intention of adding new features over time based on consumer feedback and play patterns. The next few waves of features will layer in more gameplay functionality that appeals to a broader group of sports fans
- Advertising bookings per average DAU, excluding licensing and developer payments, grew 31% quarter over quarter

Q3'14 Outlook vs. Q3'14 Actuals



(in millions, except per share data)

Non-GAAP

	Outlook*	Actuals
Bookings	\$ 165 - 175	\$ 175
Adjusted EBITDA	\$ 0 - 5	\$ 2
Non-GAAP net loss	\$ 7 - 3	\$ 7
Non-GAAP EPS	\$ (0.01) - 0.00	\$ (0.01)

GAAP

Revenue	\$ 160 - 170	\$ 177
Stock-based expense	\$ 35	\$ 36
Net loss	\$ 57 - 52	\$ 57
EPS	\$ (0.06)	\$ (0.06)

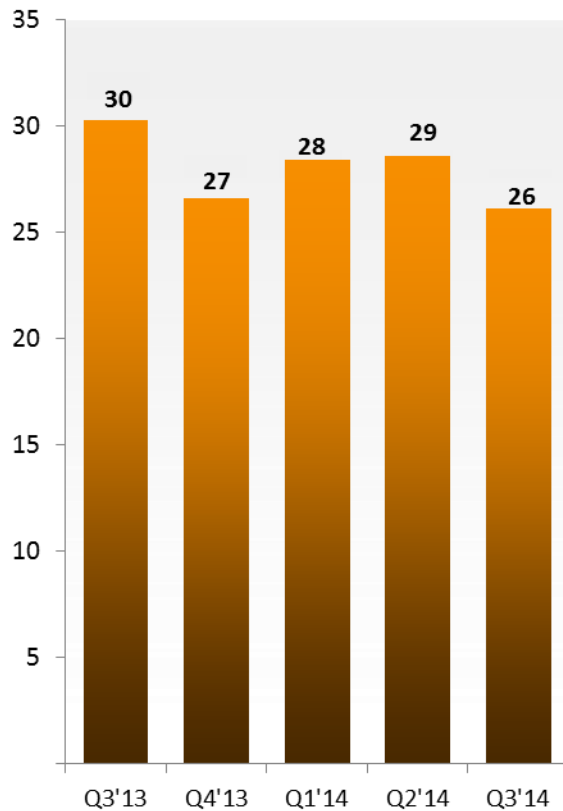
* Q3'14 outlook as communicated on our August 7, 2014 second quarter earnings call

