



ZYNGA Q4'14

FINANCIAL RESULTS

FEBRUARY 12, 2015

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MANAGEMENT TEAM

CHIEF EXECUTIVE OFFICER



DON MATTRICK

CHIEF OPERATING OFFICER



CLIVE DOWNIE

CHIEF FINANCIAL OFFICER & CHIEF ACCOUNTING OFFICER



DAVID LEE

FORWARD-LOOKING STATEMENTS

This presentation contains, and our call will contain, forward-looking statements relating to, among other things, our outlook for first quarter 2015 revenue, net loss, diluted net loss per share, weighted average diluted share count, bookings, Adjusted EBITDA, non-GAAP loss per share and non-GAAP weighted average diluted share count; tax rates for 2015 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; our future operational plans, use of cash, strategies and prospects; the breadth and depth of our game slate for 2015 and the success of this slate, including as it relates the investment in 2014 and the first half of 2015; the goal to end 2015 with more than 75% of our Q4 bookings coming from mobile; our expectation that as the year progresses the decreases from our legacy web business will mitigate; our planned launch of mobile first games and new features for existing games, including our planned launch of 6-10 games in 2015, in high monetizing evergreen categories including *Dawn of Titans*, *Empires & Allies* and *Farmville Harvest Swap*; our expectation that our mobile business will improve substantially throughout the year and that we will be in a strong position to ramp bookings and EBITDA in the back half of the year creating strong profitability and cash flow by the end of the year; our ability to implement our new game development, testing and marketing processes to effectively launch the diversified game slate from Zynga and NaturalMotion and take advantage of our scale to aggressively compete and take advantage of the market opportunity in our industry in 2015; the closure of our China studio and the annualized cost savings resulting from this closure; our ability to effectively manage our cost structure and investments; our entry into, or expanded game offerings in, new evergreen content categories, the evergreen and commercial potential of these categories, the timely launch of games in these categories and the success of these games; our ability to monetize these games; our ability to improve our execution against audience growth and product quality; our ability to effectively market our games; our ability to sustain and expand key games to sustain and grow audience, bookings and engagement, including our top franchises - *Casino*, *Words With Friends*, *FarmVille*, *Racing* and *People Simulation*; our plans to continue to expand franchise games, including through localization and launch of key features in new geographies; our ability to build on our social legacy in both our web games and our new mobile games; our ability to accurately forecast our upcoming game launches and bookings and revenue related to upcoming game launches; 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; 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; our plans for the Zynga Sports 365 brand, including our continued launch of features and content for *NFL Showdown* and our expected launch of *Tiger Woods Golf* in 2015 and the success of this brand and these games and features; 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 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 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 decrease we expect to see in the first 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. 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. 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 ability to launch new games in 2015, including *Dawn of Titans*, *Empires & Allies* and *Farmville Harvest Swap*, 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 and declines generally in advertising spending, 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 or reinforcing efforts arising from 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, 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 September 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, non-GAAP net loss, non-GAAP net (loss) per share and Adjusted EBITDA Margin, 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 first quarter 2015 outlook for non-GAAP financial measures to the most directly comparable GAAP financial measures.

Some limitations of Bookings, Adjusted EBITDA, non-GAAP net loss, non-GAAP net (loss) per share, free cash flow and Adjusted EBITDA Margin are:

- Adjusted EBITDA and non-GAAP net 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 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 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 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 loss, non-GAAP net (loss) per share, free cash flow and Adjusted EBITDA Margin 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 loss, non-GAAP net (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 2014 & Q4'14 PERFORMANCE

2014 IN REVIEW: SUMMARY

1) In 2014 we became a mobile growth company.

- We grew mobile bookings mix significantly year over year to 60% in Q4, up from 34% one year ago.
- We proved our mobile execution through the successful launches of *FarmVille 2: Country Escape* and *Hit It Rich! Slots*.

2) We established the management team and built capabilities in consumer categories of interest.

- We recruited new leaders, developed new processes, and set new quality standards for improved execution in 2015.
- The acquisition of NaturalMotion added new IP, technology and a rich culture with top talent.
- Our commitment to grow and sustain resulted in mobile bookings growth with the introduction of new products across Zynga's core franchises.
- Our 2015 slate includes 6-10 new game launches across several of the highest monetizing categories.

3) Our 2014 progress established a solid foundation for 2015 growth.

- Audience: 2014 mobile audience grew significantly year over year, up 36% in MAU and up 12% DAU.
- Mobile Bookings: Our full year mobile bookings increased 80% year over year inclusive of the NaturalMotion acquisition and we surpassed web bookings for the first time.
- Financial Results: We had lower than expected results across Adjusted EBITDA and bookings. We ended the year with a strong balance sheet of \$1.1B in cash and marketable securities*.

2014 IN REVIEW: THREE STRATEGIC AREAS OF FOCUS

1 GROW & SUSTAIN FRANCHISES

- In total, our Words and Casino categories drove Zynga's core franchises up 10% year over year in full year bookings, excluding NaturalMotion
- *FarmVille* expanded to mobile with the launch of *FarmVille 2: Country Escape*
- The Casino franchise built a strong presence in mobile slots with the successful launch of *Hit it Rich! Slots*
- The Words franchise was refreshed to grow audience and drive engagement with the launch of *New Words With Friends*

2 CREATE NEW HITS

- Increased the breadth and diversity of our portfolio with the addition of NaturalMotion's Racing and People categories
- Launched into Sports and expanded in the Runner category with *NFL Showdown* and *Looney Tunes Dash!*
- Invested in a pipeline that we expect to produce 6 to 10 mobile games in 2015

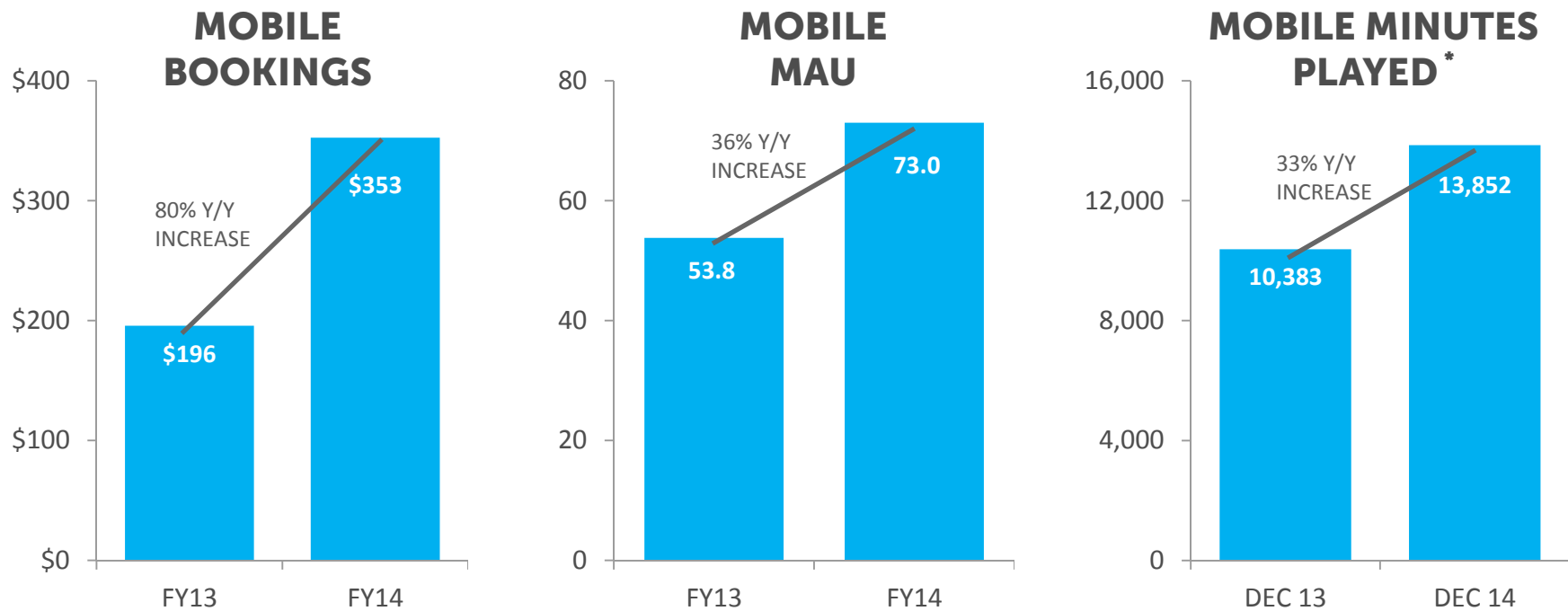
3 DRIVING EFFICIENCIES

- Workforce reduction in Q1'14 further aligned resources with best opportunities for growth
- Decreased full year cash operating expenses by over \$60M, or 10% year over year, despite nearly 2x marketing expense
- Reduced full year labor expenses by 17%, lowered technology expenses by a third, and cut facilities costs by 30% year over year

