



# ZYNGA Q4 AND FY 2019

## FINANCIAL RESULTS

February 5, 2020

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## MANAGEMENT TEAM

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**CHIEF EXECUTIVE OFFICER**  
Frank Gibeau



**CHIEF FINANCIAL OFFICER**  
Gerard Griffin

## FORWARD-LOOKING STATEMENTS

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This presentation contains forward-looking statements, including those statements relating to our outlook for the full year and first quarter of 2020 under the headings “Q1 2020 Financial Guidance,” “FY 2020 Financial Guidance,” “Q1 2020 Financial Guidance: GAAP to Non-GAAP Reconciliation” and “FY 2020 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 forever franchises and other titles, potential to launch new titles in 2020, potential to accelerate growth through existing efforts and investments in new platforms, markets and technology, and confidence in our ability to grow our business in 2020; our plans to enhance existing games with new features and updates, scale existing games, continue investment in high growth titles; our performance expectations regarding our live services, advertising business, forever franchises and our older mobile and web titles; our opportunities to further scale the business through acquisitions; and our ability to achieve and expectations related to financial projections, including revenue, deferred revenue, bookings, income, adjusted EBITDA, contingent consideration accruals, operating expenses, operating leverage, operating results, operating cash flow and margins.

Forward-looking statements often include words such as “guidance,” “outlook,” “projected,” “intends,” “will,” “anticipate,” “believe,” “target,” “expect,” “positioned,” and statements in the future tense are generally forward-looking. The achievement or success of the matters covered by such forward-looking statements involves significant risks, uncertainties, and assumptions. 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](http://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, 2019. 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 AND FY 2019 PERFORMANCE**

# Q4 2019 PERFORMANCE OVERVIEW

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## Q4 HIGHLIGHTS

- Highest quarterly revenue and bookings performances in Zynga history
- Revenue of \$404 million, up 63% year-over-year, and bookings of \$433 million, up 62% year-over-year
- Record online game – or user pay – revenue of \$325 million, up 84% year-over-year, and user pay bookings of \$354 million, up 80% year-over-year
- Record advertising revenue and bookings of \$80 million, up 11% and 12% year-over-year, respectively
- *Words With Friends* and *Empires & Puzzles* both achieved record revenue and bookings quarters
- *Merge Magic!* is off to a great start in its first full quarter post launch
- Gram Games and Small Giant Games are collectively performing ahead of our expectations, resulting in contingent consideration expense of \$31 million in the quarter
- Operating cash flow of \$94 million, up 5% year-over-year

# FY 2019 PERFORMANCE OVERVIEW

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## 2019 HIGHLIGHTS

- Best annual revenue and bookings performances in Zynga history
- Revenue of \$1.32 billion, up 46% year-over-year, and bookings of \$1.56 billion, up 61% year-over-year
- Online game – or user pay – revenue of \$1.05 billion, up 56% year-over-year, and user pay bookings of \$1.29 billion, up 76% year-over-year
- Record advertising year with advertising revenue and bookings of \$274 million, up 17% year-over-year
- International revenue and bookings grew 58% and 85% year-over-year, respectively, and now represent 37% of total revenue and 40% of total bookings versus 35% of total revenue and bookings in 2018
- Launched two new titles – *Game of Thrones™ Slots Casino* and *Merge Magic!*
- Acquired Small Giant Games – adding *Empires & Puzzles* as a new forever franchise to our live services portfolio
- Self-published *Empires & Puzzles* in Asia, which is yielding positive results
- Continued to experiment with new platforms and game modes, including the launch of *Tiny Royale* on Snapchat’s Snap Games platform
- Completed the sale-leaseback of our San Francisco headquarters building on July 1, generating net proceeds of approximately \$580 million after taxes and fees
- Issued \$690 million of convertible notes, providing net cash proceeds of approximately \$600 million
- Delivered net income of \$42 million, up 171% year-over-year
- Generated operating cash flow of \$263 million, up 56% year-over-year and our strongest performance since 2011
- Finished the year with cash and investments of \$1.54 billion

## Q4 AND FY 2019 FINANCIAL GUIDANCE VS. ACTUALS

(in thousands, except per share data)

<b>GAAP</b>	<u>Q4 2019 Guidance <sup>(2)</sup></u>	<u>Actuals</u>	<u>FY 2019 Guidance <sup>(2)</sup></u>	<u>Actuals</u>
Revenue	\$ 365,000	\$ 404,463	\$ 1,282,196	\$ 1,321,659
(B) Net increase in deferred revenue <sup>(1)</sup>	\$ (50,000)	\$ (28,934)	\$ (263,468)	\$ (242,402)
Net loss	\$ (44,000)	\$ (3,500)		
Basic and diluted share count	945,000	947,633		
Basic and diluted net income per share	\$ (0.05)	\$ (0.00)		
 <b>Non-GAAP</b>				
Bookings	\$ 415,000	\$ 433,397	\$ 1,545,664	\$ 1,564,061
(A) Adjusted EBITDA	\$ 25,000	\$ 75,374		

Management Reporting = (A) - (B)