Audience Metrics

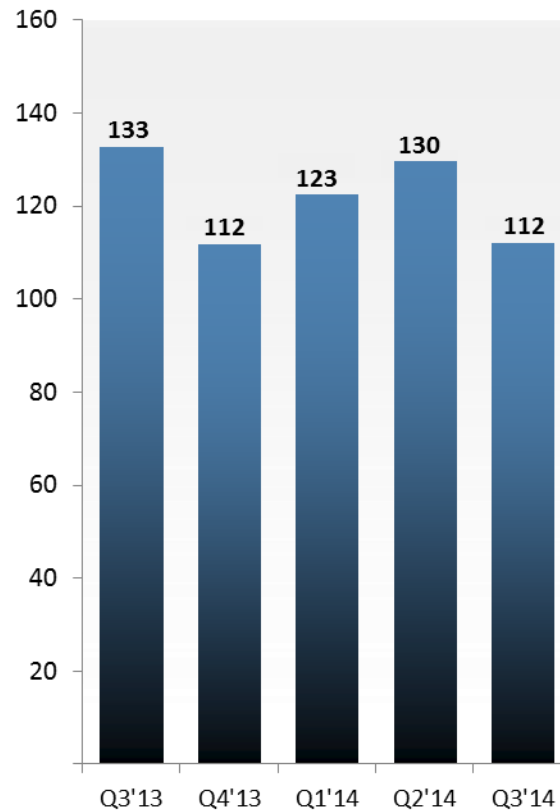


In millions

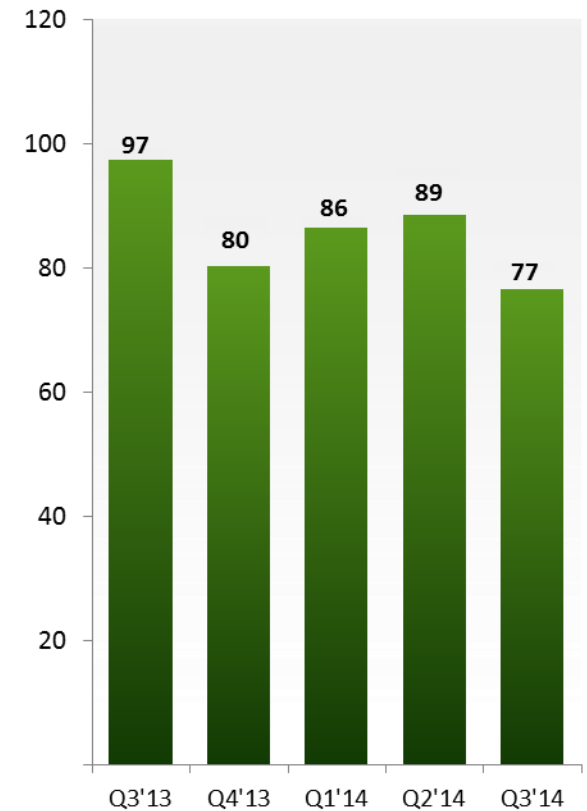
DAU



MAU



MUU*

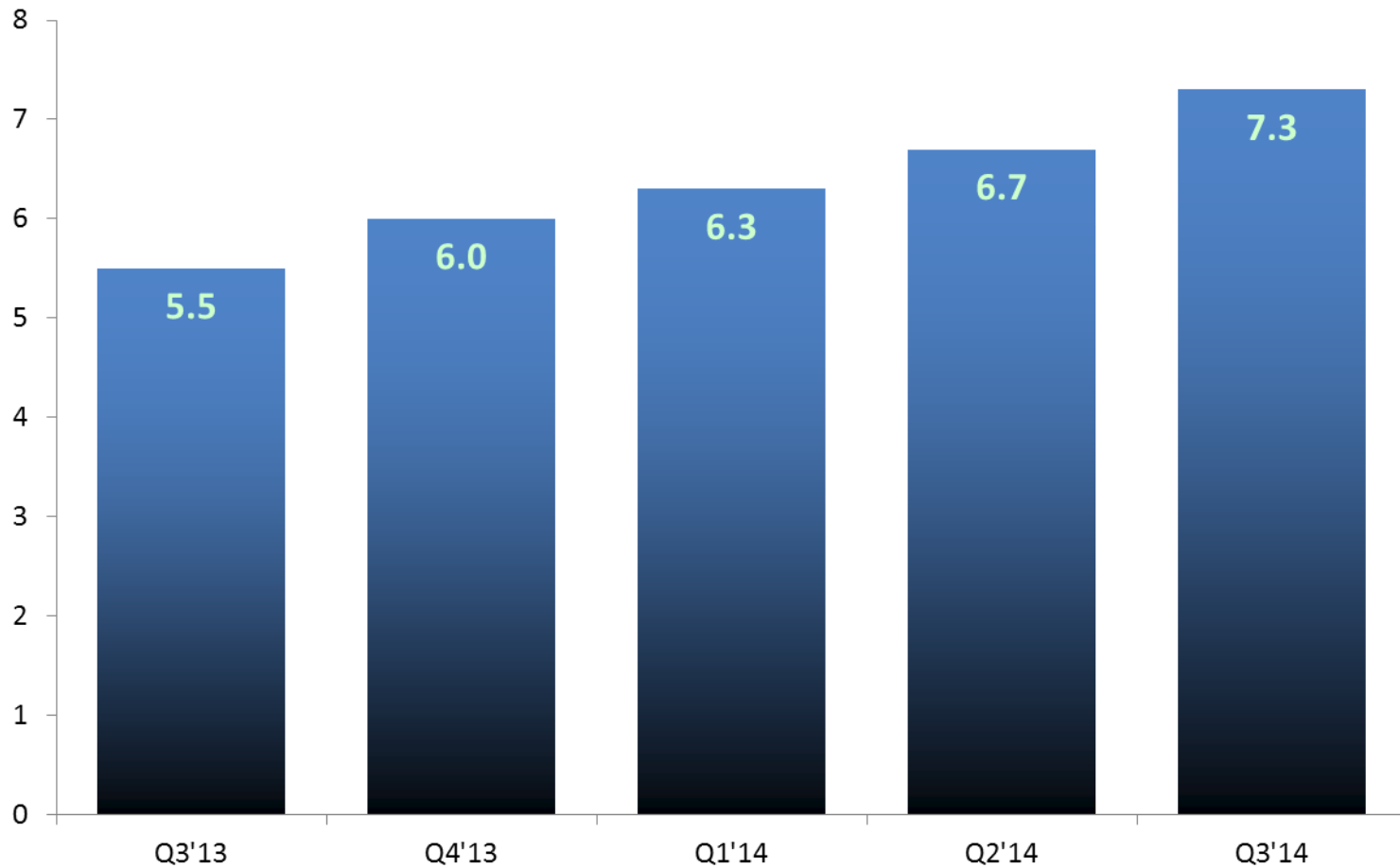