2014 IN REVIEW: TRANSITION TO MOBILE

ZYNGA'S GROWTH IN MOBILE FOR BOOKINGS, AUDIENCE, ENGAGEMENT

IN MILLIONS



Q4'14: HIGHLIGHTS

- Generated bookings of \$182 million, Adjusted EBITDA of \$9 million and Non-GAAP net loss of \$2 million
- Delivered a 120% increase in Q4 mobile bookings year over year and a 14% increase quarter over quarter
 - In terms of platform mix, mobile bookings represented 60% of total bookings, up 5% from the third quarter of 2014
- Zynga's Casino, Words, Racing, and Sports categories all grew bookings sequentially in Q4
 - Casino franchise bookings grew 8% quarter over quarter, with strong Slots growth offsetting headwinds in Poker
 - Zynga's Slots category bookings grew 34% in Q4, driven by 27% bookings growth with *Hit It Rich! Slots* and the launch of *Wizard of Oz Slots*
 - Reinvigorated Words franchise with the launch of *New Words With Friends*
 - *New Words With Friends* helped to grow the franchise's monthly active users by 35% quarter over quarter
 - Expanded in the Runner category with the launch of the *Looney Tunes Dash!*
 - In less than two months, the game has been downloaded over 30 million times
 - At launch, the game charted as the #1 overall iPad app in 94 countries, the #1 overall iPhone app in 39 countries and received Apple App Store "Editor's Choice" featuring in 144 countries
- Advertising bookings, excluding licensing and developer payments, grew 41% quarter over quarter
- Average bookings per DAU grew 8% quarter over quarter to \$0.08

Q4'14: KEY CATEGORIES



FARM

- Continues to engage players through unique content and delivered a number of in-game events in Q4 including the Apps for (RED) campaign
- Introduced “My Farm Co-Op” in FarmVille2 which created a new way for players to collaborate and compete with each other



CASINO

- Hit it Rich! Slots grew bookings 27% sequentially, driven mainly by a new weekly content cadence and the launch of a VIP program
- Hit it Rich! Slots continues to expand our category footprint with more branded slots offerings than any other competitor in the social casino industry
- Poker team remains focused on stabilizing the game and improving the experience for our consumers
- Launched Wizard of Oz Slots in mid-November and became one of the most recognizable brands in the Social Slots space. By December, it had risen to one of the top 25 mobile games in the Casino category



WORDS

- Launched New Words With Friends in Q4
- Monthly audience grew by 35% in Q4 quarter over quarter
- Expanding New Words With Friends into more geographies, with localized versions of the game in the spring

Farm, Casino, and Words franchises collectively grew bookings 35% year over year.

Q4'14: KEY CATEGORIES



RACING

- In Q4, the CSR franchise grew bookings 12% sequentially driven by leveraging Zynga's social expertise with multi-player features, ad network optimization through integration of new partners and participating in Apps for (RED) campaign



PEOPLE

- Clumsy Ninja saw single digit declines in bookings in Q4 sequentially
- Christmas content updates drove DAU growth



SPORTS

- We are continuing to build and improve NFL Showdown as an ongoing live service and will further leverage our multi-year licensing agreements with the National Football League and NFL Players Incorporated
- Since the launch, we have been layering in meaningful new features such as in-game management and scouting



RUNNING

- Launched Looney Tunes Dash! worldwide in December, expanding into the Runner category through a multi-year agreement with Warner Brothers Interactive Entertainment to license the Looney Tunes brand for mobile
- Over 30 million downloads within two months of launch
- Received Apple Appstore "Editor's Choice" featuring in 144 countries

NaturalMotion franchises grew 10% in Q4 sequentially.

Sports and Running represent the two new evergreen categories that we have expanded into in Q3 and Q4, leveraging key licensing partnerships to help grow our business.

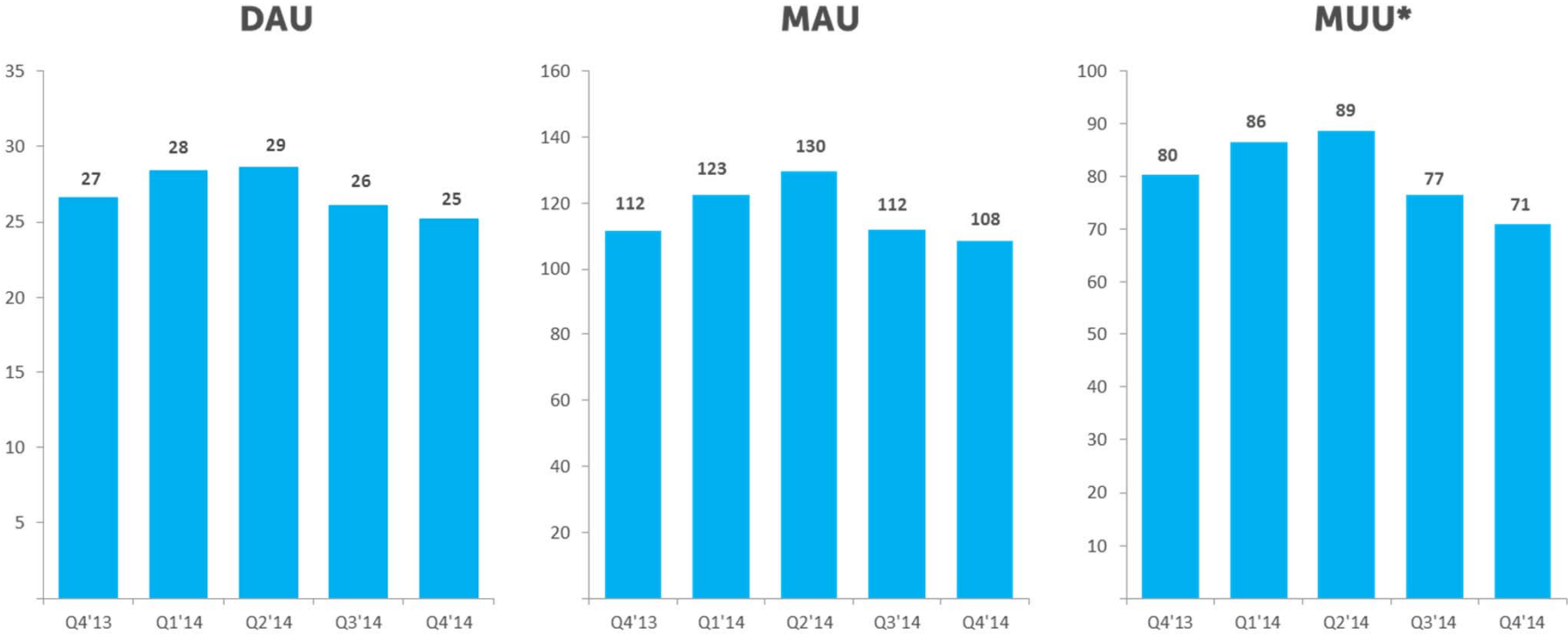
Q4'14 OUTLOOK VS. Q4'14 ACTUALS

(in millions, except per share data)

