



ZYNGA Q4 2018

FINANCIAL RESULTS

February 6, 2019

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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 full year and first quarter of 2019 under the headings “Q1 and FY 2019 Financial Guidance” and “Q1 and FY 2019 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 projections relating to our mobile forever franchises, and confidence in our ability to grow our business in 2019 and beyond; our plans to launch new games featuring owned IP and titles based on strategic licenses and enhance existing games with new features and updates; the success of new product and feature launches and other special events, and the investments related to introductions of new games and features; our expectations regarding the advertising market, including anticipated trends in that market; our performance expectations regarding our legacy portfolio of web and older mobile games; and our ability and expectations to achieve financial projections, including revenue, deferred revenue, bookings, income, adjusted EBITDA, operating expenses, 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. 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 Annual Report on Form 10-K for the quarter and fiscal year ended December 31, 2018. We assume no obligation and do not intend to update these estimates prior to filing our Annual Report on Form 10-K.



OVERVIEW OF Q4 2018 PERFORMANCE

Q4 2018 PERFORMANCE OVERVIEW

Q4 FINANCIAL HIGHLIGHTS

- Delivered Q4 results ahead of our raised guidance across key financial measures
- Revenue of \$249 million, up 7% year-over-year
- GAAP operating expenses at 66% of revenue, down from 69% of revenue in Q4 2017
- Net income of \$1 million, down \$12 million year-over-year
- Bookings of \$267 million, up 19% year-over-year
- Non-GAAP operating expenses at 53% of bookings, down from 58% of bookings in Q4 2017
- Adjusted EBITDA of \$37 million, down \$9 million year-over-year.
- Surpassed our near-term margin goal for the second consecutive quarter
- Operating cash flow of \$90 million, our best performance since Q4 2011, up 241% year-over-year

Q4 MOBILE HIGHLIGHTS

- Best mobile revenue and bookings performance in Zynga history
 - Mobile revenue of \$228 million, up 12% year-over-year
 - Mobile bookings of \$248 million, up 26% year-over-year
- Mobile user pay revenue of \$158 million, up 8% year-over-year
- Mobile user pay bookings of \$179 million, up 28% year-over-year
- Record mobile advertising quarter
 - Mobile advertising revenue of \$69 million, up 23% year-over-year
 - Mobile advertising bookings of \$69 million, up 20% year-over-year

Q4 ADVERTISING HIGHLIGHTS

- Achieved record advertising revenue and bookings
 - Advertising revenue of \$72 million, up 21% year-over-year
 - Advertising bookings of \$71 million, up 19% year-over-year
- Our strong performance was driven by increased player engagement in *Words With Friends*, advertising network optimizations, as well as full quarter contributions from Casual Cards and Gram Games

Q4 2018 FINANCIAL GUIDANCE VS. ACTUALS

GAAP	Guidance ⁽²⁾	Actuals
Revenue	\$ 243,000	\$ 248,688
(B) Net increase in deferred revenue ⁽¹⁾	\$ (17,000)	\$ (18,578)
Net (loss) income	\$ (1,500)	\$ 559
Basic share count	867,000	860,673
Diluted share count	867,000	882,769
Basic and diluted net (loss) income per share	\$ (0.00)	\$ 0.00
Non-GAAP		
Bookings	\$ 260,000	\$ 267,266
(A) Adjusted EBITDA	\$ 33,000	\$ 37,109

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.

7 (2) Raised Q4'18 guidance as communicated in our December 20, 2018 8-K filing announcing our Small Giant Games acquisition.

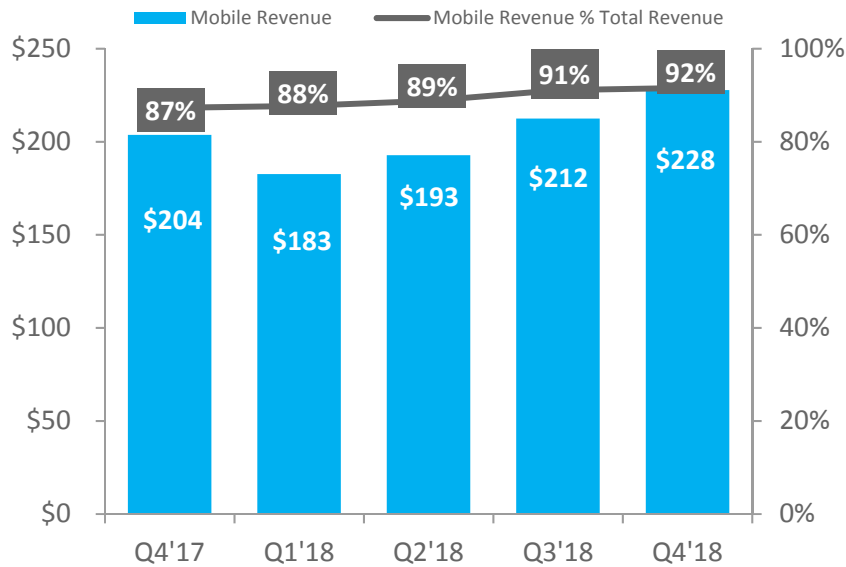


MOBILE HIGHLIGHTS

IN MILLIONS

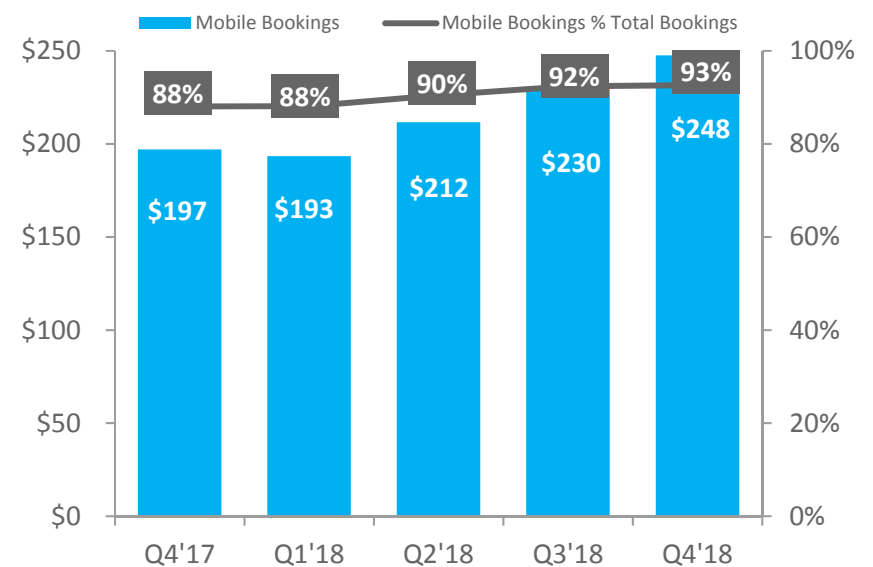
MOBILE REVENUE

92% OF TOTAL IN Q4'18



MOBILE BOOKINGS

93% OF TOTAL IN Q4'18



Net Release of (Increase in) Deferred Revenue ⁽¹⁾	\$7	(\$11)	(\$19)	(\$17)	(\$20)
Mobile Bookings	\$197	\$193 ⁽²⁾	\$212	\$230 ⁽²⁾	\$248