* MUUs exclude NaturalMotion as the necessary data is not yet available

Monetization



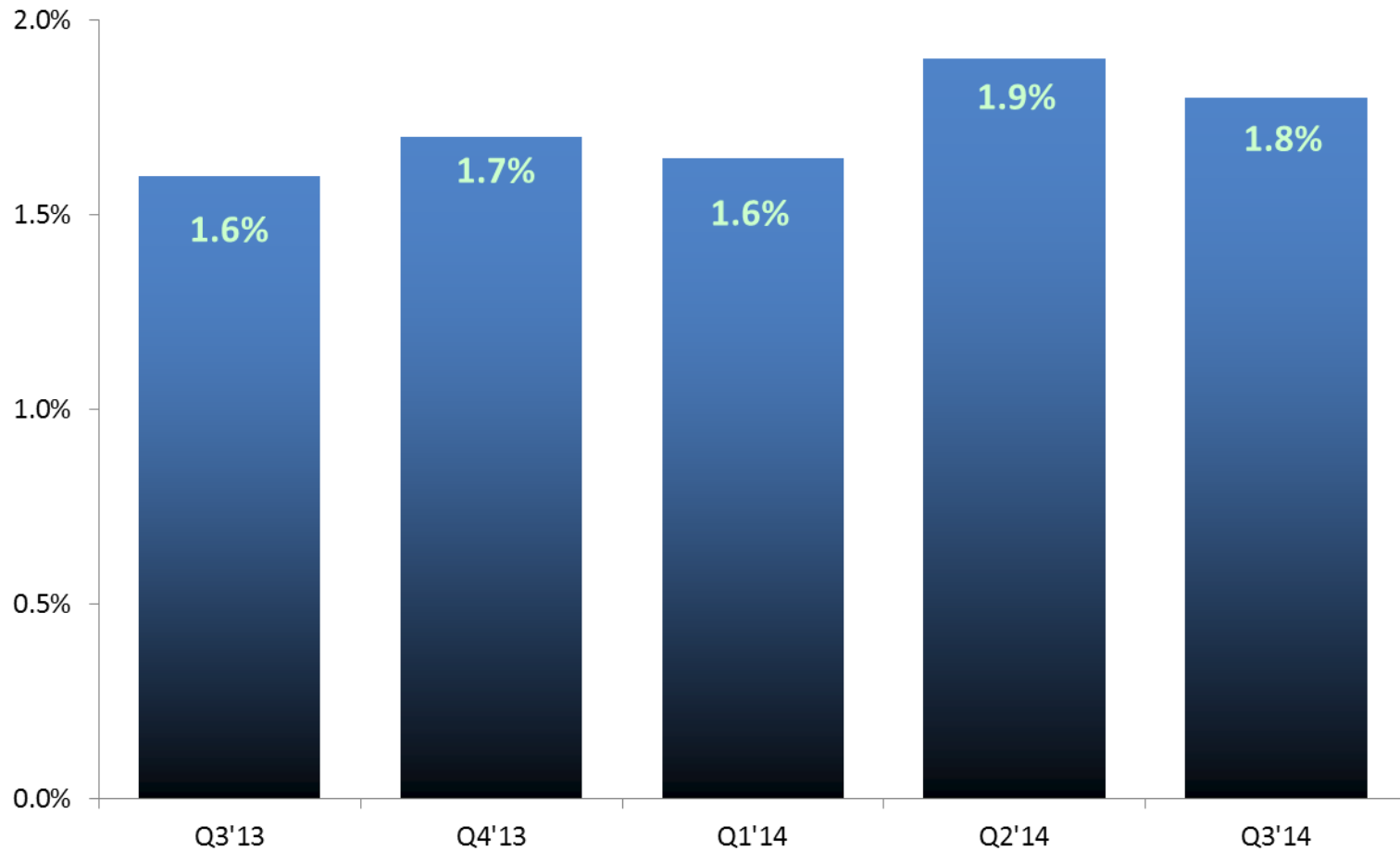
ABPU (US Cents)