Non-GAAP	Outlook*	Actuals
Bookings	\$ 183 - 213	\$ 182
Adjusted EBITDA	\$ 9 - 29	\$ 9
Non-GAAP net income (loss)	\$ (5) - 11	\$ (2)
Non-GAAP net income (loss) per share	\$ (0.01) - 0.01	\$ 0.00
 GAAP		
Revenue	\$ 170 - 200	\$ 193
Stock-based expense	\$ 30 - 33	\$ 36
Net income (loss)	\$ (51) - (34)	\$ (45)
Net income (loss) per share	\$ (0.06) - (0.04)	\$ (0.05)

AUDIENCE METRICS

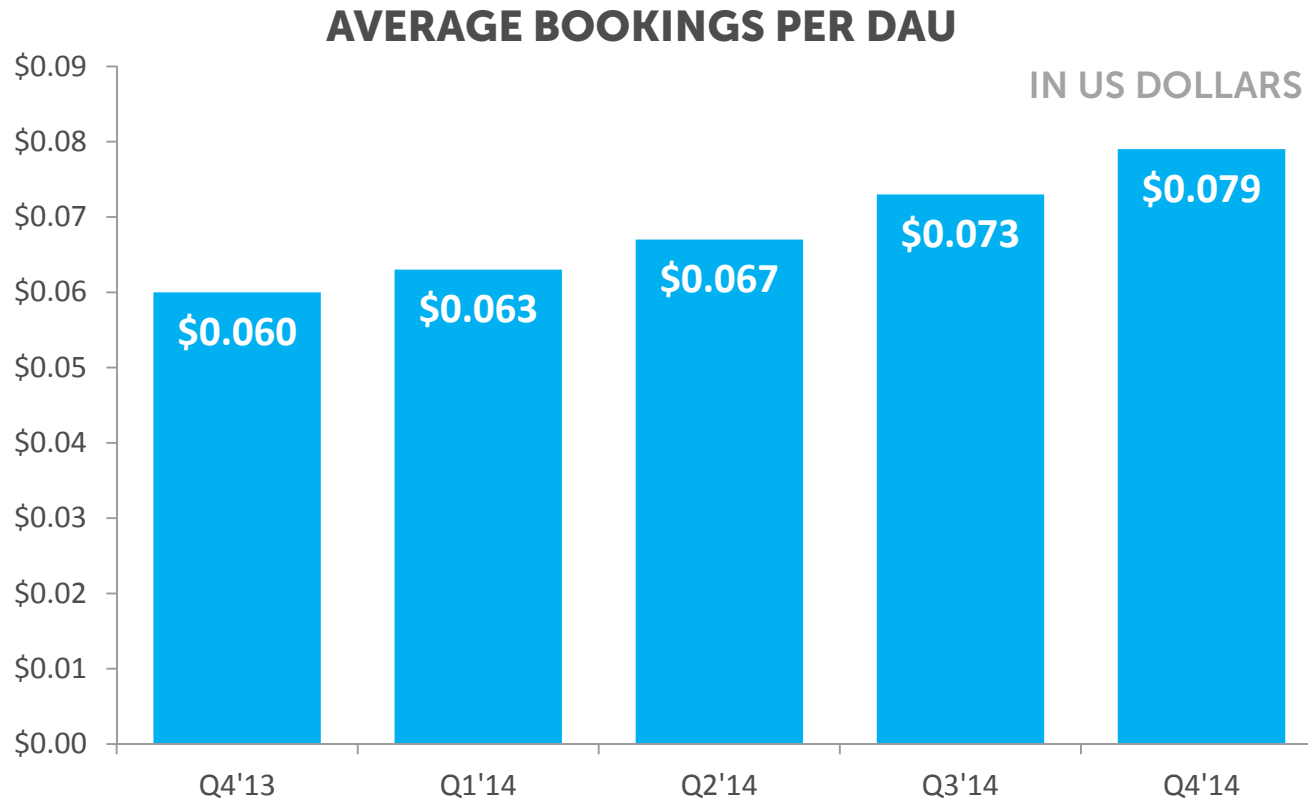
IN MILLIONS



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

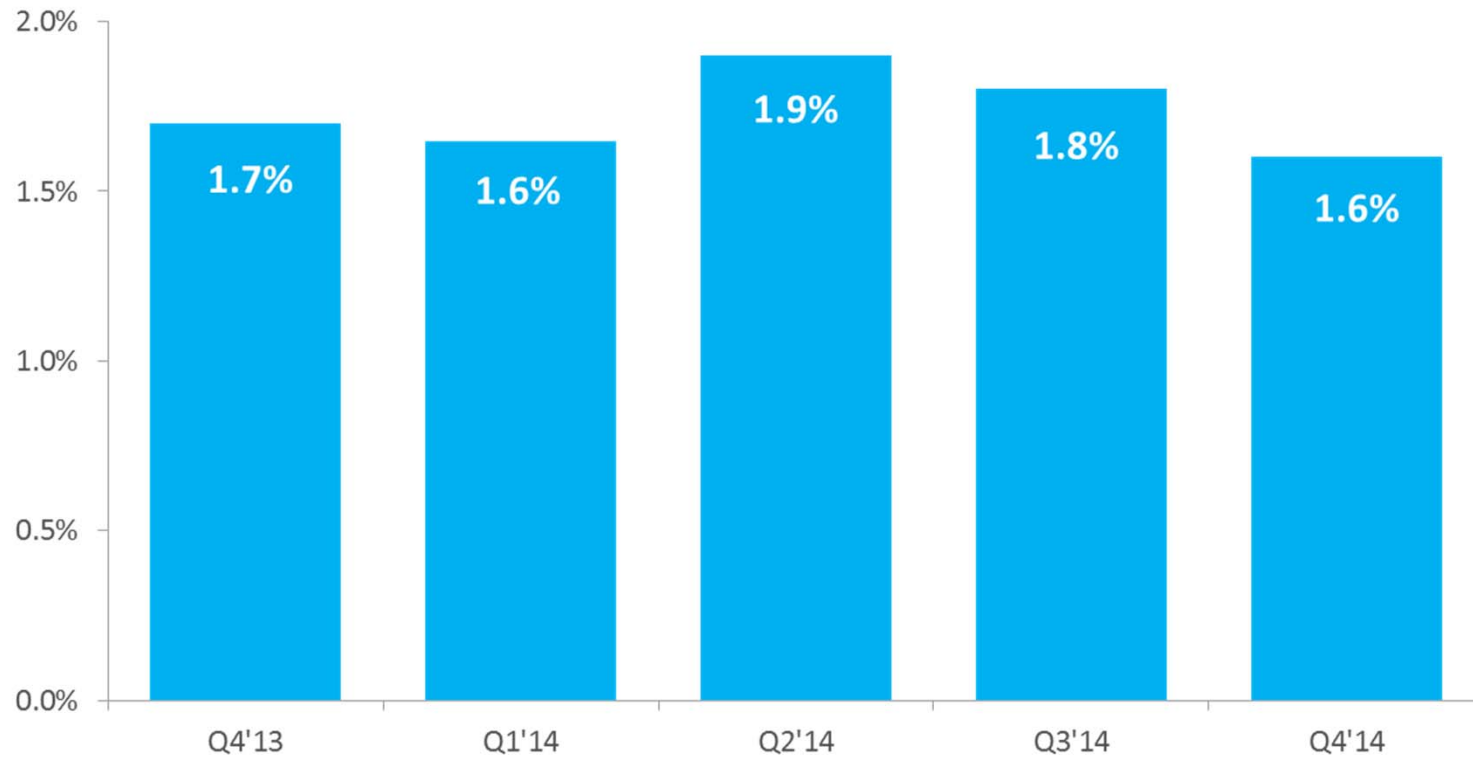


MONETIZATION

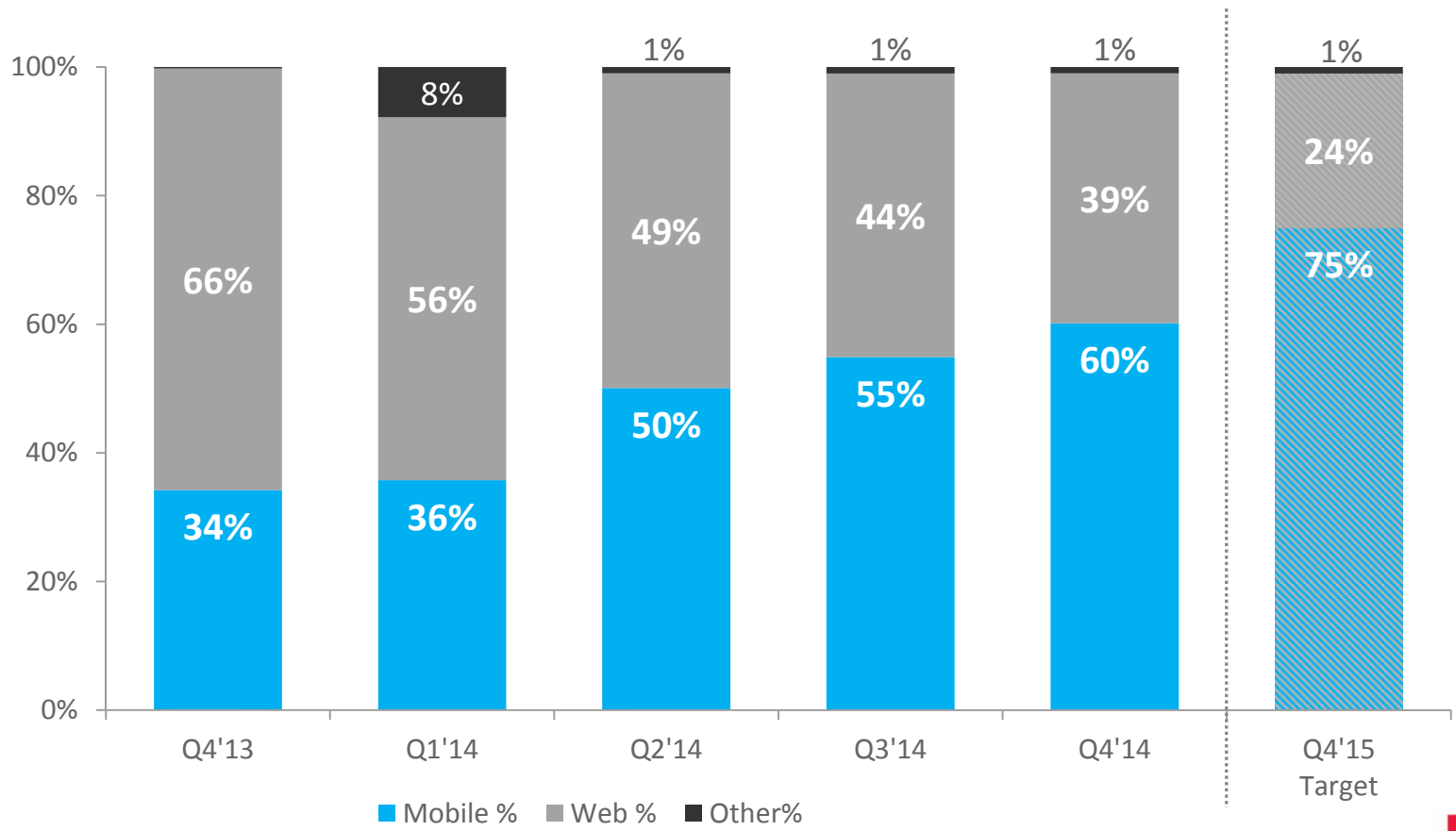