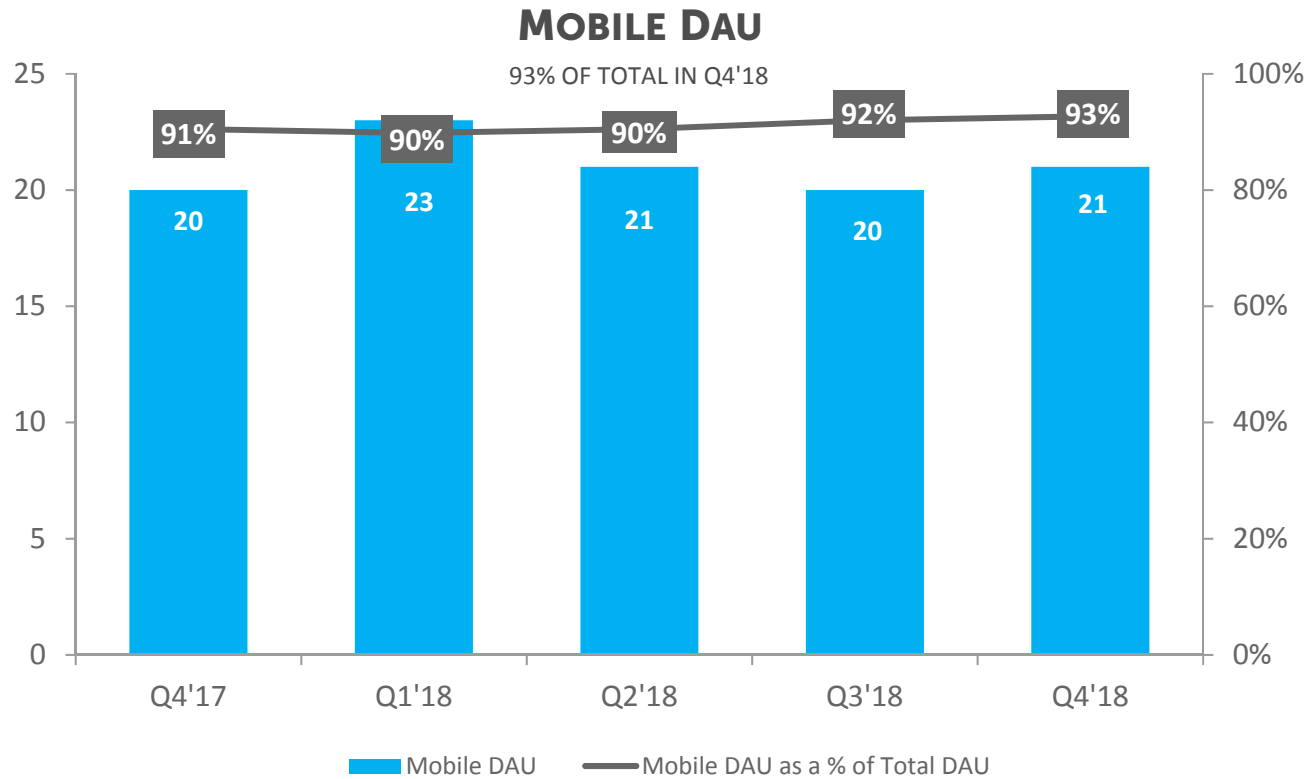
Footnotes:

- (1) Refer to footnote (1) on slide 7
- (2) This measure, as presented, differs due to the impact of rounding



MOBILE HIGHLIGHTS

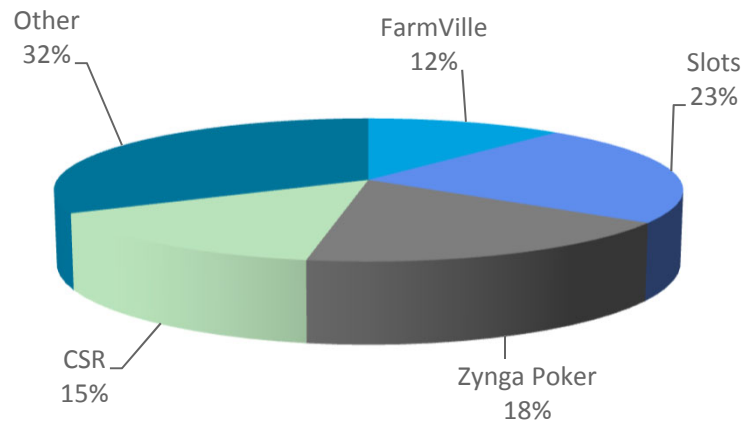
IN MILLIONS



Q4 2018 ONLINE GAME REVENUE AND BOOKINGS BY FRANCHISE

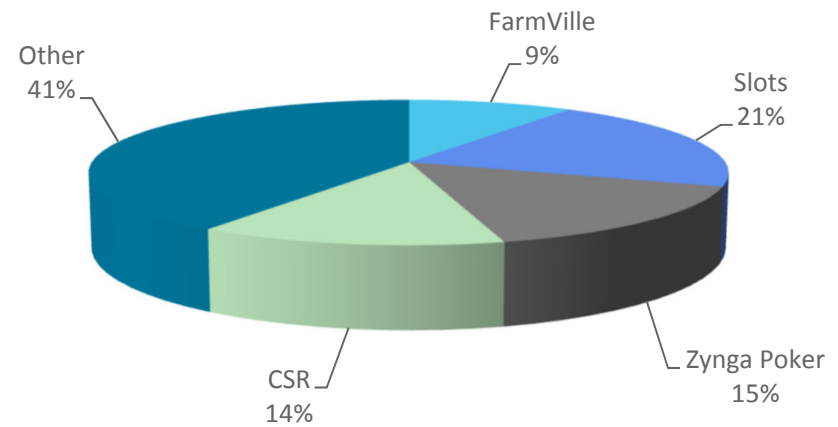
Q4 2018 ONLINE GAME REVENUE

Total Amount: \$177 million



Q4 2018 ONLINE GAME BOOKINGS

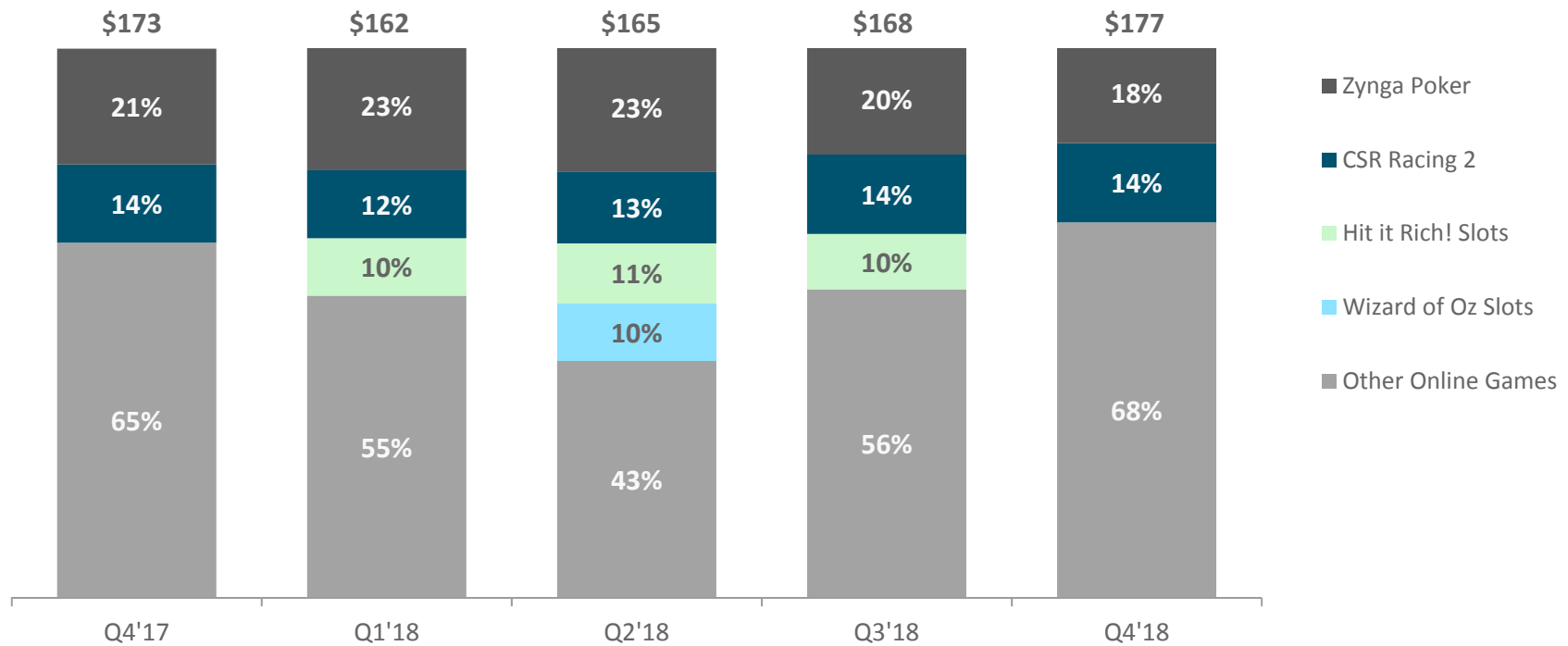
Total Amount: \$196 million



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

ONLINE GAME REVENUE CONCENTRATION

TOTAL REVENUE IN MILLIONS

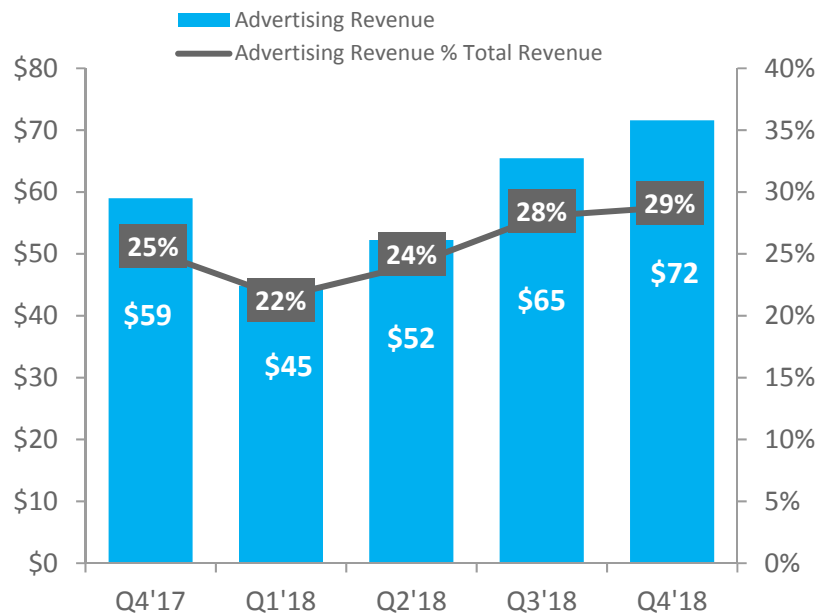


Note: Games representing less than 10% of online game revenue in any period are included in "Other Online Games".