Monetization



Payer Conversion

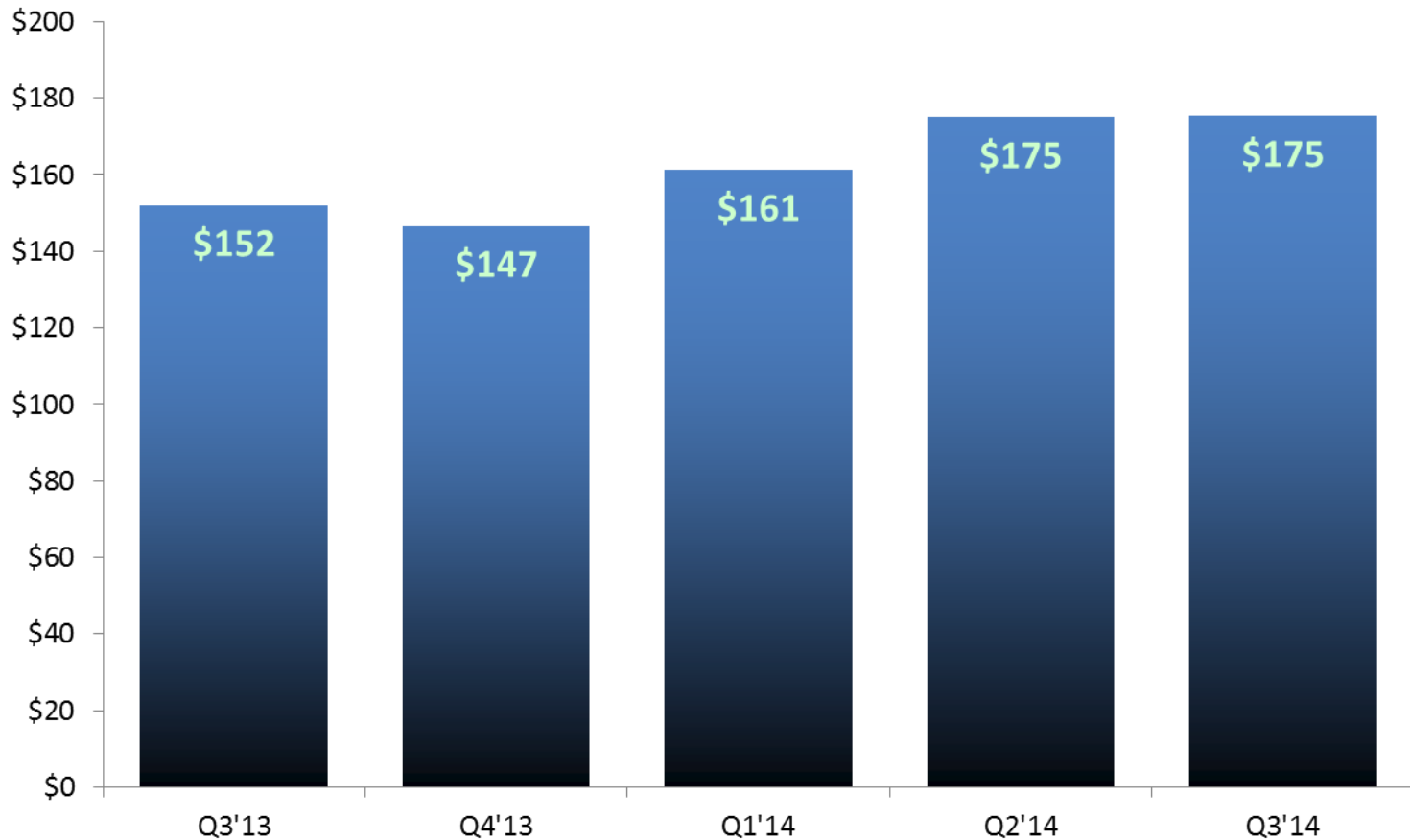


*MUUs and MUPs exclude NaturalMotion as the necessary data is not yet available

Bookings



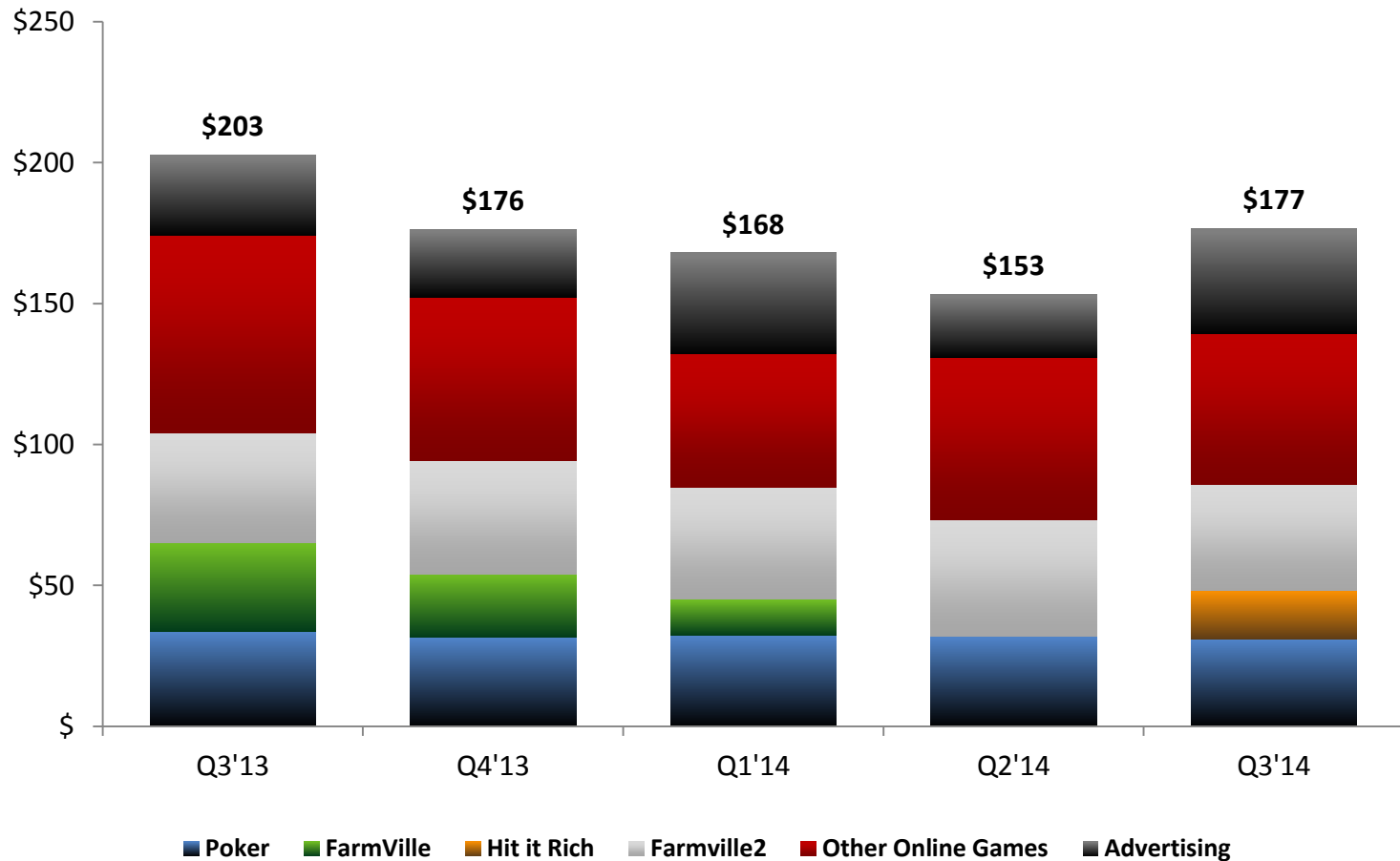
In millions