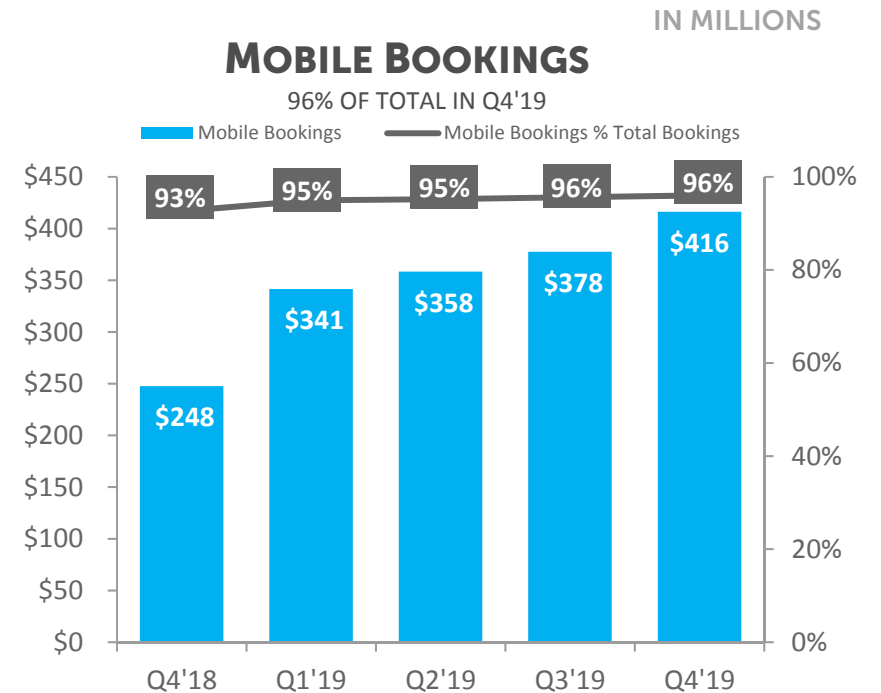
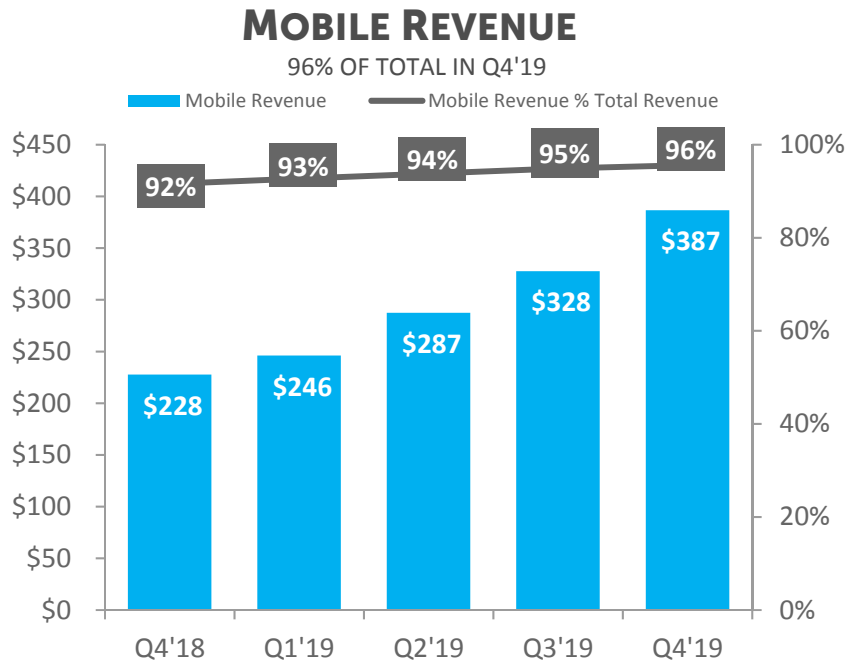
**Footnotes:**

<sup>(1)</sup> 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.

<sup>(2)</sup> Q4 2019 and FY 2019 guidance as communicated in Q3 2019 earnings letter and slides.



# MOBILE HIGHLIGHTS



Increase in Deferred Revenue <sup>(1)</sup>	(\$20)	(\$95)	(\$71)	(\$50)	(\$30)
Mobile Bookings	\$248	\$341	\$358	\$378	\$416 <sup>(2)</sup>

**Footnotes:**

(1) Refer to footnote (1) on slide 8

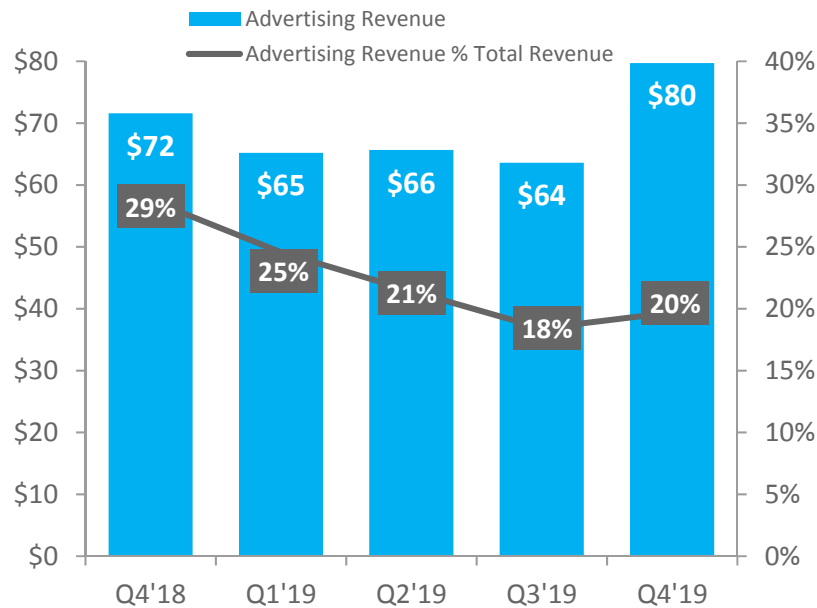
(2) This measure, as presented, differs due to the impact of rounding