ADVERTISING: REVENUE AND BOOKINGS

ADVERTISING REVENUE

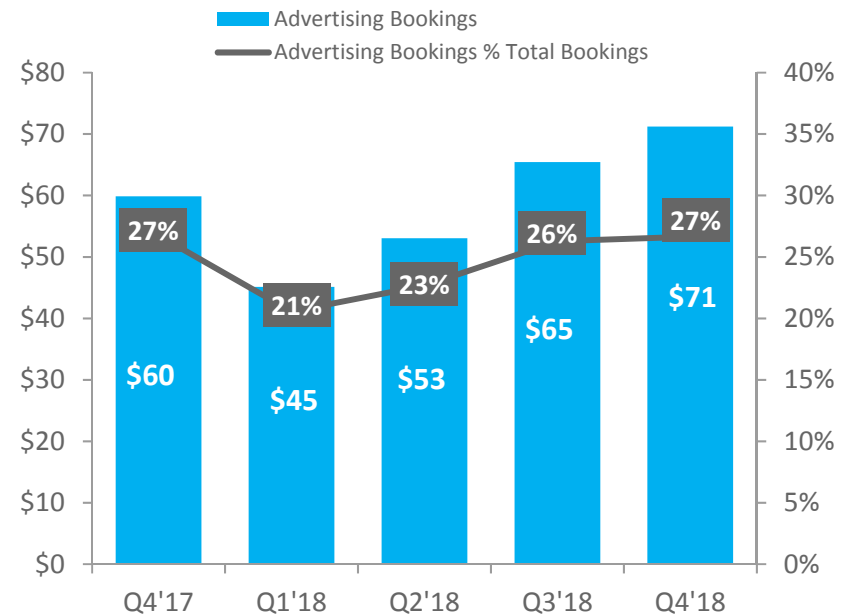
29% OF TOTAL IN Q4'18



IN MILLIONS

ADVERTISING BOOKINGS

27% OF TOTAL IN Q4'18



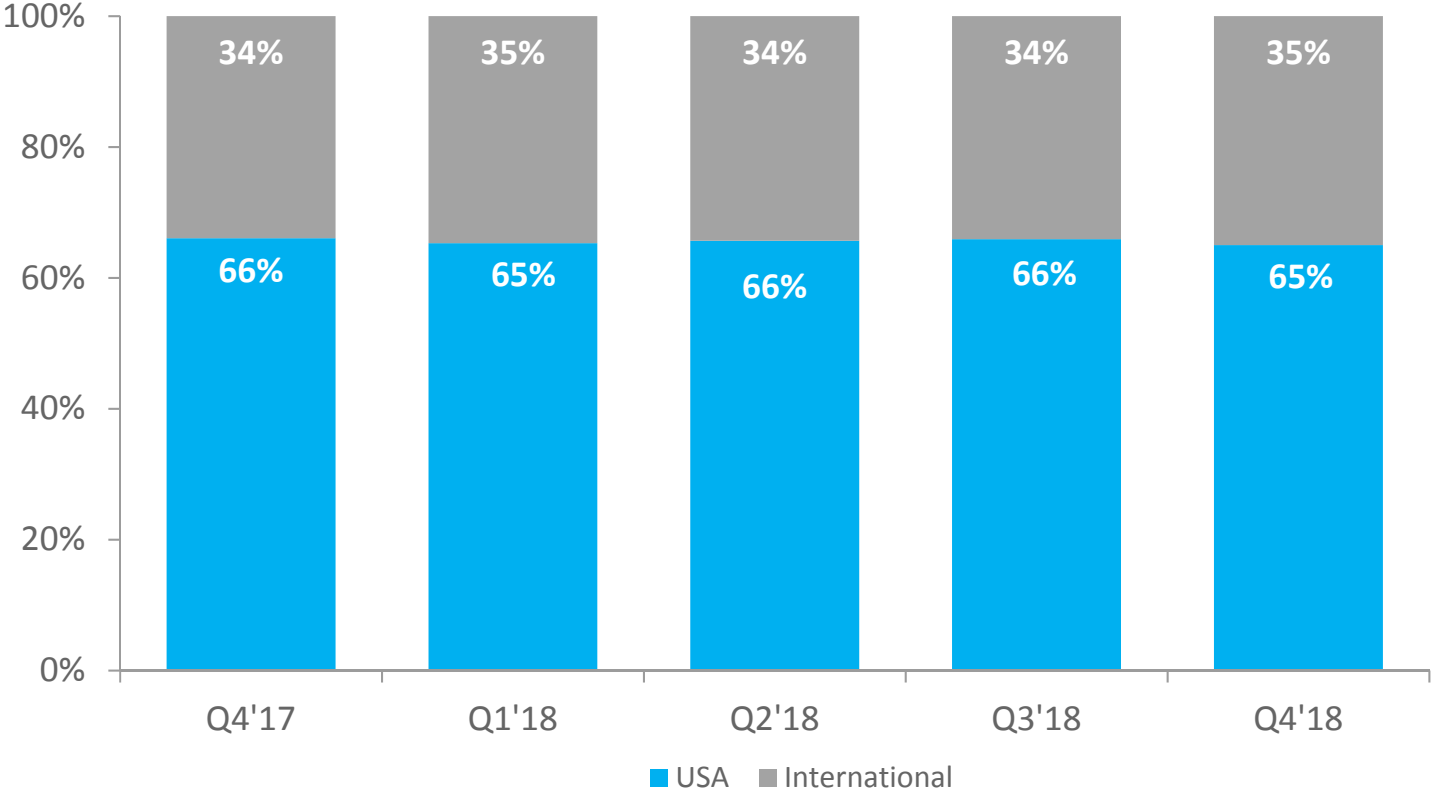
Net Release of (Increase in) Deferred Revenue ⁽¹⁾	(\$1)	\$0	(\$1)	\$0	\$0
Advertising Bookings	\$60	\$45	\$53	\$65	71 ⁽²⁾

Footnotes:

- 12 (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)

	Q4'18	Q3'18	Q2'18	Q1'18	Q4'17
Net income (loss)	\$1	\$10	\$(1)	\$6	\$13
Diluted net income (loss) per share	\$0.00	\$0.01	\$(0.00)	\$0.01	\$0.01
Operating cash flow⁽¹⁾	\$90	\$41	\$41	\$(4)	\$26
Free cash flow (non-GAAP)⁽¹⁾	\$86	\$37	\$39	\$(5)	\$23
Cash, cash equivalents and short-term investments	\$581	\$420	\$392	\$635	\$681

Footnotes:

(1) 2017 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. We believe that the amounts are reasonable estimates of our user base for the applicable period of measurement; however, factors relating to user activity and systems may impact these numbers.

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.