Revenue

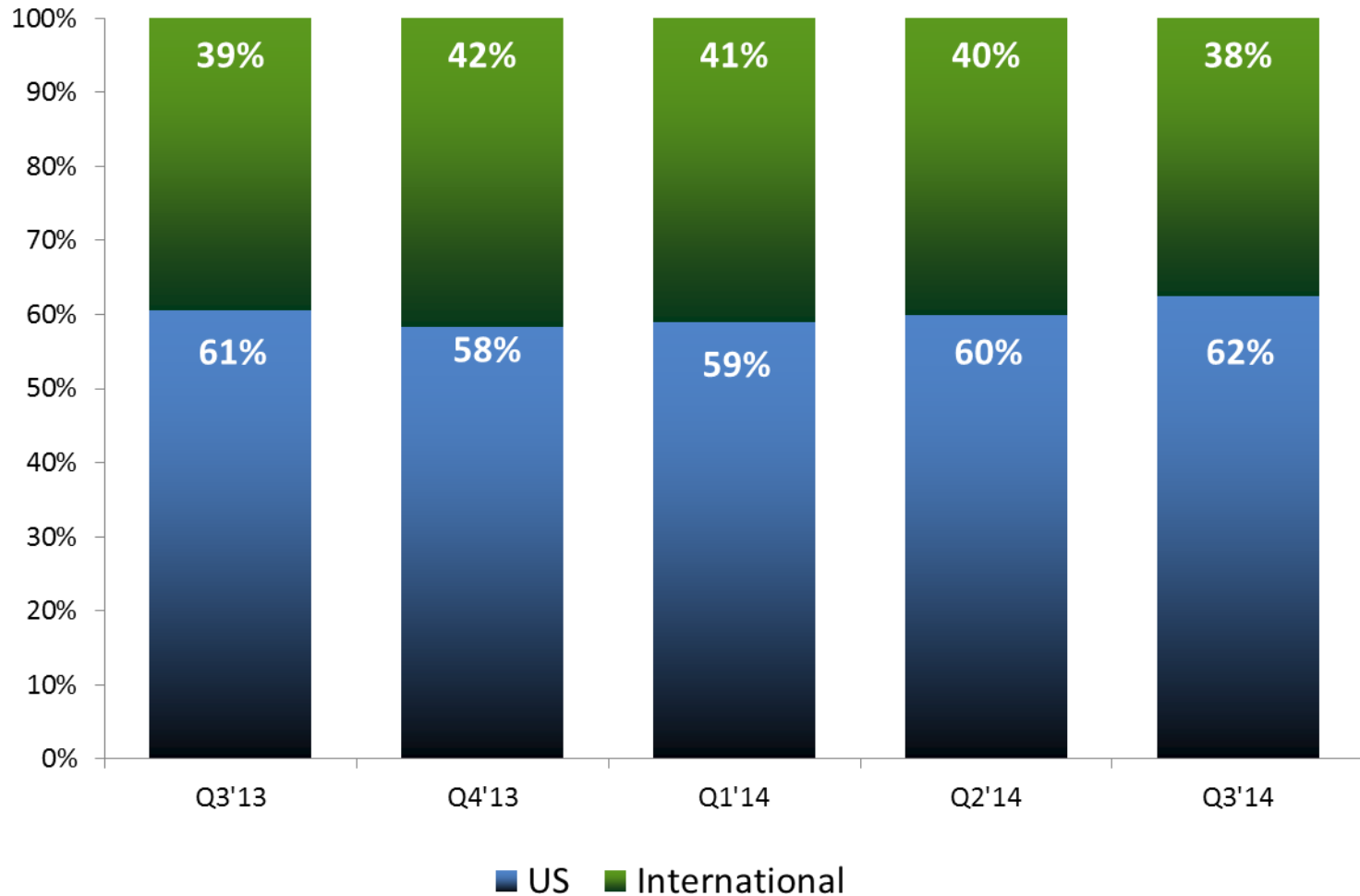


In millions

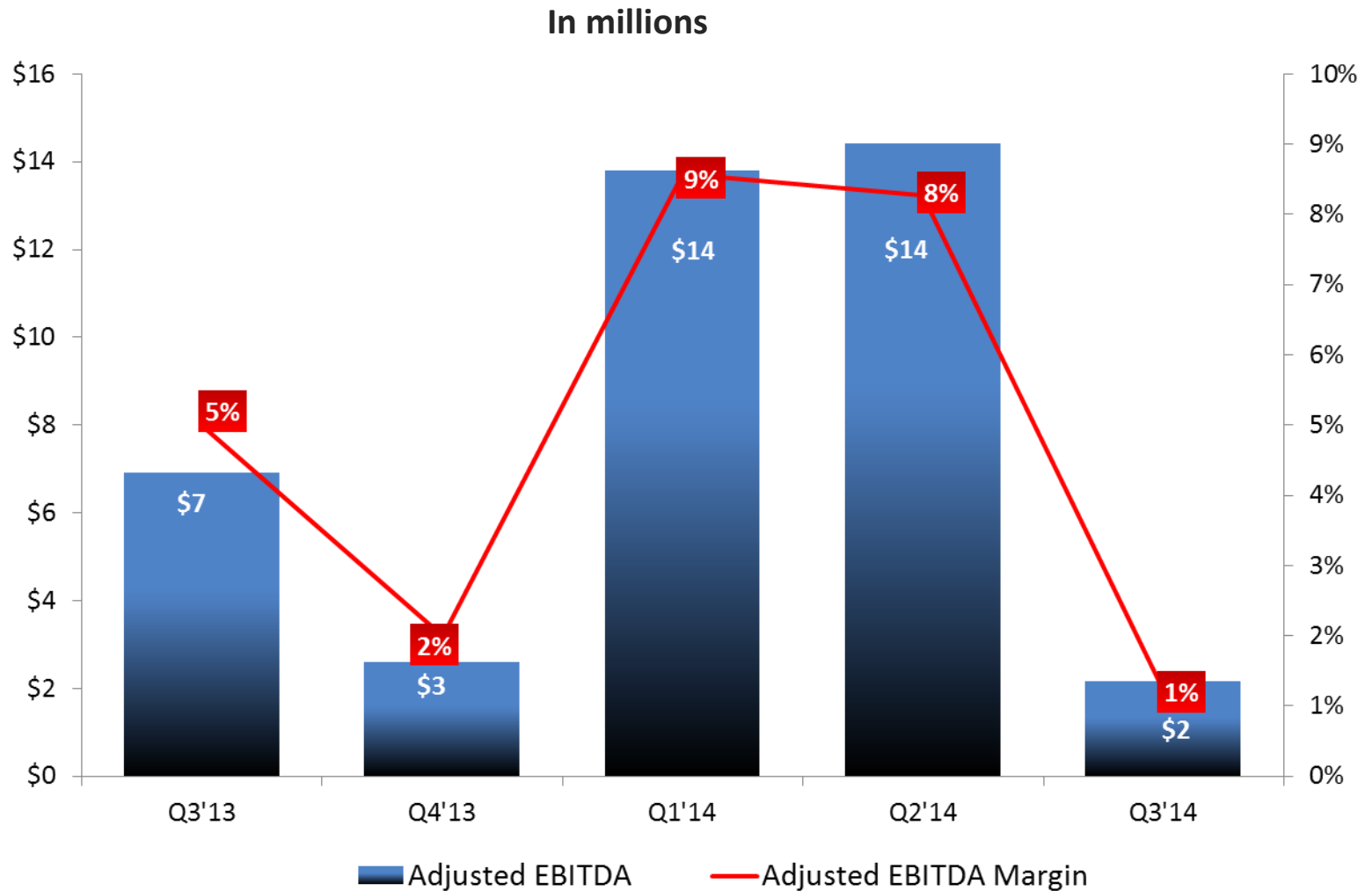


Note: Games representing less than 10% of online game revenue in any period are included in Other Online Games.