# ADVERTISING: REVENUE AND BOOKINGS

IN MILLIONS

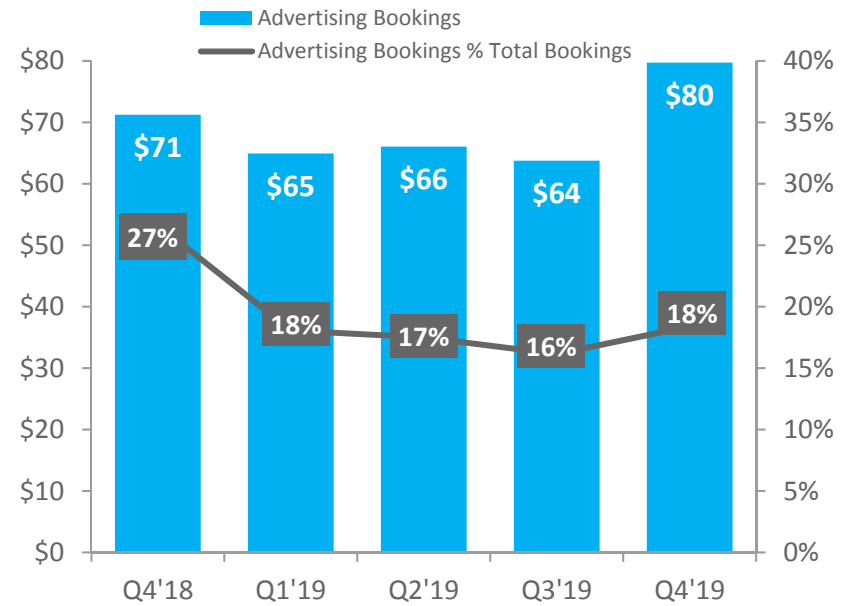
## ADVERTISING REVENUE

20% OF TOTAL IN Q4'19



## ADVERTISING BOOKINGS

18% OF TOTAL IN Q4'19



Net Release of Deferred Revenue <sup>(1)</sup>	\$0	\$0	\$0	\$0	\$0
Advertising Bookings	\$71 <sup>(2)</sup>	\$65	\$66	\$64	\$80

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**Footnotes:**

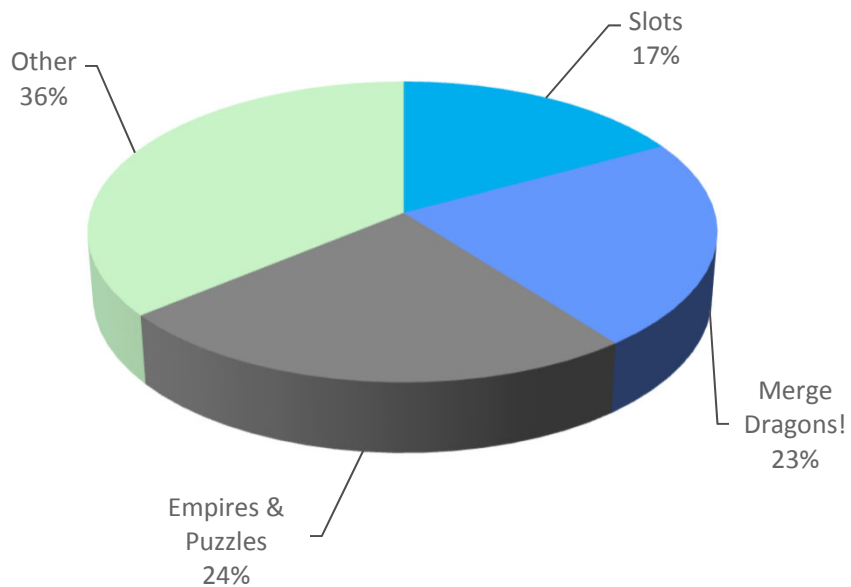
- (1) Refer to footnote (1) on slide 8 for additional clarity on this financial measure
- (2) This measure, as presented, differs due to the impact of rounding