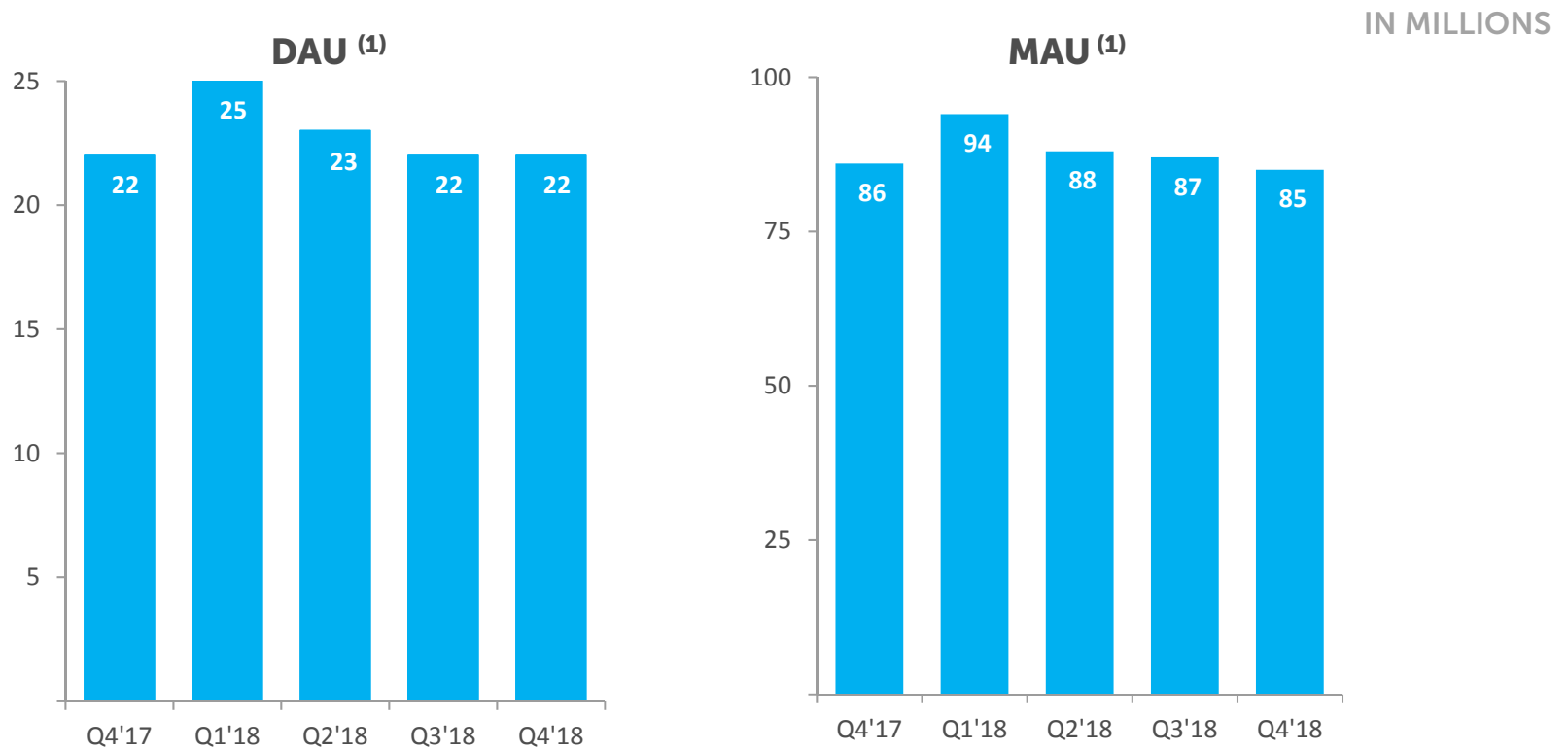
MUUs. We define Monthly Unique Users (MUUs) as the number of individuals who played one or more of our games, which we were able to verify were played by the same individual in the 30-day period ending with the measurement date. An individual who plays more than one of our games in a given 30-day period 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



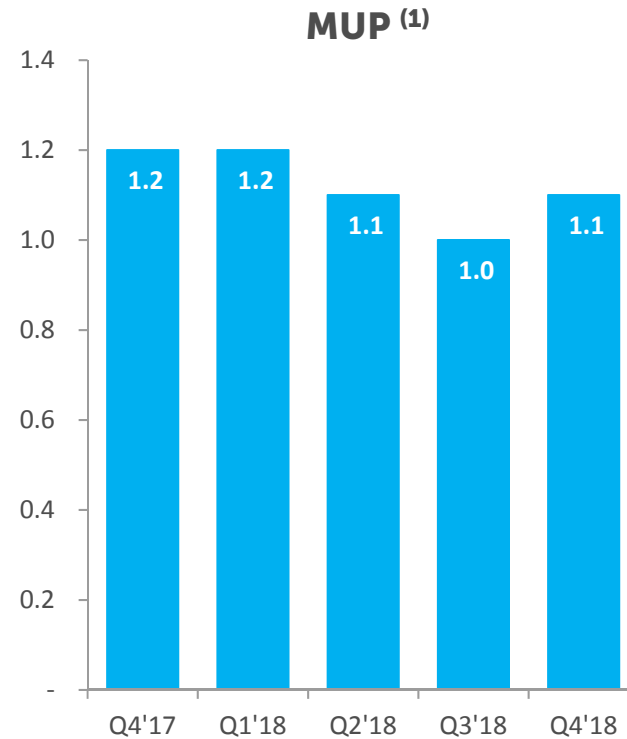
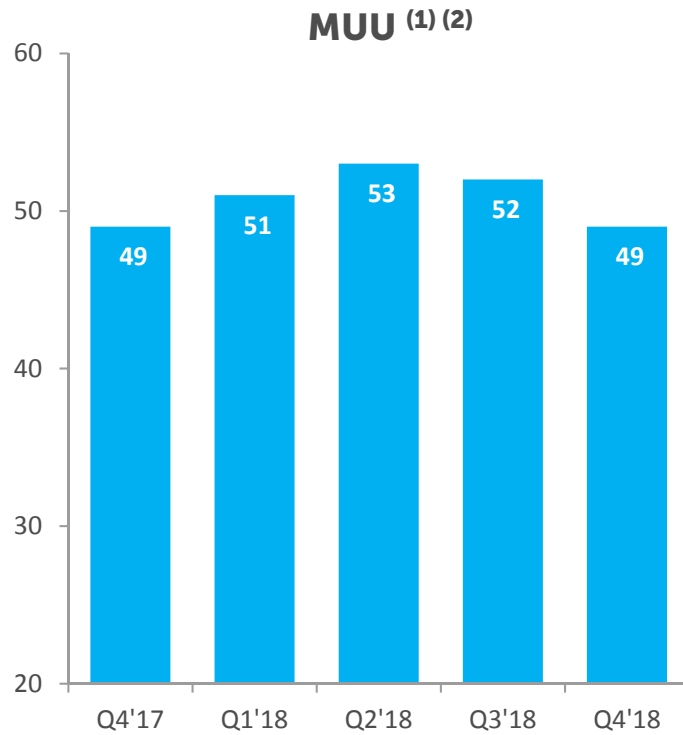
Footnote:

(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 fourth and third quarters of 2018, DAUs and MAUs incrementally include *Solitaire*, our Facebook Instant Games, the casual card games acquired in December 2017 and games acquired from Gram Games in May 2018; for the second quarter of 2018, DAUs and MAUs incrementally include *Daily Celebrity Crossword*, *Solitaire*, our Facebook Instant Games, the casual card games acquired in December 2017 and games acquired from Gram Games in May 2018; 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 the casual card games acquired in December 2017. Further, *Zynga Poker* web DAUs and MAUs reported for the fourth quarter of 2018 – which are a component of total company DAUs and MAUs – represent the average of player activity for October and November only. We have excluded December due to an increased volume of apparent player activity that we were unable to reliably validate and de-duplicate. These challenges are particularly present in our web-based games, which are becoming an increasingly smaller portion of our overall operations and financial results, as these games are more susceptible than mobile platforms from attempts to replicate legitimate player activity.