Revenue by Geography



Adjusted EBITDA and Margin



Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of bookings

Net Income (Loss) and Cash Flow



(in millions, except per share data)

	Q3'13	Q2'14	Q3'14
Non-GAAP			
Net income (loss)	\$ (16.2)	\$ 2.8	\$ (6.7)
Diluted earnings per share	\$ (0.02)	\$ 0.00	\$ (0.01)
GAAP			
Net income (loss)	\$ (0.1)	\$ (62.5)	\$ (57.1)
Diluted earnings per share	\$ 0.00	\$ (0.07)	\$ (0.06)
Operating cash flow	\$ (4.9)	\$ 17.8	\$ (2.4)
Free cash flow	\$ (6.1)	\$ 14.0	\$ (4.8)
Cash, cash equivalents and marketable securities	\$ 1,524	\$ 1,149	\$ 1,145



Q4'14 and FY2014 Financial Outlook

Q4'14 Financial Outlook



(in millions, except per share data)

	Q4'14 Outlook	
	Low	High
Non-GAAP		
Bookings	\$ 183	\$ 213
Adjusted EBITDA	\$ 9	\$ 29
Non-GAAP net income (loss)	\$ (5)	\$ 11
Diluted share count	894	929 ¹
Non-GAAP EPS	\$ (0.01)	\$ 0.01
GAAP		
Revenue	\$ 170	\$ 200
Stock-based expense	\$ 30	\$ 33
Net loss	\$ 51	\$ 34
Diluted share count	894	894
EPS	\$ (0.06)	\$ (0.04)

1 – To the extent Non-GAAP net income (loss) is positive, Non-GAAP diluted shares gives effect to all dilutive awards based on the treasury stock method. To the extent Non-GAAP net income (loss) is negative, Non-GAAP diluted shares excludes the effect of such awards since they would be anti-dilutive.

FY2014 Financial Outlook



(in millions, except per share data)

	2014 Outlook	
	Low	High
Non-GAAP		
Bookings	\$ 695	\$ 725
Adjusted EBITDA	\$ 40	\$ 60
Non-GAAP net income (loss)	\$ (15)	\$ 1
Diluted share count	875	914 ¹
Non-GAAP EPS	\$ (0.02)	\$ 0.00
GAAP		
Revenue	\$ 668	\$ 698
Stock-based expense	\$ 123	\$ 126
Net loss	\$ 231	\$ 214
Diluted share count	875	875
EPS	\$ (0.26)	\$ (0.24)

1 – To the extent Non-GAAP net income (loss) is positive, Non-GAAP diluted shares gives effect to all dilutive awards based on the treasury stock method. To the extent Non-GAAP net income (loss) is negative, Non-GAAP diluted shares excludes the effect of such awards since they would be anti-dilutive.



GAAP to Non-GAAP Reconciliations

Revenue to Bookings



(in thousands, unaudited)	3 months ended		9 months ended	
	9/30/14	9/30/13	9/30/14	9/30/13
Reconciliation of Revenue to Bookings				
Revenue	\$ 176,611	\$ 202,580	\$ 497,863	\$ 696,904
Change in deferred revenue	(1,123)	(50,474)	14,085	(127,405)
Bookings	\$ 175,488	\$ 152,106	\$ 511,948	\$ 569,499

Net Loss to Adjusted EBITDA



(in thousands, unaudited)	3 months ended		9 months ended	
	9/30/14	9/30/13	9/30/14	9/30/13
Reconciliation of Net loss to Adjusted EBITDA				
Net loss	\$ (57,058)	\$ (68)	\$ (180,774)	\$ (11,740)
Provision for (benefit from) income taxes	(783)	(891)	(9,874)	(27,646)
Other income (expense), net	(647)	(929)	(2,668)	4,465
Interest income	(841)	(965)	(2,487)	(3,233)
Restructuring expense	287	6,769	27,672	37,317
Depreciation and amortization	19,283	33,986	64,553	96,905
Impairment of intangible assets	-	10,217	-	10,217
Contingent consideration fair value adjustment	6,750	-	20,100	-
Acquisition-related transaction expenses	-	-	6,425	-
Stock-based expense	36,295	9,256	93,468	65,066
Change in deferred revenue	(1,123)	(50,474)	14,085	(127,405)
Adjusted EBITDA	\$ 2,163	\$ 6,901	\$ 30,500	\$ 43,946

Net Loss to Non-GAAP Net Income (Loss)



(in thousands, unaudited)	3 months ended		9 months ended	
	9/30/14	9/30/13	9/30/14	9/30/13
Reconciliation of Net loss to Non-GAAP net income (loss)				
Net loss	\$ (57,058)	\$ (68)	\$ (180,774)	\$ (11,740)
Impairment of intangible assets	-	10,217	-	10,217
Stock-based expense	36,295	9,256	93,468	65,066
Amortization of intangible assets from acquisitions	6,710	3,045	15,908	9,615
Contingent consideration fair value adjustment	6,750	-	20,100	-
Acquisition-related transaction expenses	-	-	6,425	-
Change in deferred revenue	(1,123)	(50,474)	14,085	(127,405)
Restructuring expense	287	6,769	27,672	37,317
Tax effect of non-GAAP adjustments to net loss	1,458	5,040	(7,015)	3,691
Non-GAAP net income (loss)	\$ (6,681)	\$ (16,215)	\$ (10,131)	\$ (13,239)

Net Cash Provided by Operating Activities to Free Cash Flow



(in thousands, unaudited)

	3 months ended		9 months ended	
	9/30/14	9/30/13	9/30/14	9/30/13
Reconciliation of Net cash provided by operating activities to Free cash flow				
Net cash provided by (used in) operating activities	\$ (2,416)	\$ (4,858)	\$ (8,856)	\$ 20,942
Acquisition of property and equipment	(2,429)	(1,054)	(7,078)	(7,344)
Excess tax benefits (costs) from stock-based awards	-	(175)	-	(10,792)
Free cash flow	\$ (4,845)	\$ (6,087)	\$ (15,934)	\$ 2,806