MONETIZATION

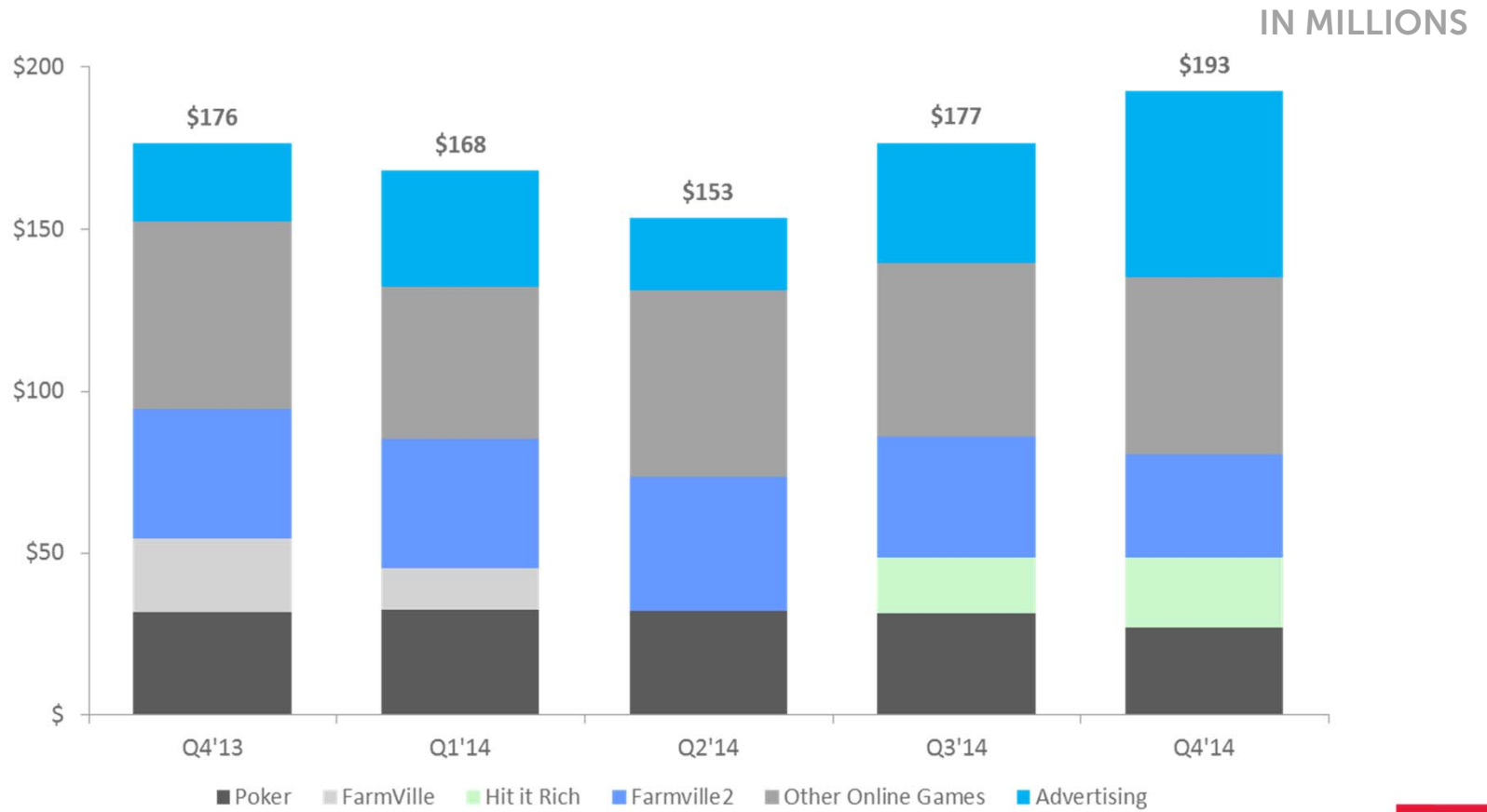
PAYER CONVERSION



PLATFORM BOOKINGS MIX



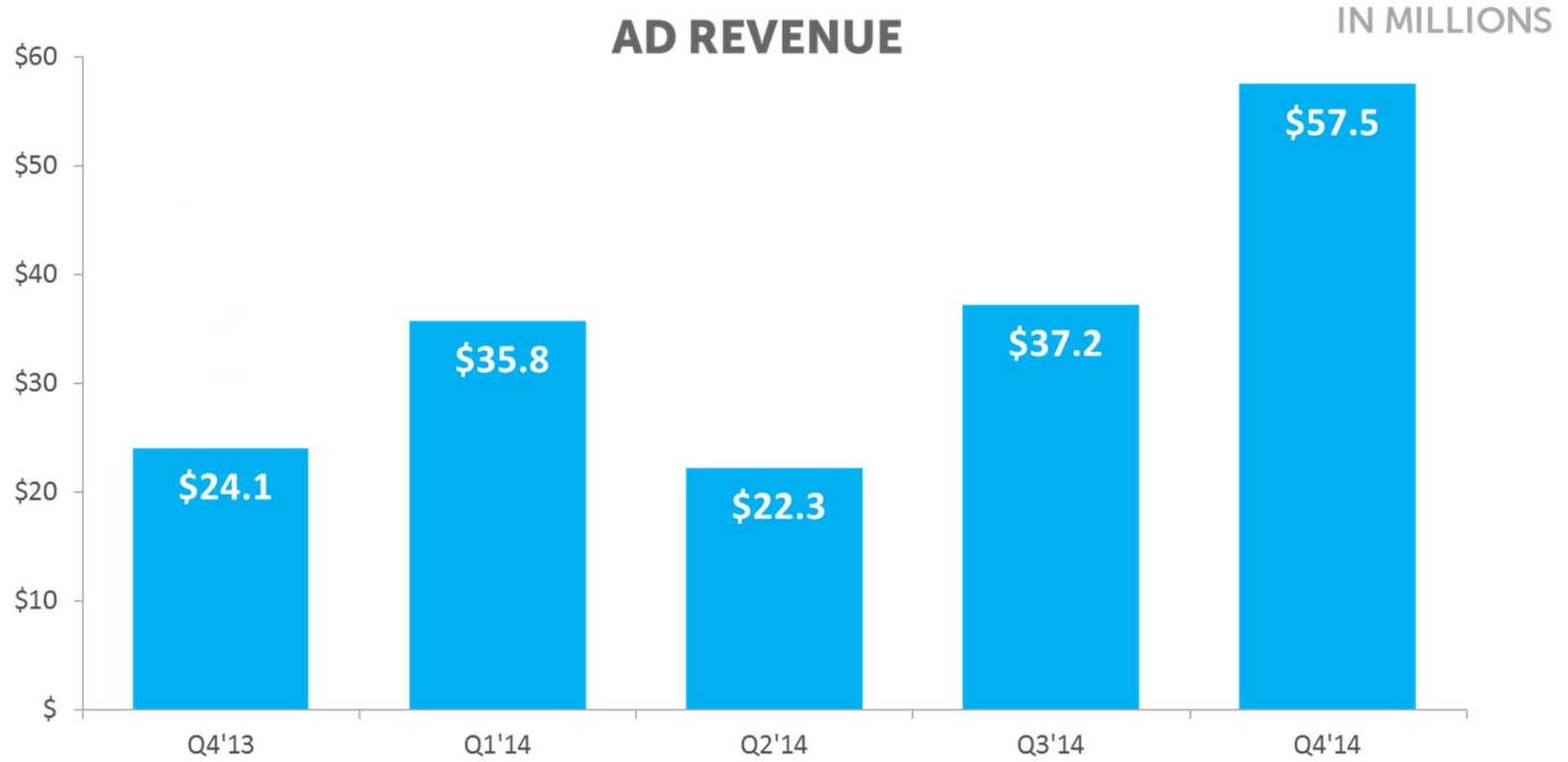
REVENUE



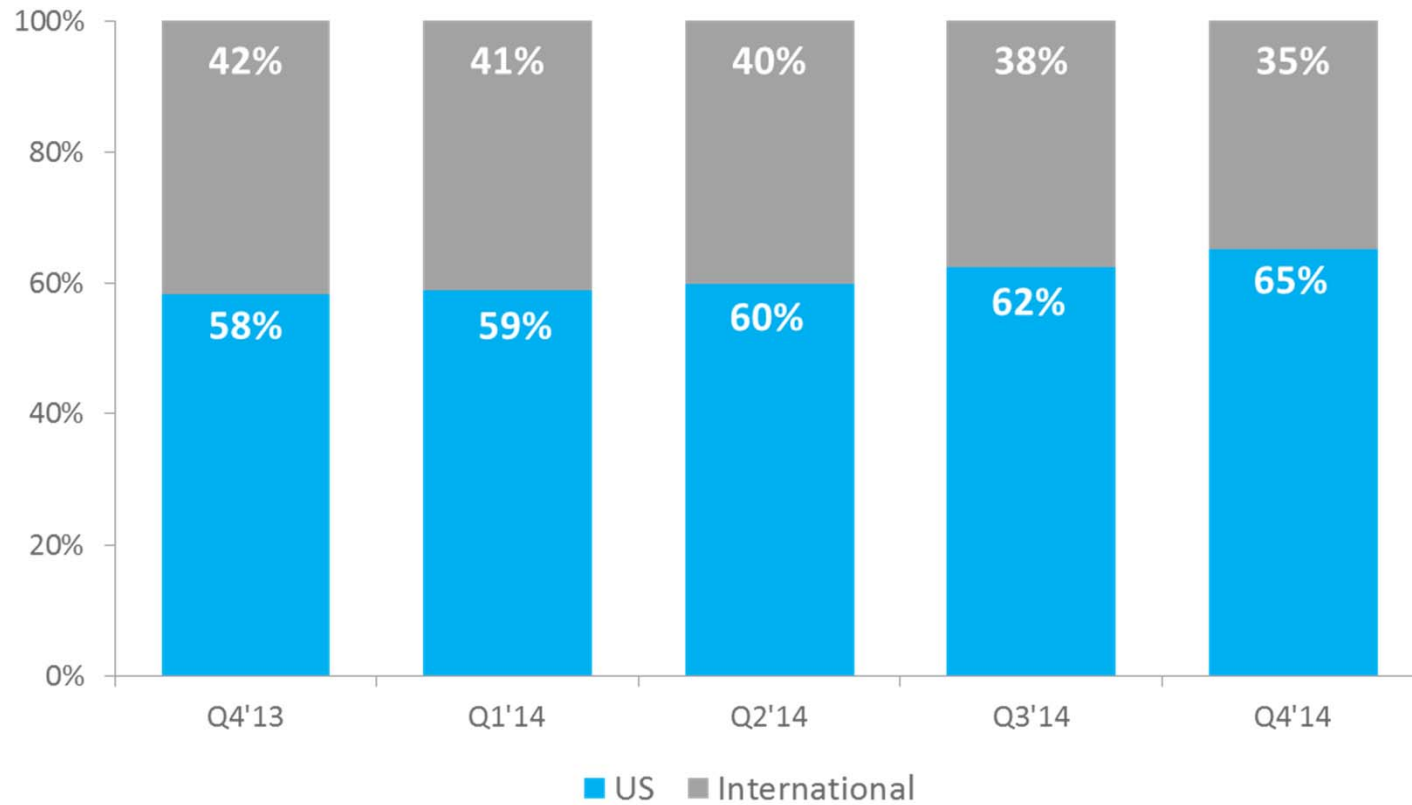
Note: Games representing less than 10% of online game revenue in any period are included in Other Online Games.