AUDIENCE METRICS

IN MILLIONS

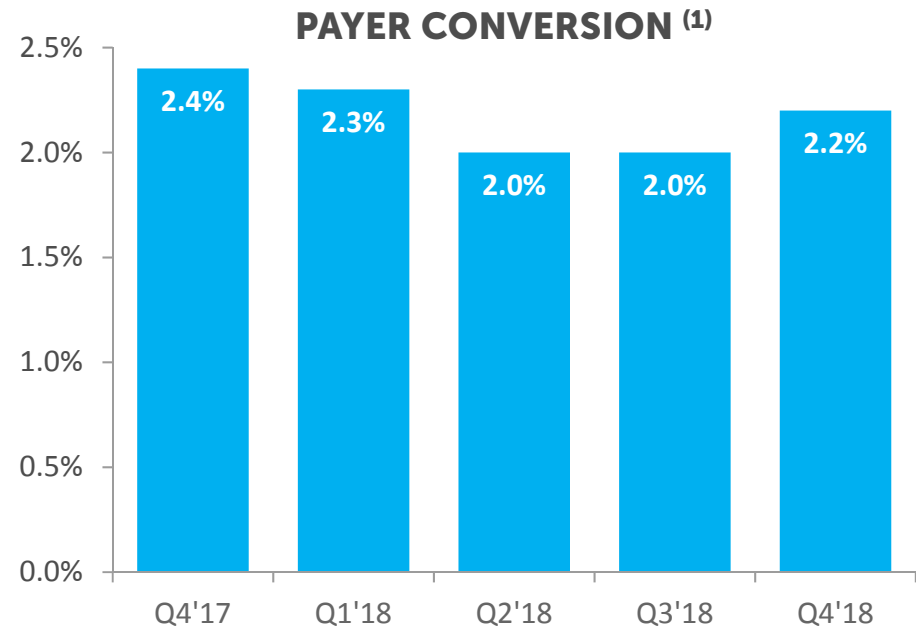
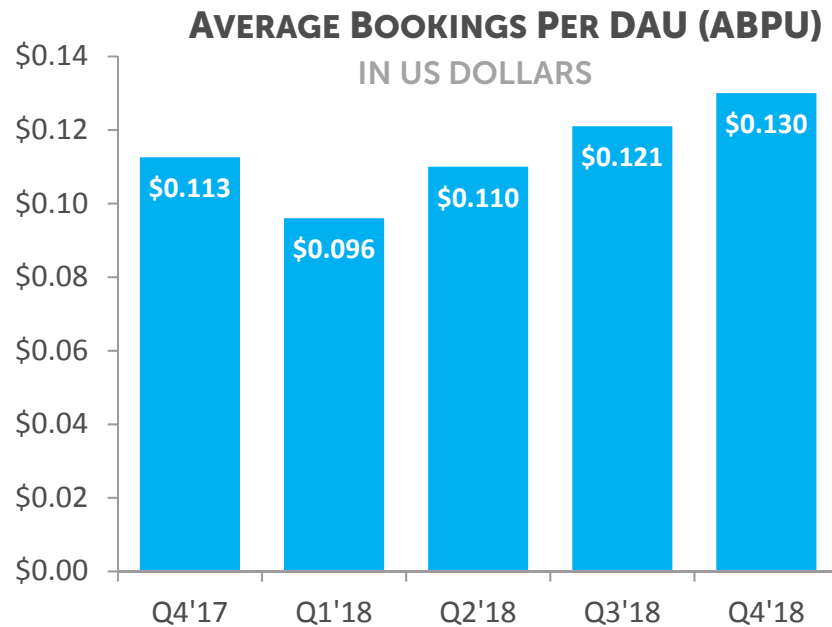


Footnote:

- (1) For the fourth and third quarters of 2018, MUUs and MUPs exclude *Solitaire*, our Facebook Instant Games, the casual card games acquired in December 2017 and games acquired from Gram Games in May 2018; for the second quarter of 2018, MUUs and MUPs exclude from *Daily Celebrity Crossword*, *Solitaire*, our Facebook Instant Games, the casual card games acquired in December 2017 and games acquired from Gram Games in May 2018; for the first quarter of 2018 and fourth quarter of 2017, MUUs and MUPs exclude *Daily Celebrity Crossword*, *Solitaire*, our Facebook Instant Games and the casual card games acquired in December 2017. These games are excluded to avoid potential double counting of MUUs and MUPs as our systems are unable to distinguish whether a player of these games is also a player of the Company's other games during the applicable time periods.
- (2) MUUs reported for the fourth quarter of 2018 represent the average of player activity for October and November only. We have excluded December from this reporting due to the reasons discussed in footnote (1) on slide 16, as we are unable to reliably validate and de-duplicate *Zynga Poker* web players for this period.



MONETIZATION



Footnote:

(1) For the fourth and third quarters of 2018, payer conversion excludes *Solitaire*, our Facebook Instant Games and the casual card games acquired in December 2017 and games acquired from Gram Games in May 2018; for the second quarter of 2018, payer conversion excludes *Daily Celebrity Crossword*, *Solitaire*, our Facebook Instant Games and the casual card games acquired in December 2017 and games acquired from Gram Games in May 2018; for the first quarter of 2018 and fourth quarter of 2017, payer conversion excludes *Daily Celebrity Crossword*, *Solitaire*, our Facebook Instant Games and the casual card games acquired in December 2017. MUUs included in the payer conversion reported for the fourth quarter of 2018 represent the average of player activity for October and November only. We have excluded December from this reporting due to the reasons discussed in footnote (1) on slide 16, as we are unable to reliably validate and de-duplicate Zynga Poker web players for this period.





Q1 AND FY 2019 FINANCIAL GUIDANCE

Q1 AND FY 2019 FINANCIAL GUIDANCE

(in thousands, except per share data)

GAAP	Q1'19 Guidance	Q1'18 Actual	Variance
Revenue	\$ 240,000	\$ 208,232	\$ 31,768
(B) Net increase in deferred revenue ⁽¹⁾	\$ (85,000)	\$ (11,240)	\$ (73,760)
Net (loss) income	\$ (59,000)	\$ 5,609	\$ (64,609)
Diluted share count	932,000	893,774	38,226
Diluted net (loss) income per share	\$ (0.06)	\$ 0.01	\$ (0.07)

Non-GAAP

Bookings	\$ 325,000	\$ 219,472	\$ 105,528
(A) Adjusted EBITDA	\$ (29,000)	\$ 26,572	\$ (55,572)

GAAP	FY'19 Guidance	FY'18 Actual	Variance
Revenue	\$ 1,150,000	\$ 907,208	\$ 242,792
Net increase in deferred revenue ⁽¹⁾	\$ (200,000)	\$ (62,334)	\$ (137,666)

Non-GAAP

Bookings	\$ 1,350,000	\$ 969,542	\$ 380,458
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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 related legal expense 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

	3 months ended		12 months ended	
	12/31/18	12/31/17	12/31/18	12/31/17
<i>(in thousands, unaudited)</i>				
Reconciliation of Revenue to Bookings: Total				
Revenue	\$ 248,688	\$ 233,280	\$ 907,208	\$ 861,390
Change in deferred revenue	18,578	(9,494)	62,334	(7,581)
Bookings: Total	\$ 267,266	\$ 223,786	\$ 969,542	\$ 853,809

REVENUE TO BOOKINGS: MOBILE

	3 months ended		12 months ended	
	12/31/18	12/31/17	12/31/18	12/31/17
<i>(in thousands, unaudited)</i>				
Reconciliation of Revenue to Bookings: Mobile				
Revenue	\$ 227,709	\$ 203,625	\$ 815,521	\$ 739,496
Change in deferred revenue	19,881	(6,584)	66,983	1,831
Bookings: Mobile	\$ 247,590	\$ 197,041	\$ 882,504	\$ 741,327

REVENUE TO BOOKINGS: ADVERTISING

<i>(in thousands, unaudited)</i>	3 months ended		12 months ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Reconciliation of Revenue to Bookings: Advertising				
Revenue	\$ 71,569	\$ 58,991	\$ 234,086	\$ 189,828
Change in deferred revenue	(351)	860	714	133
Bookings: Advertising	\$ 71,218	\$ 59,851	\$ 234,800	\$ 189,961

REVENUE TO BOOKINGS: BY PLATFORM

	3 months ended			
	12/31/18			
<i>(in thousands, unaudited)</i>				
Reconciliation of Revenue to Bookings: Online Game	Mobile	Web	Other	Total
Revenue	\$ 158,485	\$ 18,443	\$ -	\$ 176,928
Change in deferred revenue	20,232	(1,194)	-	19,038
Bookings: Online Game	\$ 178,717	\$ 17,249	\$ -	\$ 195,966
Reconciliation of Revenue to Bookings: Advertising and Other	Mobile	Web	Other	Total
Revenue	\$ 69,224	\$ 2,345	\$ 191	\$ 71,760
Change in deferred revenue	(351)	-	(109)	(460)
Bookings: Advertising and Other	\$ 68,873	\$ 2,345	\$ 82	\$ 71,300

REVENUE TO BOOKINGS: BY PLATFORM

	3 months ended			
	12/31/17			
<i>(in thousands, unaudited)</i>				
Reconciliation of Revenue to Bookings: Online Game	Mobile	Web	Other	Total
Revenue	\$ 147,410	\$ 25,704	\$ -	\$ 173,114
Change in deferred revenue	(7,307)	(2,653)	-	(9,960)
Bookings: Online Game	\$ 140,103	\$ 23,051	\$ -	\$ 163,154
Reconciliation of Revenue to Bookings: Advertising and Other	Mobile	Web	Other	Total
Revenue	\$ 56,215	\$ 2,776	\$ 1,175	\$ 60,166
Change in deferred revenue	723	137	(394)	466
Bookings: Advertising and Other	\$ 56,938	\$ 2,913	\$ 781	\$ 60,632