Provision for (Benefit from) Income Taxes



(in thousands, unaudited)	3 months ended		9 months ended	
	9/30/14	9/30/13	9/30/14	9/30/13
Reconciliation of GAAP to Non-GAAP provision for (benefit from) income taxes				
GAAP Provision for (benefit from) income taxes	\$ (783)	\$ (891)	\$ (9,874)	\$ (27,646)
Stock-based expense	(72)	(824)	3,691	3,564
Amortization of intangible assets from acquisitions	23	17	629	534
Impairment of intangible assets	-	2,043	-	2,043
Contingent consideration fair value adjustment	(85)	-	793	-
Acquisition-related transaction expenses	(169)	-	254	-
Change in deferred revenue	(445)	(6,356)	556	(12,315)
Restructuring expense	(710)	80	1,092	2,483
Non-GAAP provision for (benefit from) income taxes	\$ (2,241)	\$ (5,931)	\$ (2,859)	\$ (31,337)

Q3'14 Statement of Operations



Three months ended September 30, 2014

Adjustments to GAAP to arrive at non-GAAP net income (loss)

(In thousands, except per share data, unaudited)

	GAAP Statement of Operations	Stock-based expense	Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Non-GAAP measure
Total revenue	\$ 176,611	\$ -	\$ -	\$ (1,123)	\$ -	\$ -	\$ -	\$ 175,488 ⁽¹⁾
Cost of revenue	53,286	(1,110)	(5,847)	-	59	-	-	46,388
Research and development	100,113	(24,281)	-	-	-	-	(6,750)	69,082
Sales and marketing	44,005	(1,187)	(863)	-	-	-	-	41,955
General and administrative	38,536	(9,717)	-	-	(346)	-	-	28,473
Total costs and expenses	235,940	(36,295)	(6,710)	-	(287)	-	(6,750)	185,898
Income (loss) from operations	(59,329)	36,295	6,710	(1,123)	287	-	6,750	(10,410)
Interest income (expense)	841	-	-	-	-	-	-	841
Other income (expense), net	647	-	-	-	-	-	-	647
Income (loss) before income taxes	(57,841)	36,295	6,710	(1,123)	287	-	6,750	(8,922)
Provision for (benefit from) income taxes	(783)	(72)	23	(445)	(710)	(169)	(85)	(2,241)
Net Income (loss)	<u>\$ (57,058)</u>	<u>\$ 36,367</u>	<u>\$ 6,687</u>	<u>\$ (678)</u>	<u>\$ 997</u>	<u>\$ 169</u>	<u>\$ 6,835</u>	<u>\$ (6,681) ⁽²⁾</u>
WASO								
Diluted		884,021						884,021
EPS								
Diluted		<u>\$ (0.06)</u>						<u>\$ (0.01)</u>

(1) Non-GAAP measure represents bookings

(2) Non-GAAP measure represents Non-GAAP Net Income (Loss)

Q3'14 Statement of Operations



Nine months ended September 30, 2014

Adjustments to GAAP to arrive at non-GAAP net income (loss)

(In thousands, except per share data, unaudited)

	GAAP		Amortization of	Change in	Restructuring	Acquisition-	Contingent	Non-GAAP
	Statement of	Stock-based	intangible assets	deferred	expense	related	consideration	measure
	Operations	expense	from	revenue		transaction	fair value	
			acquisitions			expenses	adjustment	
Total revenue	\$ 497,863	\$ -	\$ -	\$ 14,085	\$ -	\$ -	\$ -	\$ 511,948 ⁽¹⁾
Cost of revenue	158,078	(3,391)	(13,903)	-	(1,210)	-	-	139,574
Research and development	291,419	(60,293)	-	-	(9,573)	-	(20,100)	201,453
Sales and marketing	115,466	(4,505)	(2,005)	-	(1,498)	-	-	107,458
General and administrative	128,703	(25,279)	-	-	(15,391)	(6,425)	-	81,608
Total costs and expenses	693,666	(93,468)	(15,908)	-	(27,672)	(6,425)	(20,100)	530,093
Income (loss) from operations	(195,803)	93,468	15,908	14,085	27,672	6,425	20,100	(18,145)
Interest income (expense)	2,487	-	-	-	-	-	-	2,487
Other income (expense), net	2,668	-	-	-	-	-	-	2,668
Income (loss) before income taxes	(190,648)	93,468	15,908	14,085	27,672	6,425	20,100	(12,990)
Provision for (benefit from) income taxes	(9,874)	3,691	629	556	1,092	254	793	(2,859)
Net Income (loss)	<u>\$ (180,774)</u>	<u>\$ 89,777</u>	<u>\$ 15,279</u>	<u>\$ 13,529</u>	<u>\$ 26,580</u>	<u>\$ 6,171</u>	<u>\$ 19,307</u>	<u>\$ (10,131) ⁽²⁾</u>
WASO								
Diluted		869,178						869,178
EPS								
Diluted		<u>\$ (0.21)</u>						<u>\$ (0.01)</u>

(1) Non-GAAP measure represents bookings

(2) Non-GAAP measure represents Non-GAAP Net Income (Loss)

Q3'13 Statement of Operations



Three months ended September 30, 2013

Adjustments to GAAP to arrive at non-GAAP net income (loss)

(In thousands, except per share data, unaudited)

	GAAP Statement of Operations	Impairment of intangible assets	Stock-based expense	Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense	Non-GAAP measure
Total revenue	\$ 202,580	\$ -	\$ -	\$ -	\$ (50,474)	\$ -	\$ 152,106 ⁽¹⁾
Cost of revenue	59,011	-	645	(3,384)	-	(9)	56,263
Research and development	81,023	-	(10,119)	-	-	66	70,970
Sales and marketing	21,170	-	(2,941)	339	-	6	18,574
General and administrative	34,012	-	3,159	-	-	(6,832)	30,339
Impairment of intangible assets	10,217	(10,217)	-	-	-	-	-
Total costs and expenses	205,433	(10,217)	(9,256)	(3,045)	-	(6,769)	176,146
Income (loss) from operations	(2,853)	10,217	9,256	3,045	(50,474)	6,769	(24,040)
Interest income (expense)	965	-	-	-	-	-	965
Other income (expense), net	929	-	-	-	-	-	929
Income (loss) before income taxes	(959)	10,217	9,256	3,045	(50,474)	6,769	(22,146)
Provision for (benefit from) income taxes	(891)	2,043	(824)	17	(6,356)	80	(5,931)
Net Income (loss)	\$ (68)	\$ 8,174	\$ 10,080	\$ 3,028	\$ (44,118)	\$ 6,689	\$ (16,215) ⁽²⁾
WASO							
Diluted	804,129						804,129
EPS							
Diluted	\$ 0.00						\$ (0.02)