# ONLINE GAME: REVENUE AND BOOKINGS BY FRANCHISE

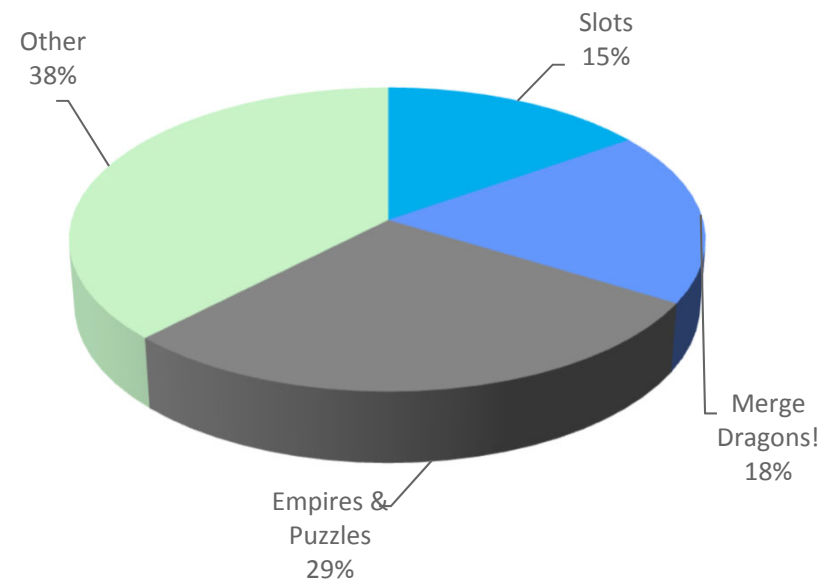
## Q4 2019 ONLINE GAME REVENUE

Total Amount: \$325 million



## Q4 2019 ONLINE GAME BOOKINGS

Total Amount: \$354 million <sup>(1)</sup>



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

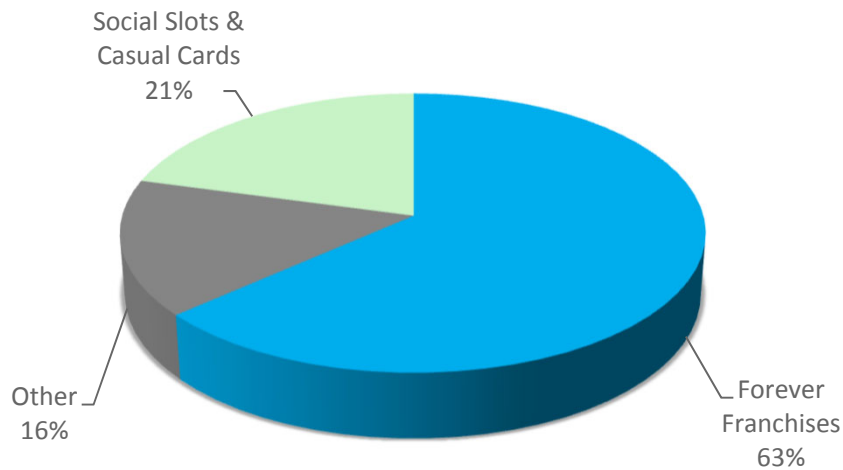
**Footnote:**

(1) Online game revenue of \$325 million, plus the change in deferred revenue of \$29 million, results in online game bookings of \$354 million.

# FY 2019 TOTAL REVENUE AND BOOKINGS

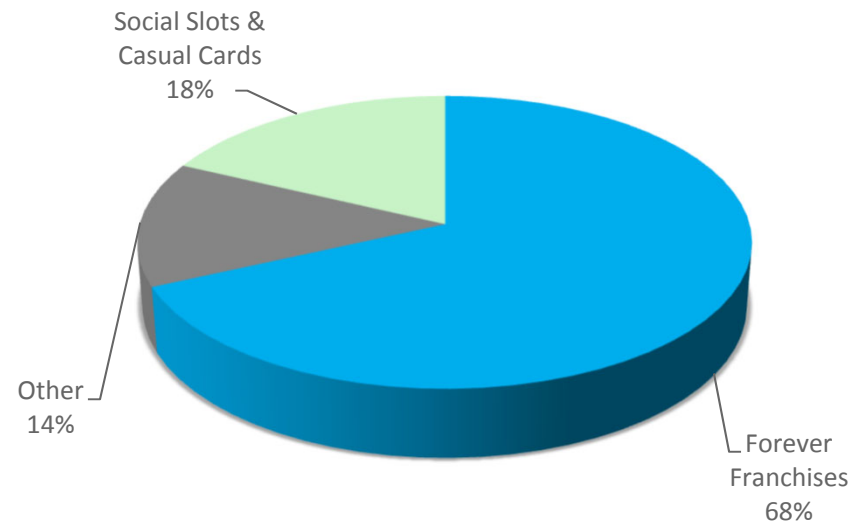
## FY 2019 TOTAL REVENUE

Total Amount: \$1.32 billion



## FY 2019 TOTAL BOOKINGS

Total Amount: \$1.56 billion



Note:

"Forever Franchises" includes CSR Racing, Empires & Puzzles, Merge Dragons!, Words With Friends and Zynga Poker.

"Social Slots & Casual Cards" includes Black Diamond Casino, Game of Thrones Slots Casino, Hit It Rich! Slots, Willy Wonka Slots, Wizard of Oz Slots, Casual Card games acquired in December 2017 and Solitaire.