REVENUE TO BOOKINGS: BY PLATFORM

	12 months ended			
	12/31/18			
<i>(in thousands, unaudited)</i>				
Reconciliation of Revenue to Bookings: Online Game	Mobile	Web	Other	Total
Revenue	\$ 590,436	\$ 80,441	\$ -	\$ 670,877
Change in deferred revenue	66,269	(4,139)	-	62,130
Bookings: Online Game	\$ 656,705	\$ 76,302	\$ -	\$ 733,007
Reconciliation of Revenue to Bookings: Advertising and Other	Mobile	Web	Other	Total
Revenue	\$ 225,085	\$ 9,001	\$ 2,245	\$ 236,331
Change in deferred revenue	714	-	(510)	204
Bookings: Advertising and Other	\$ 225,799	\$ 9,001	\$ 1,735	\$ 236,535

REVENUE TO BOOKINGS: BY PLATFORM

	12 months ended			
	12/31/17			
<i>(in thousands, unaudited)</i>				
Reconciliation of Revenue to Bookings: Online Game	Mobile	Web	Other	Total
Revenue	\$ 564,629	\$ 100,964	\$ -	\$ 665,593
Change in deferred revenue	647	(7,980)	-	(7,333)
Bookings: Online Game	\$ 565,276	\$ 92,984	\$ -	\$ 658,260
Reconciliation of Revenue to Bookings: Advertising and Other	Mobile	Web	Other	Total
Revenue	\$ 174,867	\$ 14,961	\$ 5,969	\$ 195,797
Change in deferred revenue	1,184	(1,051)	(381)	(248)
Bookings: Advertising and Other	\$ 176,051	\$ 13,910	\$ 5,588	\$ 195,549

NET INCOME TO ADJUSTED EBITDA

<i>(in thousands, unaudited)</i>	3 months ended		12 months ended	
	12/31/18	12/31/17	12/31/18	12/31/17
Reconciliation of Net Income to Adjusted EBITDA				
Net income	\$ 559	\$ 12,929	\$ 15,457	\$ 26,639
Provision for income taxes	4,812	211	11,006	10,944
Other income, net	(3,132)	(2,319)	(13,152)	(6,550)
Interest income	(1,518)	(1,761)	(6,549)	(5,309)
Restructuring expense, net	13	1,612	1,008	3,184
Depreciation and amortization	12,695	6,405	42,057	30,294
Acquisition-related transaction expenses	844	2,390	2,553	3,020
Contingent consideration fair value adjustment	2,500	—	5,500	(901)
Loss on legal settlement and related legal expense	2,333	11,867	2,333	11,867
Stock-based compensation expense	18,003	15,169	68,239	64,515
Adjusted EBITDA	\$ 37,109	\$ 46,503	\$ 128,452	\$ 137,703

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

	3 months ended		12 months ended	
	12/31/18	12/31/17 ⁽¹⁾	12/31/18	12/31/17 ⁽¹⁾
<i>(in thousands, unaudited)</i>				
Reconciliation of net cash provided by (used in) operating activities to free cash flow				
Net cash provided by (used in) operating activities	\$ 89,930	26,380	\$ 168,240	\$ 94,375
Acquisition of property and equipment	(3,964)	(3,093)	(11,469)	(9,971)
Free cash flow	\$ 85,966	\$ 23,287	\$ 156,771	\$ 84,404

Footnote:

31 (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 December 31, 2018

(in thousands, unaudited)

	GAAP measure	Restructuring Expense	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition-related transaction expenses	Gain (loss) from legal settlements and related expense	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 82,842	\$ -	\$ (8,755)	\$ -	\$ -	\$ -	\$ (347)	\$ 73,740
Operating expenses								
Research and development	70,983	(18)	-	(2,500)	-	-	(11,124)	57,341
Sales and marketing	67,178	-	(437)	-	(3)	-	(2,213)	64,525
General and administrative	26,964	5	-	-	(841)	(2,333)	(4,319)	19,476
Total operating expenses	165,125	(13)	(437)	(2,500)	(844)	(2,333)	(17,656)	141,342
Total costs and expenses	\$ 247,967	\$ (13)	\$ (9,192)	\$ (2,500)	\$ (844)	\$ (2,333)	\$ (18,003)	\$ 215,082

Three months ended December 31, 2017

	GAAP measure	Restructuring expense	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition-related transaction expenses	Gain (loss) from legal settlements and related expense	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 64,015	\$ -	\$ (2,654)	\$ -	\$ -	\$ -	\$ (413)	\$ 60,948
Operating expenses								
Research and development	61,229	(1,148)	-	-	-	-	(9,883)	50,198
Sales and marketing	60,265	(149)	(547)	-	-	-	(1,852)	57,717
General and administrative	38,711	(315)	-	-	(2,390)	(11,867)	(3,021)	21,118
Total operating expenses	160,205	(1,612)	(547)	-	(2,390)	(11,867)	(14,756)	129,033
Total costs and expenses	\$ 224,220	\$ (1,612)	\$ (3,201)	\$ -	\$ (2,390)	\$ (11,867)	\$ (15,169)	\$ 189,981

GAAP TO NON-GAAP COSTS AND EXPENSES

Adjustments to GAAP to arrive at non-GAAP measures

Year ended December 31, 2018

(in thousands, unaudited)

	GAAP measure	Restructuring Expense	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition-related transaction expenses	Gain (loss) from legal settlements and related expense	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 304,658	\$ (27)	\$ (27,114)	\$ -	\$ -	\$ -	\$ (1,584)	\$ 275,933
Operating expenses								
Research and development	270,323	(96)	-	(5,500)	-	-	(42,151)	222,576
Sales and marketing	226,524	-	(1,881)	-	(3)	-	(8,495)	216,145
General and administrative	98,941	(885)	-	-	(2,550)	(2,333)	(16,009)	77,164
Total operating expenses	595,788	(981)	(1,881)	(5,500)	(2,553)	(2,333)	(66,655)	515,885
Total costs and expenses	\$ 900,446	\$ (1,008)	\$ (28,995)	\$ (5,500)	\$ (2,553)	\$ (2,333)	\$ (68,239)	\$ 791,818

Year ended December 31, 2017

	GAAP measure	Restructuring expense	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition-related transaction expenses	Gain (loss) from legal settlements and related expense	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 258,971	\$ -	\$ (12,257)	\$ -	\$ -	\$ -	\$ (1,838)	\$ 244,876
Operating expenses								
Research and development	256,012	(2,347)	-	901	-	-	(42,176)	212,390
Sales and marketing	212,030	(149)	(3,811)	-	(246)	-	(7,281)	200,543
General and administrative	108,653	(688)	-	-	(2,774)	(11,867)	(13,220)	80,104
Total operating expenses	576,695	(3,184)	(3,811)	901	(3,020)	(11,867)	(62,677)	493,037
Total costs and expenses	\$ 835,666	\$ (3,184)	\$ (16,068)	\$ 901	\$ (3,020)	\$ (11,867)	\$ (64,515)	\$ 737,913

GAAP TO NON-GAAP COSTS AND EXPENSES

Year ended December 31, 2015

Adjustments to GAAP to arrive at non-GAAP measures
(in thousands, unaudited)

	GAAP measure	Restructuring Expense	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition- related transaction expenses	Gain (loss) from legal settlements and related expense	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 235,985	\$ (1,066)	\$ (22,916)	\$ -	\$ -	\$ -	\$ (4,547)	\$ 207,456
Operating expenses								
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 operating expenses	674,788	(35,414)	(3,143)	(6,112)	(1,144)	1,681	(127,028)	503,628
Total costs and expenses	\$ 910,773	\$ (36,480)	\$ (26,059)	\$ (6,112)	\$ (1,144)	\$ 1,681	\$ (131,575)	\$ 711,084

Q1 AND FY 2019 FINANCIAL GUIDANCE: GAAP TO NON-GAAP RECONCILIATION

(in thousands, except per share data)