(1) Non-GAAP measure represents bookings

(2) Non-GAAP measure represents Non-GAAP Net Income (Loss)

Q3'13 Statement of Operations



Nine months ended September 30, 2013

Adjustments to GAAP to arrive at non-GAAP net income (loss)

(In thousands, except per share data, unaudited)

	GAAP Statement of Operations	Impairment of intangible assets	Stock-based expense	Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense	Non-GAAP measure
Total revenue	\$ 696,904	\$ -	\$ -	\$ -	\$ (127,405)	\$ -	\$ 569,499 ⁽¹⁾
Cost of revenue	189,482	-	351	(8,978)	-	(1,157)	179,698
Research and development	334,526	-	(46,907)	-	-	(23,154)	264,465
Sales and marketing	79,640	-	(8,327)	(637)	-	(1,037)	69,639
General and administrative	121,193	-	(10,183)	-	-	(11,969)	99,041
Impairment of intangible assets	10,217	(10,217)	-	-	-	-	-
Total costs and expenses	735,058	(10,217)	(65,066)	(9,615)	-	(37,317)	612,843
Income (loss) from operations	(38,154)	10,217	65,066	9,615	(127,405)	37,317	(43,344)
Interest income (expense)	3,233	-	-	-	-	-	3,233
Other income (expense), net	(4,465)	-	-	-	-	-	(4,465)
Income (loss) before income taxes	(39,386)	10,217	65,066	9,615	(127,405)	37,317	(44,576)
Provision for (benefit from) income taxes	(27,646)	2,043	3,564	534	(12,315)	2,483	(31,337)
Net Income (loss)	\$ (11,740)	\$ 8,174	\$ 61,502	\$ 9,081	\$ (115,090)	\$ 34,834	\$ (13,239) ⁽²⁾
WASO							
Diluted	791,032						791,032
EPS							
Diluted	\$ (0.01)						\$ (0.02)

(1) Non-GAAP measure represents bookings

(2) Non-GAAP measure represents Non-GAAP Net Income (Loss)

Q4'14 Outlook



(in thousands, except per share data)

	Q4'14
Reconciliation of Revenue to Bookings	
Revenue range	\$170,000 - 200,000
Change in deferred revenue	13,000
Bookings range	<u>\$183,000 - 213,000</u>
Reconciliation of Net loss to Adjusted EBITDA	
Net loss range	\$(51,000) - (34,000)
Provision for (benefit from) income taxes	(1,000)
Other income, net	(1,000)
Interest income	(1,000)
Depreciation and amortization	20,000
Stock-based expense	30,000 - 33,000
Change in deferred revenue	13,000
Adjusted EBITDA range	<u>\$9,000 - \$29,000</u>
Reconciliation of Net loss to Non-GAAP net loss	
Net loss range	\$(51,000) - (34,000)
Stock-based expense	30,000 - 33,000
Amortization of intangible assets from acquisitions	7,000
Change in deferred revenue	13,000
Tax effect of non-GAAP adjustments to net loss	(4,000) - (8,000)
Non-GAAP net loss range	<u>\$(5,000) - 11,000</u>
GAAP diluted shares	894,000
Non-GAAP diluted shares	894,000 or 929,000 ¹
Net loss per share range	\$(0.06) - (0.04)
Non-GAAP net income per share range	\$(0.01) - 0.01

1 – To the extent Non-GAAP net income (loss) is positive, Non-GAAP diluted shares gives effect to all dilutive awards based on the treasury stock method. To the extent Non-GAAP net income (loss) is negative, Non-GAAP diluted shares excludes the effect of such awards since they would be anti-dilutive.

2014 Outlook



(in thousands, except per share data)

	2014
Reconciliation of Revenue to Bookings	
Revenue range	\$668,000 - 698,000
Change in deferred revenue	27,000
Bookings range	<u>\$695,000 - 725,000</u>
Reconciliation of Net loss to Adjusted EBITDA	
Net loss range	\$(231,000) - (214,000)
Provision for (benefit from) income taxes	(11,000)
Other income, net	(4,000)
Interest income	(3,000)
Restructuring expense	28,000
Depreciation and amortization	85,000
Contingent consideration fair value adjustment	20,000
Acquisition-related transaction expenses	6,000
Stock-based expense	123,000 - 126,000
Change in deferred revenue	27,000
Adjusted EBITDA range	<u>\$40,000 - 60,000</u>
Reconciliation of Net loss to Non-GAAP net loss	
Net loss range	\$(231,000) - (214,000)
Stock-based expense	123,000 - 126,000
Amortization of intangible assets from acquisitions	23,000
Contingent consideration fair value adjustment	20,000
Acquisition-related transaction expenses	6,000
Change in deferred revenue	27,000
Restructuring expense	28,000
Tax effect of non-GAAP adjustments to net loss	(11,000) - (15,000)
Non-GAAP net loss range	<u>\$(15,000) - 1,000</u>
GAAP diluted shares	875,000
Non-GAAP diluted shares	875,000 or 914,000 ¹
Net loss per share range	\$(0.26) - (0.24)
Non-GAAP net income per share range	\$(0.02) - 0.00

1 – To the extent Non-GAAP net income (loss) is positive, Non-GAAP diluted shares gives effect to all dilutive awards based on the treasury stock method. To the extent Non-GAAP net income (loss) is negative, Non-GAAP diluted shares excludes the effect of such awards since they would be anti-dilutive.



Thank you!