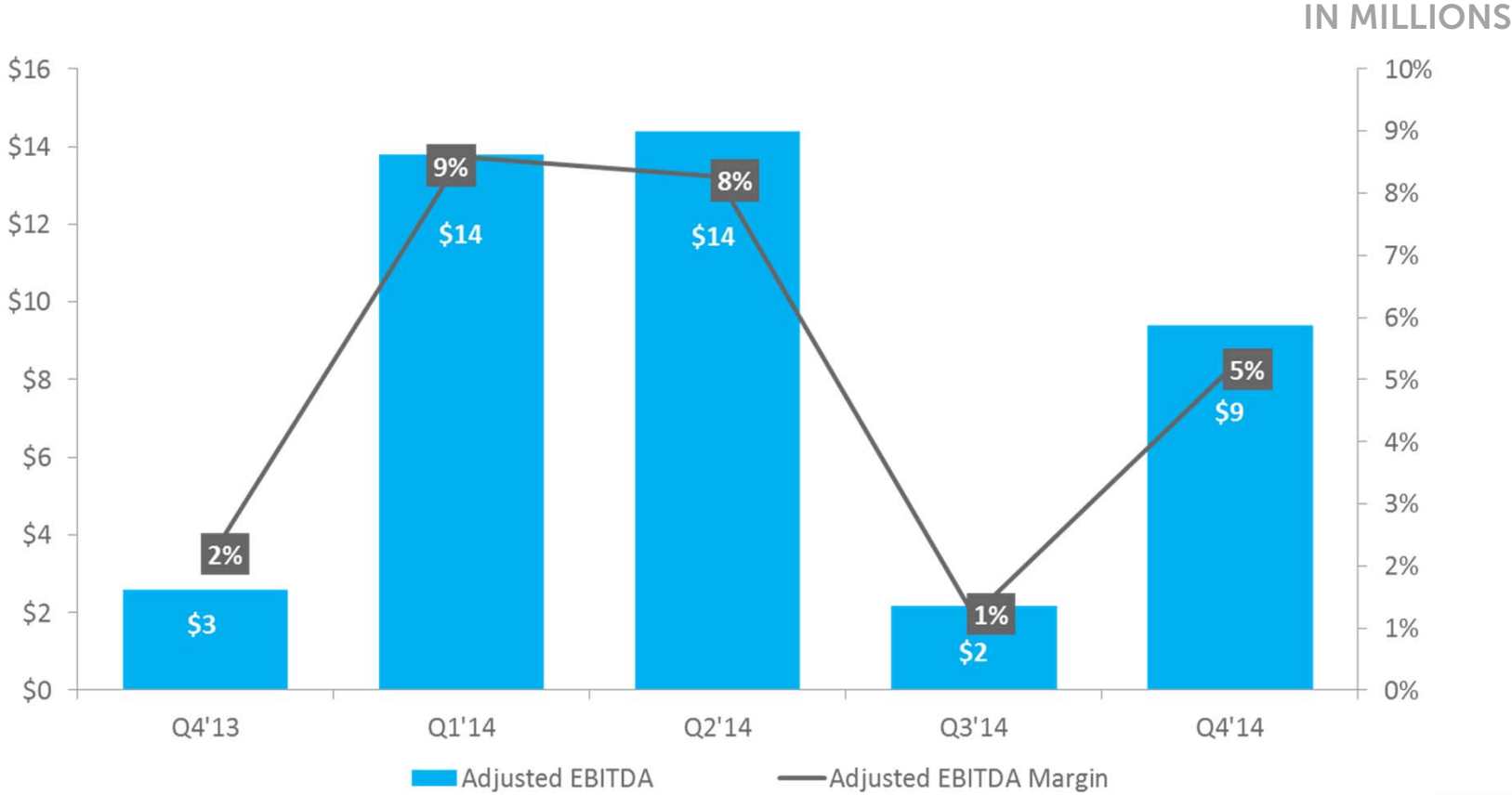
REVENUE



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)

	Q3'14	Q4'13	Q4'14
Non-GAAP			
Non-GAAP net income (loss)	\$ (6.7)	\$ (20.8)	\$ (2.5)
Diluted net income (loss) per share	\$ (0.01)	\$ (0.03)	\$ 0.00
GAAP			
Net income (loss)	\$ (57.1)	\$ (25.2)	\$ (45.1)
Diluted net income (loss) per share	\$ (0.06)	\$ (0.03)	\$ (0.05)
Operating cash flow	\$ (2.4)	\$ 7.7	\$ 4.3
Free cash flow	\$ (4.8)	\$ 6.8	\$ 2.1
Cash, cash equivalents and marketable securities	\$ 1,145	\$ 1,542	\$ 1,148



Q1'15 FINANCIAL OUTLOOK

2015: KEY MESSAGES

1) Our mobile growth will continue in 2015

- Our mobile bookings will continue to strengthen as a greater portion of our revenue

2) We will launch more products in evergreen game categories

- We are delivering a diversified mobile-first product slate and entering categories where we see potential in terms of audience and market opportunity
- We expect to release 6 to 10 games across several of the highest monetizing categories






3) Zynga will build on its pioneering social legacy to invent the future of mobile social gaming

- By having the most connected mobile experiences, Zynga will be able to create sustainable future growth across its products
- Teams will have a roadmap to effectively measure and operationalize “social”

4) Zynga is dedicated to delivering long-term shareholder value

- Teams are continuing to prudently manage cost structure
- We are committed to maintaining a cost structure that is aligned with our bookings potential

MARKET SIZING / OPPORTUNITY

	TOTAL GAMES	2014E	Y/Y Δ%	2015E	Y/Y Δ%
	Western Markets	\$12B	24%	\$14B	15%
	Global	\$32B	29%	\$38B	19%
WEB GAMES					
	Western Markets	\$3B	(7%)	\$3B	(5%)
	Global	\$8B	4%	\$8B	6%
MOBILE GAMES (PHONE + TABLET)					
	Western Markets	\$9B	39%	\$11B	21%
	Global	\$24B	39%	\$30B	23%
PHONE GAMES					
	Western Markets	\$5B	30%	\$6B	18%
	Global	\$17B	33%	\$20B	19%
TABLET GAMES					
	Western Markets	\$3B	55%	\$4B	27%
	Global	\$7B	57%	\$10B	31%

MARKET OPPORTUNITY

ZYNGA WILL BE LAUNCHING GAMES INTO THE TOP 2 HIGHEST MONETIZING CATEGORIES IN 2015

APP CATEGORIES* FOR TOP GAMES

BY REVENUE

1	ACTION STRATEGY
2	ACTION STRATEGY
3	MATCH 3
4	MATCH 3
5	ACTION STRATEGY
6	CASINO
7	MATCH 3
8	INVEST/EXPRESS
9	CASINO
10	CASINO



ZYNGA EXPANDING INTO:

ACTION STRATEGY

MATCH 3

ZYNGA CURRENTLY PLAYS IN:

CASINO

INVEST/EXPRESS

NEW PRODUCT PIPELINE: NEW MOBILE CATEGORIES



FARMVILLE: HARVEST SWAP – Match 3

- Leverages FarmVille brand that has reached nearly 700 million lifetime installs
- Connected rewards economy for loyal fans who play multiple games across the FarmVille franchise
- Includes 3D graphics, a FarmVille inspired progression map and immersive challenges
- Cross-platform mobile and web

Excited to bring the FarmVille brand to one of the most accessible gaming categories in the world