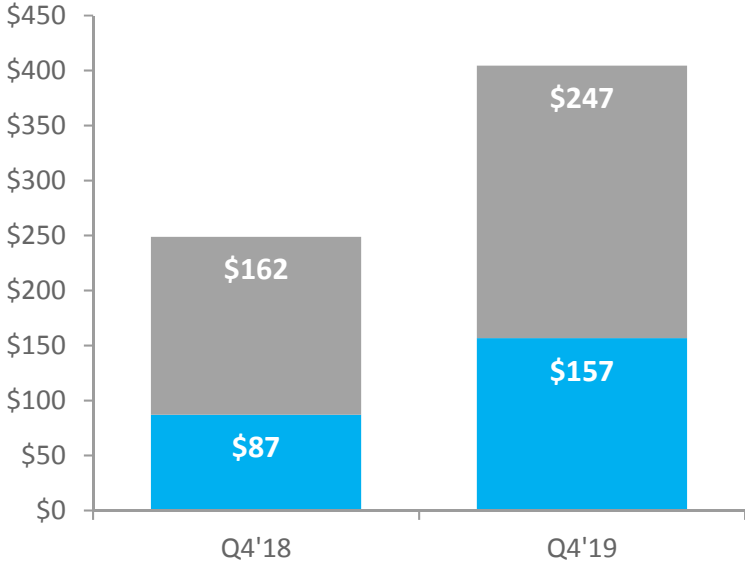
# BY GEOGRAPHY: REVENUE AND BOOKINGS

IN MILLIONS

## TOTAL REVENUE

USA UP 53% Y/Y  
INTERNATIONAL UP 80% Y/Y

■ USA ■ International

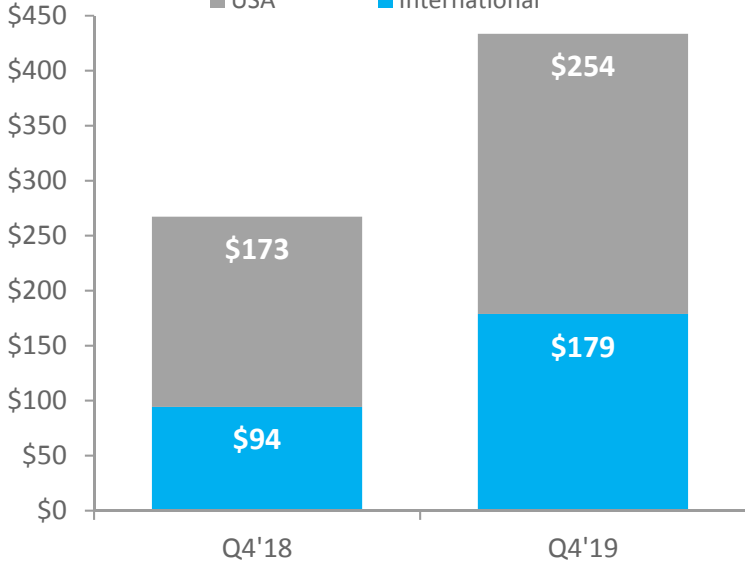


USA % of Total	65%	61%
International % of Total	35%	39%

## TOTAL BOOKINGS

USA UP 47% Y/Y  
INTERNATIONAL UP 90% Y/Y

■ USA ■ International



USA % of Total	65%	59%
International % of Total	35%	41%



## NET INCOME (LOSS) AND CASH FLOW

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*(in millions, except per share data)*

	Q4'19	Q3'19	Q2'19	Q1'19	Q4'18
<b>Net income (loss)</b>	\$ (4)	\$ 230	\$ (56)	\$ (129)	\$ 1
<b>Diluted net income (loss) per share</b>	\$ (0.00)	\$ 0.24	\$ (0.06)	\$ (0.14)	\$ 0.00
<b>Operating cash flow</b>	\$ 94	\$ 69	\$ 99	\$ 2	\$ 90
<b>Free cash flow (non-GAAP)</b>	\$ 89	\$ 60	\$ 94	\$ (4)	\$ 86
<b>Cash, cash equivalents and investments</b>	\$ 1,537	\$ 1,446	\$ 831	\$ 252	\$ 581

## KEY OPERATING METRICS

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The company tracks operating metrics using internal systems which rely on internal company data and third party data. We rely on the veracity of data provided by individuals and reported by third parties to estimate our metrics. We believe that the amounts are reasonable estimates of our user base for the applicable period of measurement that the methodologies we employ and update from time-to-time are reasonably based on our efforts to identify trends in player behavior; however, factors relating to user activity and systems and our ability to identify and detect attempts to replicate legitimate player activity may impact these numbers.

Specifically, beginning with the first quarter of 2019, we updated our methodologies and approaches for identifying automated attempts to replicate legitimate player activity. Applying this new methodology, and assuming consistency in the player data profiles across periods, we estimate that the amounts previously reported during 2018 may reduce our average Mobile DAUs and average Mobile MAUs by approximately 5-10%. Our estimation of such invalid traffic can vary from period to period, and we have recorded periodic spikes in such activity (in particular, in December 2018, which resulted in our exclusion of audience data from that month).

Further, consistent with our operational focus on mobile gaming platforms, beginning with the first quarter of 2019, we now report these audience-related metrics based only on mobile platforms. We have ceased including our web-based games in these audience metrics as a result of their decreasing significance as part of our overall financial and operating results and the technical challenges resulting from increased volumes of apparent player activity that we are unable to reliably validate and de-duplicate, as these web-based games are generally more susceptible than mobile platforms in attempts to replicate legitimate player activity.

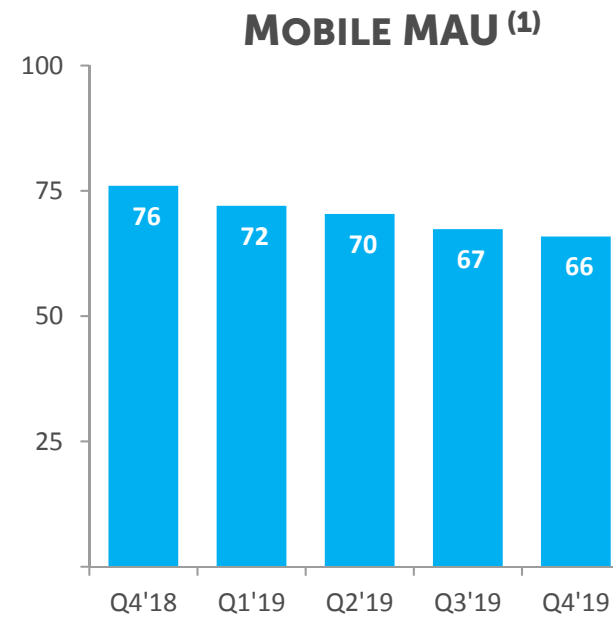
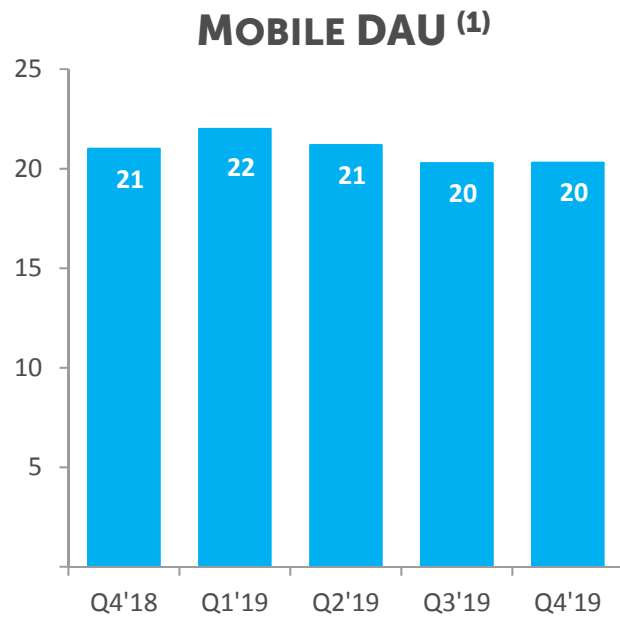
**Mobile DAUs.** We define Mobile Daily Active Users (DAUs) as the number of individuals who played one of our mobile games during a particular day. Under this metric, an individual who plays two different mobile games on the same day is counted as two Mobile DAUs. We use information provided by third parties to help us identify individuals who play the same mobile game to reduce this duplication. However, because we do not always have the third party network login data to link an individual who has played under multiple user accounts, a player may be counted as multiple Mobile DAUs. Average Mobile DAUs for a particular period is the average of the Mobile DAUs for each day during that period. We use Mobile DAUs as a measure of audience engagement.