Reconciliation of Revenue to Bookings	Q1'19 Guidance	Q1'18 Actual	Variance
Revenue	\$ 240,000	\$ 208,232	\$ 31,768
Change in deferred revenue	85,000	11,240	73,760
Bookings	<u>\$ 325,000</u>	<u>\$ 219,472</u>	<u>\$ 105,528</u>
Reconciliation of Net (Loss) Income to Adjusted EBITDA			
Net (loss) income	\$ (59,000)	\$ 5,609	\$ (64,609)
(Benefit from) provision for income taxes	(9,000)	3,859	(12,859)
Other income, net	(2,000)	(3,401)	1,401
Interest income	-	(1,810)	1,810
Restructuring expense, net	-	471	(471)
Depreciation and amortization	21,000	7,731	13,269
Acquisition-related transaction expenses	2,000	-	2,000
Contingent consideration fair value adjustment	10,000	-	10,000
Gain on legal settlements and related legal expense	(10,000)	-	(10,000)
Stock-based compensation expense	18,000	14,113	3,887
Adjusted EBITDA	<u>\$ (29,000)</u>	<u>\$ 26,572</u>	<u>\$ (55,572)</u>
GAAP diluted shares	932,000	893,774	38,226
Diluted net (loss) income per share	\$ (0.06)	\$ 0.01	\$ (0.07)

Reconciliation of Revenue to Bookings	FY'19 Guidance	FY'18 Actual	Variance
Revenue	\$ 1,150,000	\$ 907,208	\$ 242,792
Change in deferred revenue	200,000	62,334	137,666
Bookings	<u>\$ 1,350,000</u>	<u>\$ 969,542</u>	<u>\$ 380,458</u>



APPENDICES

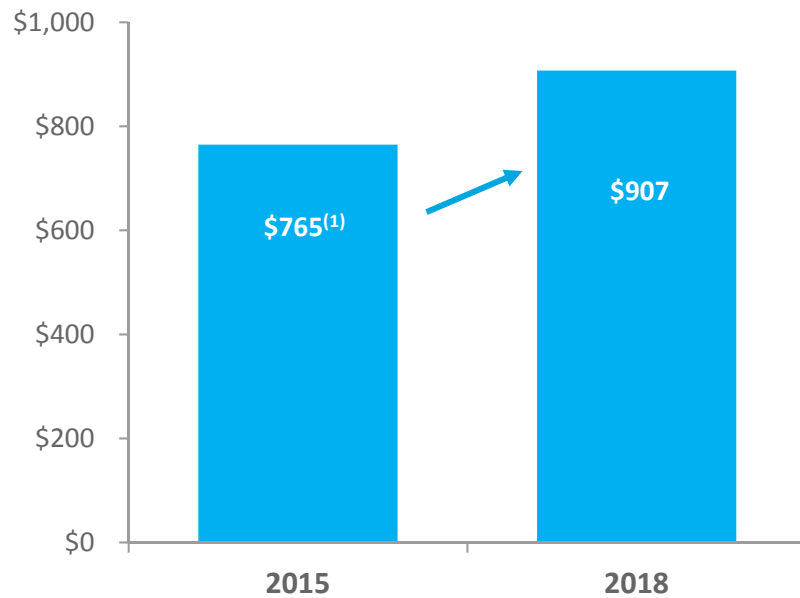


2015 TO 2018 PROGRESSION

2015-2018: GREW THE TOPLINE

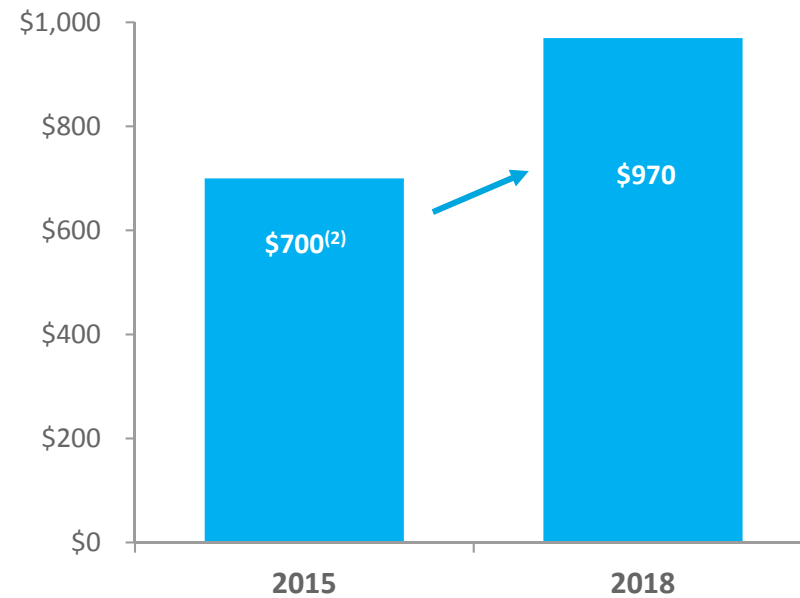
TOTAL REVENUE

19% 3-year growth
6% CAGR



TOTAL BOOKINGS

39% 3-year growth
11% CAGR



IN MILLIONS

Footnotes:

(1) Amount has not been retrospectively adjusted to reflect the adoption of ASC Topic 606.

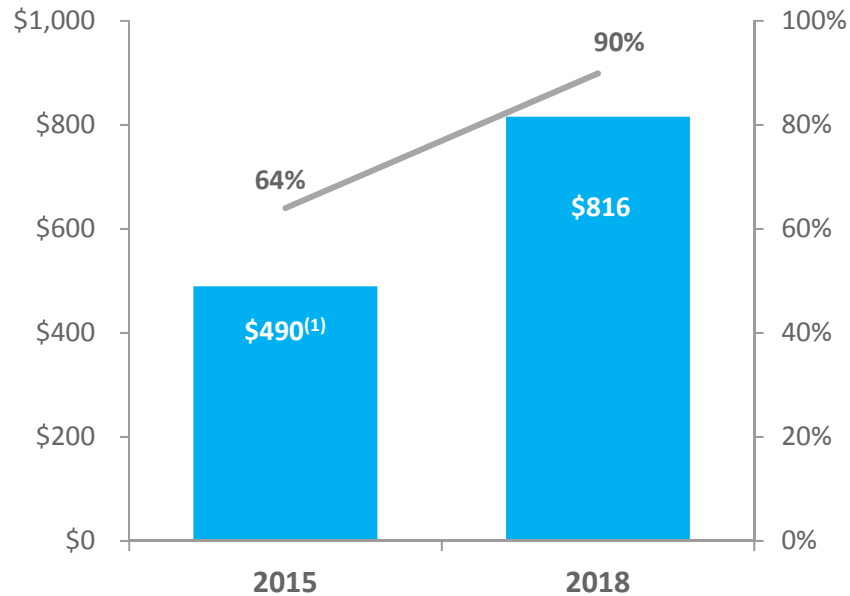
(2) Total revenue of \$765 million, plus the change in deferred revenue of (\$65) million, results in total bookings of \$700 million.

2015-2018: SIGNIFICANTLY GREW MOBILE REVENUE & BOOKINGS

MOBILE REVENUE

■ Mobile Revenue — % of Total Revenue

67% 3-yr growth
19% CAGR

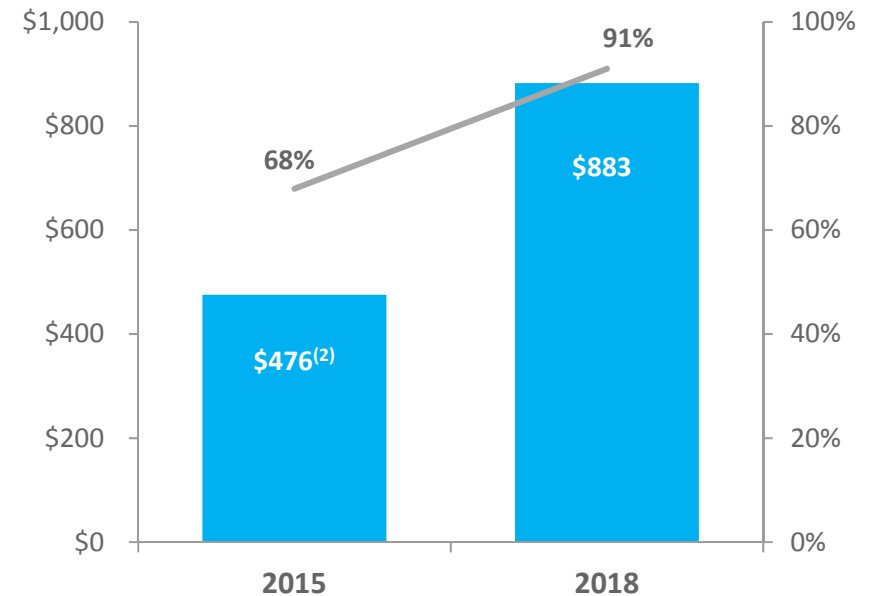


MOBILE BOOKINGS

IN MILLIONS

■ Mobile Bookings — % of Total Bookings

86% 3-yr growth
23% CAGR



Footnotes:

(1) Amount has not been retrospectively adjusted to reflect the adoption of ASC Topic 606.