DAWN OF TITANS – Action Strategy

- First new game of NaturalMotion's 2015 product pipeline
- Leverages proprietary mobile technology and engine to create unprecedented mobile visuals, animation and depth-of-gameplay
- Players command armies of thousands, train titans and lead their alliance to victory
- Entering its first of many geo-lock phases in the coming weeks and is expected to launch globally in 2015

Dawn of Titans and Empires & Allies mark Zynga's entry into mobile Action Strategy



EMPIRES & ALLIES – Action Strategy

- Modern military mobile game where players take control of the weapons of modern war and deploy the military technology of tomorrow
- Offers increased levels of strategic and tactical depth allowing players more choice and control over their armies and navigation into battle
- Developed by Mark Skaggs, a long time game industry veteran in real-time strategy development having produced such titles as Command and Conquer

NEW PRODUCT PIPELINE: EXISTING CATEGORIES



WORDS ON TOUR – *Words*

- *Launched Words On Tour in January and have received strong player ratings with an average 4.5 stars in the Apple App Store and 4.2 Stars on GooglePlay*
- *Unique gameplay modes and challenges with innovative tilt feature*
- *Travel maps that deliver the fantasy of visiting famous world cities, complete with travel tidbits with fun facts about each location*
- *Further expands and builds off of the Words franchise*



TIGER WOODS GOLF – *Sports*

- *Excited about our partnership with global icon Tiger Woods*
- *Focused on developing a truly unique mobile game that delivers casual gamers and golf fans an experience that will capture the exciting social competition of golf in new ways*
- *Will be entering into geo-lock later this year*

Expansion of our Words and Sports franchises.

Q1'15 FINANCIAL OUTLOOK

(in millions, except per share data)

	Q1'15 Outlook	
	Low	High
Non-GAAP		
Bookings	\$ 140	\$ 150
Adjusted EBITDA	\$ (25)	\$ (15)
Non-GAAP net income (loss)	\$ (24)	\$ (16)
Diluted share count	896	896
Non-GAAP net income (loss) per share	\$ (0.03)	\$ (0.02)
GAAP		
Revenue	\$ 155	\$ 165
Stock-based expense	\$ 37	\$ 37
Net income (loss)	\$ (60)	\$ (52)
Diluted share count	896	896
Net income (loss) per share	\$ (0.07)	\$ (0.06)

29

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		12 months ended	
	12/31/14	12/31/13	12/31/14	12/31/13
Reconciliation of Revenue to Bookings				
Revenue	\$ 192,547	\$ 176,362	\$ 690,410	\$ 873,266
Change in deferred revenue	(10,195)	(29,685)	3,890	(157,090)
Bookings	\$ 182,352	\$ 146,677	\$ 694,300	\$ 716,176

NET LOSS TO ADJUSTED EBITDA

(in thousands, unaudited)	3 months ended		12 months ended	
	12/31/14	12/31/13	12/31/14	12/31/13
Reconciliation of Net loss to Adjusted EBITDA				
Net loss	\$ (45,126)	\$ (25,242)	\$ (225,900)	\$ (36,982)
Provision for (benefit from) income taxes	2,547	(241)	(7,327)	(27,887)
Other income (expense), net	(5,580)	(1,079)	(8,248)	3,386
Interest income	(779)	(915)	(3,266)	(4,148)
Restructuring expense	(3,391)	7,366	24,281	44,683
Gain (loss) on legal settlements	5,250	-	5,250	-
Depreciation and amortization	18,341	32,142	82,894	129,047
Impairment of intangible assets	-	-	-	10,217
Contingent consideration fair value adjustment	12,600	930	32,700	930
Acquisition-related transaction expenses	-	-	6,425	-
Stock-based expense	35,765	19,327	129,233	84,893
Change in deferred revenue	(10,195)	(29,685)	3,890	(157,090)
Adjusted EBITDA	\$ 9,432	\$ 2,603	\$ 39,932	\$ 46,549

NET LOSS TO NON-GAAP NET INCOME (LOSS)

(in thousands, unaudited)	3 months ended		12 months ended	
	12/31/14	12/31/13	12/31/14	12/31/13
Reconciliation of Net loss to Non-GAAP net income (loss)				
Net loss	\$ (45,126)	\$ (25,242)	\$ (225,900)	\$ (36,982)
Impairment of intangible assets	-	-	-	10,217
Stock-based expense	35,765	19,327	129,233	84,393
Amortization of intangible assets from acquisitions	6,493	726	22,401	10,341
Contingent consideration fair value adjustment	12,600	930	32,700	930
Acquisition-related transaction expenses	-	-	6,425	-
Change in deferred revenue	(10,195)	(29,685)	3,890	(157,090)
Restructuring expense	(3,391)	7,366	24,281	44,683
Gain (loss) on legal settlements	5,250	-	5,250	-
Tax effect of non-GAAP adjustments to net loss	(3,847)	5,744	(10,862)	9,435
Non-GAAP net income (loss)	\$ (2,451)	\$ (20,834)	\$ (12,582)	\$ (34,073)

NET CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW

(in thousands, unaudited)

	3 months ended		12 months ended	
	12/31/14	12/31/13	12/31/14	12/31/13
Reconciliation of Net cash provided by operating activities to Free cash flow				
Net cash provided by (used in) operating activities	\$ 4,345	\$ 7,732	\$ (4,511)	\$ 28,674
Acquisition of property and equipment	(2,123)	(469)	(9,201)	(7,813)
Excess tax benefits (loss) from stock-based awards	(86)	(452)	(86)	(11,244)
Free cash flow	\$ 2,136	\$ 6,811	\$ (13,798)	\$ 9,617

PROVISION FOR (BENEFIT FROM) INCOME TAXES

(in thousands, unaudited)	3 months ended		12 months ended	
	12/31/14	12/31/13	12/31/14	12/31/13
Reconciliation of GAAP to Non-GAAP provision for (benefit from) income taxes				
GAAP Provision for (benefit from) income taxes	\$ 2,547	\$ (241)	\$ (7,327)	\$ (27,887)
Stock-based expense	2,571	(798)	6,262	2,768
Amortization of intangible assets from acquisitions	457	5	1,086	539
Impairment of intangible assets	-	-	-	2,043
Contingent consideration fair value adjustment	791	345	1,584	345
Acquisition-related transaction expenses	58	-	312	-
Change in deferred revenue	(368)	(5,318)	188	(17,634)
Restructuring expense	84	22	1,176	2,504
Gain (loss) on legal settlements	254	-	254	-
Non-GAAP provision for (benefit from) income taxes	\$ 6,394	\$ (5,985)	\$ 3,535	\$ (37,322)

Q4'14 STATEMENT OF OPERATIONS

Three months ended December 31, 2014

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

(In thousands, except per share data, unaudited)

	GAAP		Amortization	Change in	Restructuring	Acquisition-	Contingent	Gain/(loss)	Non-GAAP
	Statement of	Stock-based	of intangible	deferred	expense	related	consideration	on legal	measure
	Operations	expense	assets from	revenue		transaction	fair value	settlements	
			acquisitions			expenses	adjustment		
Total revenue	\$ 192,547	\$ -	\$ -	\$ (10,195)	\$ -	\$ -	\$ -	\$ -	\$ 182,352 ⁽¹⁾
Cost of revenue	55,492	(1,232)	(5,671)	-	-	-	-	-	48,589
Research and development	105,134	(23,380)	-	-	-	-	(12,600)	-	69,154
Sales and marketing	41,898	(1,422)	(822)	-	-	-	-	-	39,654
General and administrative	38,961	(9,731)	-	-	3,391	-	-	(5,250)	27,371
Total costs and expenses	241,485	(35,765)	(6,493)	-	3,391	-	(12,600)	(5,250)	184,768
Income (loss) from operations	(48,938)	35,765	6,493	(10,195)	(3,391)	-	12,600	5,250	(2,416)
Interest income (expense)	779	-	-	-	-	-	-	-	779
Other income (expense), net	5,580	-	-	-	-	-	-	-	5,580
Income (loss) before income taxes	(42,579)	35,765	6,493	(10,195)	(3,391)	-	12,600	5,250	3,943
Provision for (benefit from) income taxes	2,547	2,571	457	(368)	84	58	791	254	6,394
Net Income (loss)	<u>\$ (45,126)</u>	<u>\$ 33,194</u>	<u>\$ 6,036</u>	<u>\$ (9,827)</u>	<u>\$ (3,475)</u>	<u>\$ (58)</u>	<u>\$ 11,809</u>	<u>\$ 4,996</u>	<u>\$ (2,451) ⁽²⁾</u>
WASO									
Diluted	890,350								890,350
EPS									
Diluted	<u>\$ (0.05)</u>								<u>\$ 0.00</u>