**Mobile MAUs.** We define Mobile Monthly Active Users (MAUs) as the number of individuals who played one of our mobile games in the 30-day period ending with the measurement date. Under this metric, an individual who plays two different mobile games in the same 30-day period is counted as two Mobile MAUs. We use information provided by third parties to help us identify individuals who play the same mobile game to reduce this duplication. However, because we do not always have the third party network login data to link an individual who has played under multiple user accounts, a player may be counted as multiple Mobile MAUs. Average Mobile MAUs for a particular period is the average of the Mobile MAUs at each month-end during that period. We use Mobile MAUs as a measure of total game audience size.

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

# MOBILE AUDIENCE METRICS

IN MILLIONS



**Footnote:**

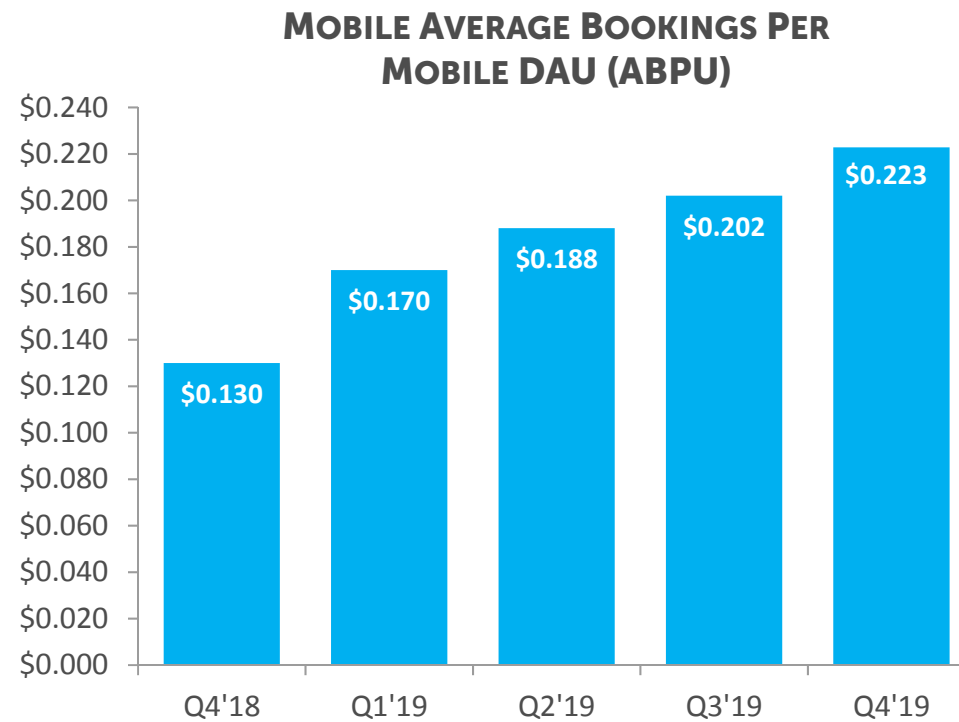
(1) We do not have the third party network login data to link an individual who has played under multiple user accounts and accordingly, actual Mobile DAU and Mobile MAU may be lower than reported due to the potential duplication of these individuals. Specifically, Mobile DAUs and Mobile MAUs incrementally include *Merge Magic!* and the games acquired from Gram Games in May 2018 and Small Giant Games in January 2019.

Additionally, refer to Slide 14 – “Key Operating Metrics” for further discussion on the comparability of the 2018 figures presented.



# MOBILE MONETIZATION

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Please refer to Slide 14 – “Key Operating Metrics” for further discussion on the uses, limitations and comparability of the operating metrics presented.



## **Q1 AND FY 2020 FINANCIAL GUIDANCE**

## Q1 2020 FINANCIAL GUIDANCE

(in thousands, except per share data)

<b>GAAP</b>	<b>Q1'20 Guidance</b>	<b>Q1'19 Actual</b>	<b>Variance</b>
Revenue	\$ 385,000	\$ 265,403	\$ 119,597
(B) Net increase in deferred revenue <sup>(1)</sup>	\$ (15,000)	\$ (94,082)	\$ 79,082
Net loss	\$ (26,000)	\$ (128,828)	\$ 102,828
Basic and diluted share count	950,000	926,230	23,770
Basic and diluted net loss per share	\$ (0.03)	\$ (0.14)	\$ 0.11
<b>Non-GAAP</b>			
Bookings	\$ 400,000	\$ 359,485	\$ 40,515
(A) Adjusted EBITDA	\$ 57,000	\$ (18,553)	\$ 75,553

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.