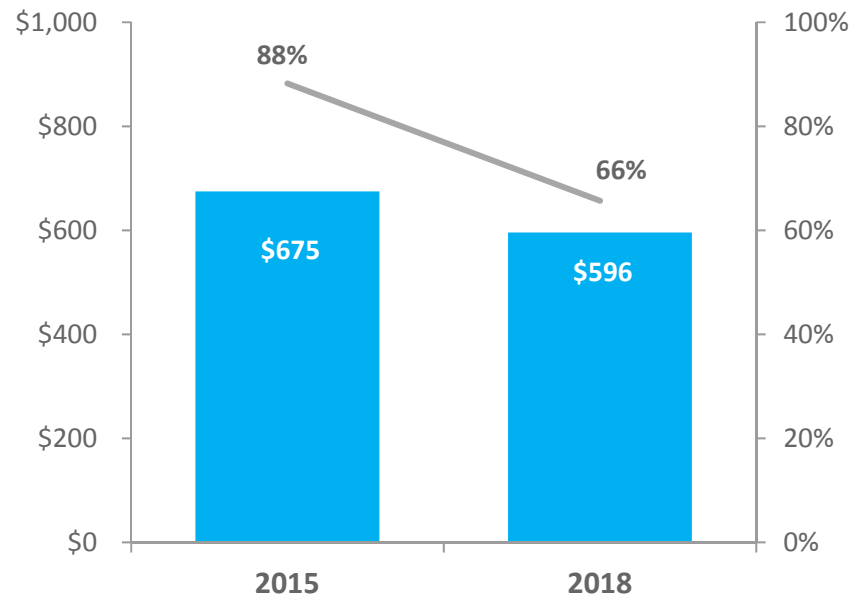
(2) Mobile revenue of \$490 million, plus the change in deferred revenue of (\$14) million, results in mobile bookings of \$476 million.

2015-2018: SHARPENED OUR OPERATING MODEL

IN MILLIONS

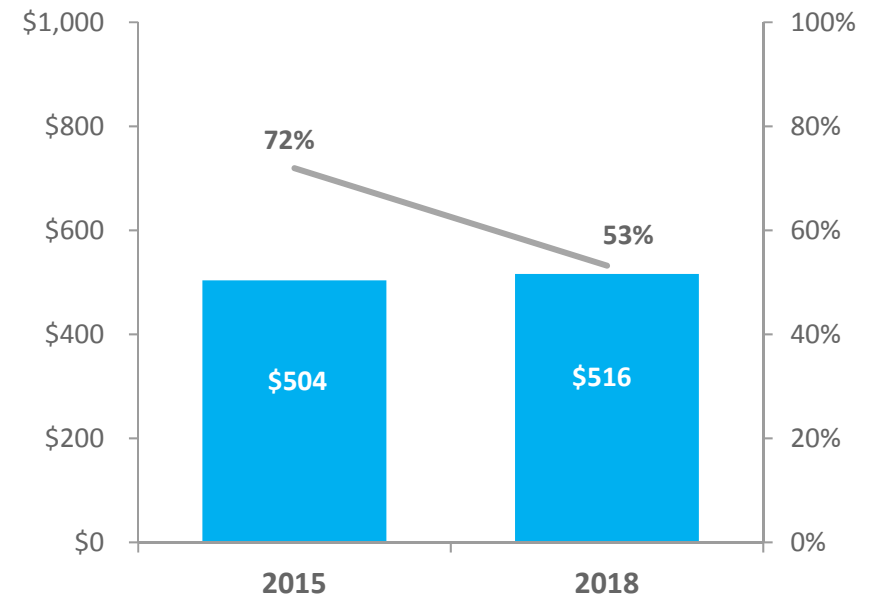
GAAP OPERATING EXPENSES

■ GAAP Operating Expenses — % of Revenue



NON-GAAP OPERATING EXPENSES

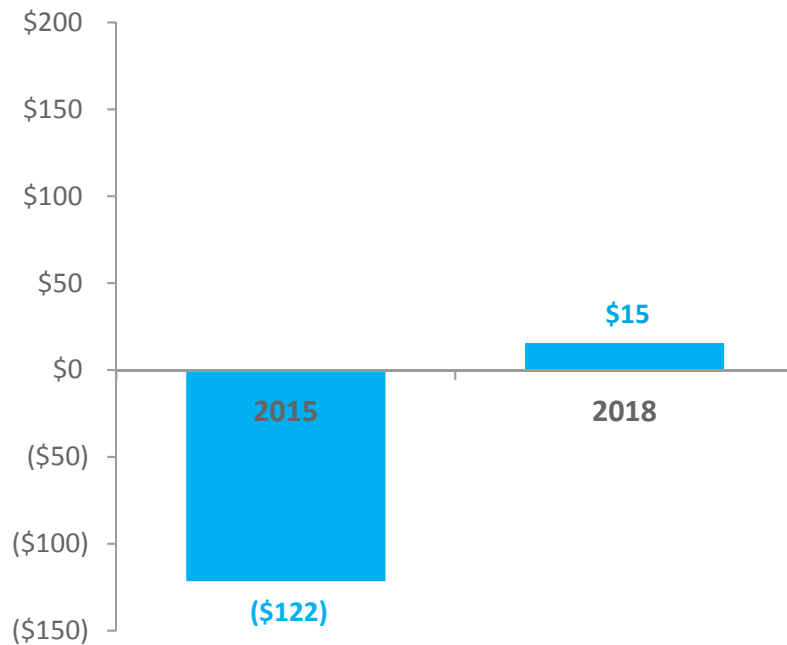
■ Non-GAAP Operating Expenses — % of Bookings



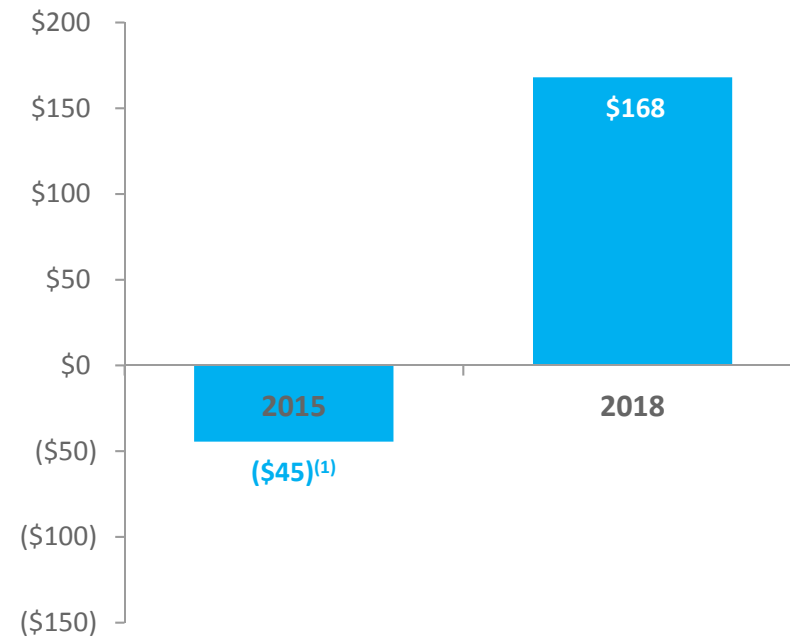
2015-2018: GENERATED PROFIT AND POSITIVE CASH FLOW

IN MILLIONS

NET (LOSS) INCOME



CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES



Footnote:

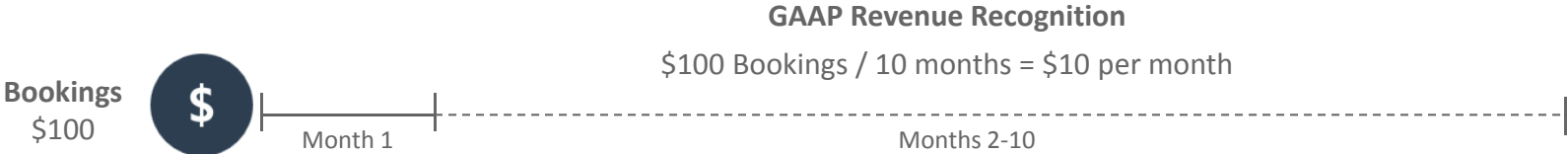
(1) Cash flow amount retrospectively adjusted to reflect the adoption of ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash".



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)

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