(1) Non-GAAP measure represents bookings

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

Q4'14 STATEMENT OF OPERATIONS

Twelve months ended December 31, 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	Gain/(loss) on legal settlements	Non-GAAP measure
Total revenue	\$ 690,410	\$ -	\$ -	\$ 3,890	\$ -	\$ -	\$ -	\$ -	\$ 694,300 ⁽¹⁾
Cost of revenue	213,570	(4,623)	(19,574)	-	(1,210)	-	-	-	188,163
Research and development	396,553	(83,673)	-	-	(9,573)	-	(32,700)	-	270,607
Sales and marketing	157,364	(5,927)	(2,827)	-	(1,498)	-	-	-	147,112
General and administrative	167,664	(35,010)	-	-	(12,000)	(6,425)	-	(5,250)	108,979
Total costs and expenses	935,151	(129,233)	(22,401)	-	(24,281)	(6,425)	(32,700)	(5,250)	714,861
Income (loss) from operations	(244,741)	129,233	22,401	3,890	24,281	6,425	32,700	5,250	(20,561)
Interest income (expense)	3,266	-	-	-	-	-	-	-	3,266
Other income (expense), net	8,248	-	-	-	-	-	-	-	8,248
Income (loss) before income taxes	(233,227)	129,233	22,401	3,890	24,281	6,425	32,700	5,250	(9,047)
Provision for (benefit from) income taxes	(7,327)	6,262	1,086	188	1,176	312	1,584	254	3,535
Net Income (loss)	\$ (225,900)	\$ 122,971	\$ 21,315	\$ 3,702	\$ 23,105	\$ 6,113	\$ 31,116	\$ 4,996	\$ (12,582) ⁽²⁾
WASO									
Diluted	874,509								874,509
EPS									
Diluted	\$ (0.26)								\$ (0.01)

(1) Non-GAAP measure represents bookings

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

Q4'13 STATEMENT OF OPERATIONS

Three months ended December 31, 2013

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

(In thousands, except per share data, unaudited)

	GAAP		Amortization of	Change in	Restructuring	Contingent	Non-GAAP
Statement of	Stock-based		intangible	deferred	expense	consideration	measure
Operations	expense		assets from	revenue		fair value	
			acquisitions			adjustment	
Total revenue	\$ 176,362	\$ -	\$ -	\$ (29,685)	\$ -	\$ -	\$ 146,677 ⁽¹⁾
Cost of revenue	58,876	(819)	(726)	-	(246)	-	57,085
Research and development	78,475	(15,024)	-	-	(91)	(930)	62,430
Sales and marketing	24,763	248	-	-	-	-	25,011
General and administrative	41,725	(3,732)	-	-	(7,029)	-	30,964
Impairment of intangible assets	-	-	-	-	-	-	-
Total costs and expenses	203,839	(19,327)	(726)	-	(7,366)	(930)	175,490
Income (loss) from operations	(27,477)	19,327	726	(29,685)	7,366	930	(28,813)
Interest income (expense)	915	-	-	-	-	-	915
Other income (expense), net	1,079	-	-	-	-	-	1,079
Income (loss) before income taxes	(25,483)	19,327	726	(29,685)	7,366	930	(26,819)
Provision for (benefit from) income taxes	(241)	(798)	5	(5,318)	22	345	(5,985)
Net Income (loss)	\$ (25,242)	\$ 20,125	\$ 721	\$ (24,367)	\$ 7,344	\$ 585	\$ (20,834) ⁽²⁾
WASO							
Diluted	820,435						820,435
EPS							
Diluted	\$ (0.03)						\$ (0.03)

(1) Non-GAAP measure represents bookings

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

Q4'13 STATEMENT OF OPERATIONS

Twelve months ended December 31, 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	Contingent consideration fair value adjustment	Non-GAAP measure
Total revenue	\$ 873,266	\$ -	\$ -	\$ -	\$ (157,090)	\$ -	\$ -	\$ 716,176 ⁽¹⁾
Cost of revenue	248,358	-	(468)	(9,704)	-	(1,227)	-	236,959
Research and development	413,001	-	(61,931)	-	-	(23,246)	(930)	326,894
Sales and marketing	104,403	-	(8,079)	(637)	-	(1,037)	-	94,650
General and administrative	162,918	-	(13,915)	-	-	(19,173)	-	129,830
Impairment of intangible assets	10,217	(10,217)	-	-	-	-	-	-
Total costs and expenses	938,897	(10,217)	(84,393)	(10,341)	-	(44,683)	(930)	788,333
Income (loss) from operations	(65,631)	10,217	84,393	10,341	(157,090)	44,683	930	(72,157)
Interest income (expense)	4,148	-	-	-	-	-	-	4,148
Other income (expense), net	(3,386)	-	-	-	-	-	-	(3,386)
Income (loss) before income taxes	(64,869)	10,217	84,393	10,341	(157,090)	44,683	930	(71,395)
Provision for (benefit from) income taxes	(27,887)	2,043	2,768	539	(17,634)	2,504	345	(37,322)
Net Income (loss)	<u>\$ (36,982)</u>	<u>\$ 8,174</u>	<u>\$ 81,625</u>	<u>\$ 9,802</u>	<u>\$ (139,456)</u>	<u>\$ 42,179</u>	<u>\$ 585</u>	<u>\$ (34,073) ⁽²⁾</u>
WASO								
Diluted	799,794							799,794
EPS								
Diluted	<u>\$ (0.05)</u>							<u>\$ (0.04)</u>

(1) Non-GAAP measure represents bookings

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

Q1'15 OUTLOOK

(in thousands, except per share data)

	Q1'15
Reconciliation of Revenue to Bookings	
Revenue range	155,000 - 165,000
Change in deferred revenue	(15,000)
Bookings range	140,000 - 150,000
Reconciliation of Net loss to Adjusted EBITDA	
Net loss range	(60,000) - (52,000)
Provision for (benefit from) income taxes	0 - 1,000
Other income (expense), net	(8,000)
Interest income	(1,000)
Restructuring expense	2,000 - 3,000
Depreciation and amortization	18,000
Contingent consideration fair value adjustment	2,000
Stock-based expense	37,000
Change in deferred revenue	(15,000)
Adjusted EBITDA range	(25,000) - (15,000)
Reconciliation of Net loss to Non-GAAP net loss	
Net loss range	(60,000) - (52,000)
Stock-based expense	37,000
Amortization of intangible assets from acquisitions	6,000
Contingent consideration fair value adjustment	2,000
Change in deferred revenue	(15,000)
Restructuring expense	2,000 - 3,000
Tax effect of non-GAAP adjustments to net loss	4,000 - 3,000
Non-GAAP net income (loss) range	(24,000) - (16,000)
GAAP diluted shares	896,000
Non-GAAP diluted shares	896,000
Net income (loss) per share range	(0.07) - (0.06)
Non-GAAP net income (loss) per share range	(0.03) - (0.02)



THANK YOU!