## FY 2020 FINANCIAL GUIDANCE

(in thousands, except per share data)

GAAP	FY'20 Guidance	FY'19 Actual	Variance
Revenue	\$ 1,600,000	\$ 1,321,659	\$ 278,341
(B) Net increase in deferred revenue <sup>(1)</sup>	\$ (150,000)	\$ (242,402)	\$ 92,402
Net income (loss)	\$ (130,000)	\$ 41,925	\$ (171,925)
Basic share count	960,000	938,709	21,291
Diluted share count	960,000	974,020	(14,020)
Basic net income (loss) per share	\$ (0.14)	\$ 0.04	\$ (0.18)
Diluted net income (loss) per share	\$ (0.14)	\$ 0.04	\$ (0.18)
<b>Non-GAAP</b>			
Bookings	\$ 1,750,000	\$ 1,564,061	\$ 185,939
(A) Adjusted EBITDA	\$ 200,000	\$ 87,215	\$ 112,785

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

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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, 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 and asset disposition gains and losses, interest expense and interest income;
- Adjusted EBITDA excludes depreciation and amortization of tangible and intangible assets. Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized may have to be replaced in the future; and
- Free cash flow is derived from net cash provided by operating activities less cash spent on capital expenditures.

## REVENUE TO BOOKINGS: TOTAL

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<i>(in thousands, unaudited)</i>	3 months ended		12 months ended	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
<b>Reconciliation of Revenue to Bookings: Total</b>				
Revenue	\$ 404,463	\$ 248,688	\$ 1,321,659	\$ 907,208
Change in deferred revenue	28,934	18,578	242,402	62,334
Bookings: Total	<u>\$ 433,397</u>	<u>\$ 267,266</u>	<u>\$ 1,564,061</u>	<u>\$ 969,542</u>

## REVENUE TO BOOKINGS: MOBILE

<i>(in thousands, unaudited)</i>	3 months ended		12 months ended	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
<b>Reconciliation of Revenue to Bookings: Mobile</b>				
Revenue	\$ 386,621	\$ 227,709	\$ 1,247,734	\$ 815,521
Change in deferred revenue	29,507	19,881	245,650	66,983
Bookings: Mobile	<u>\$ 416,128</u>	<u>\$ 247,590</u>	<u>\$ 1,493,384</u>	<u>\$ 882,504</u>



## REVENUE TO BOOKINGS: ADVERTISING

	3 months ended		12 months ended	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
<i>(in thousands, unaudited)</i>				
<b>Reconciliation of Revenue to Bookings: Advertising</b>				
Revenue	\$ 79,709	\$ 71,569	\$ 274,152	\$ 234,086
Change in deferred revenue	9	(351)	281	714
Bookings: Advertising	<u>\$ 79,718</u>	<u>\$ 71,218</u>	<u>\$ 274,433</u>	<u>\$ 234,800</u>

## REVENUE TO BOOKINGS: BY GEOGRAPHY

	3 months ended <i>USA</i>		3 months ended <i>International</i>	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
<i>(in thousands, unaudited)</i>				
<b>Reconciliation of Revenue to Bookings: By Geography</b>				
Revenue	\$ 247,730	\$ 161,685	\$ 156,732	\$ 87,002
Change in deferred revenue	6,946	11,342	21,988	7,236
Bookings: By Geography	<u>\$ 254,676</u>	<u>\$ 173,027</u>	<u>\$ 178,720</u>	<u>\$ 94,238</u>

## REVENUE TO BOOKINGS: BY PLATFORM (3 MONTHS ENDED)

*(in thousands, unaudited)*

	3 months ended			3 months ended		
	12/31/2019			12/31/2018		
<b>Reconciliation of Revenue to Bookings: Online Game</b>	<b>Mobile</b>	<b>Other <sup>(1)</sup></b>	<b>Total</b>	<b>Mobile</b>	<b>Other <sup>(1)</sup></b>	<b>Total</b>
Revenue	\$ 308,730	\$ 15,984	\$ 324,714	\$ 158,485	\$ 18,443	\$ 176,928
Change in deferred revenue	29,498	(533)	28,965	20,232	(1,194)	19,038
<b>Bookings: Online Game</b>	<b>\$ 338,228</b>	<b>\$ 15,451</b>	<b>\$ 353,679</b>	<b>\$ 178,717</b>	<b>\$ 17,249</b>	<b>\$ 195,966</b>

*(in thousands, unaudited)*

	3 months ended			3 months ended		
	12/31/2019			12/31/2018		
<b>Reconciliation of Revenue to Bookings: Advertising &amp; Other</b>	<b>Mobile</b>	<b>Other <sup>(1)</sup></b>	<b>Total</b>	<b>Mobile</b>	<b>Other <sup>(1)</sup></b>	<b>Total</b>
Revenue	\$ 77,891	\$ 1,858	\$ 79,749	\$ 69,224	\$ 2,536	\$ 71,760
Change in deferred revenue	9	(40)	(31)	(351)	(109)	(460)
<b>Bookings: Advertising &amp; Other</b>	<b>\$ 77,900</b>	<b>\$ 1,818</b>	<b>\$ 79,718</b>	<b>\$ 68,873</b>	<b>\$ 2,427</b>	<b>\$ 71,300</b>

Footnote:

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



## REVENUE TO BOOKINGS: BY PLATFORM (12 MONTHS ENDED)

*(in thousands, unaudited)*

	12 months ended			12 months ended		
	12/31/2019			12/31/2018		
<b>Reconciliation of Revenue to Bookings: Online Game</b>	<b>Mobile</b>	<b>Other <sup>(1)</sup></b>	<b>Total</b>	<b>Mobile</b>	<b>Other <sup>(1)</sup></b>	<b>Total</b>
Revenue	\$ 981,178	\$ 66,059	\$ 1,047,237	\$ 590,436	\$ 80,441	\$ 670,877
Change in deferred revenue	245,369	(3,090)	242,279	66,269	(4,139)	62,130
Bookings: Online Game	<u>\$ 1,226,547</u>	<u>\$ 62,969</u>	<u>\$ 1,289,516</u>	<u>\$ 656,705</u>	<u>\$ 76,302</u>	<u>\$ 733,007</u>

*(in thousands, unaudited)*

	12 months ended			12 months ended		
	12/31/2019			12/31/2018		
<b>Reconciliation of Revenue to Bookings: Advertising &amp; Other</b>	<b>Mobile</b>	<b>Other <sup>(1)</sup></b>	<b>Total</b>	<b>Mobile</b>	<b>Other <sup>(1)</sup></b>	<b>Total</b>
Revenue	\$ 266,556	\$ 7,866	\$ 274,422	\$ 225,085	\$ 11,246	\$ 236,331
Change in deferred revenue	281	(158)	123	714	(510)	204
Bookings: Advertising & Other	<u>\$ 266,837</u>	<u>\$ 7,708</u>	<u>\$ 274,545</u>	<u>\$ 225,799</u>	<u>\$ 10,736</u>	<u>\$ 236,535</u>

Footnote:

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



## NET INCOME (LOSS) TO ADJUSTED EBITDA

<i>(in thousands, unaudited)</i>	3 months ended		12 months ended	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
<b>Reconciliation of Net Income (Loss) to Adjusted EBITDA</b>				
Net income (loss)	\$ (3,500)	\$ 559	\$ 41,925	\$ 15,457
Provision for income taxes	8,587	4,812	5,410	11,006
Other income, net	(1,458)	(3,239)	(8,220)	(13,407)
Interest income	(6,110)	(1,518)	(14,039)	(6,549)
Interest expense	6,813	107	16,971	255
Restructuring expense, net	-	13	-	1,008
Depreciation and amortization	19,627	12,695	79,445	42,057
Acquisition-related transaction expenses	-	844	7,588	2,553
Contingent consideration fair value adjustment	31,400	2,500	201,564	5,500
(Gain) loss on legal settlement and related legal expense	-	2,333	(10,664)	2,333
Gain on sale of building, net of transfer tax <sup>(1)</sup>	-	-	(314,247)	-
Stock-based compensation expense	20,015	18,003	81,482	68,239
Adjusted EBITDA	<u>\$ 75,374</u>	<u>\$ 37,109</u>	<u>\$ 87,215</u>	<u>\$ 128,452</u>

Footnote:

29 (1) The gain on the sale of the building, net of transfer tax, was recorded within "Other income (expense), net" in our consolidated statement of operations for the twelve months ended December 31, 2019



## NET CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW

	3 months ended		12 months ended	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
<i>(in thousands, unaudited)</i>				
<b>Reconciliation of net cash provided by operating activities to free cash flow</b>				
Net cash provided by operating activities	\$ 94,049	\$ 89,930	\$ 262,828	\$ 168,240
Acquisition of property and equipment	(4,838)	(3,964)	(23,637)	(11,469)
Free cash flow	<u>\$ 89,211</u>	<u>\$ 85,966</u>	<u>\$ 239,191</u>	<u>\$ 156,771</u>

# GAAP TO NON-GAAP COSTS AND EXPENSES (3 MONTHS ENDED)

## Adjustments to GAAP to arrive at non-GAAP measures

(in thousands, unaudited)

Three months ended December 31, 2019

	GAAP measure	Restructuring Expense	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition- related expenses	Gain (loss) from legal settlements and related expense	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 141,715	\$ -	\$ (16,395)	\$ -	\$ -	\$ -	\$ (383)	\$ 124,937
Operating expenses								
Research and development	104,428	-	-	(31,400)	-	-	(11,067)	61,961
Sales and marketing	127,715	-	-	-	-	-	(2,824)	124,891
General and administrative	26,273	-	-	-	-	-	(5,741)	20,532
Total operating expenses	258,416	-	-	(31,400)	-	-	(19,632)	207,384
Total costs and expenses	\$ 400,131	\$ -	\$ (16,395)	\$ (31,400)	\$ -	\$ -	\$ (20,015)	\$ 332,321

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 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

# GAAP TO NON-GAAP COSTS AND EXPENSES (12 MONTHS ENDED)

**Year ended December 31, 2019**

**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 expenses	Gain (loss) from legal settlements and related expense	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 524,089	\$ -	\$ (66,723)	\$ -	\$ -	\$ -	\$ (1,471)	\$ 455,895
Operating expenses								
Research and development	505,889	-	-	(201,564)	-	-	(47,049)	257,276
Sales and marketing	464,091	-	(291)	-	-	-	(11,277)	452,523
General and administrative	99,790	-	-	-	(7,588)	10,664	(21,685)	81,181
Total operating expenses	<u>1,069,770</u>	<u>-</u>	<u>(291)</u>	<u>(201,564)</u>	<u>(7,588)</u>	<u>10,664</u>	<u>(80,011)</u>	<u>790,980</u>
Total costs and expenses	<u>\$ 1,593,859</u>	<u>\$ -</u>	<u>\$ (67,014)</u>	<u>\$ (201,564)</u>	<u>\$ (7,588)</u>	<u>\$ 10,664</u>	<u>\$ (81,482)</u>	<u>\$ 1,246,875</u>

**Year ended December 31, 2018**

**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 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	<u>595,788</u>	<u>(981)</u>	<u>(1,881)</u>	<u>(5,500)</u>	<u>(2,553)</u>	<u>(2,333)</u>	<u>(66,655)</u>	<u>515,885</u>
Total costs and expenses	<u>\$ 900,446</u>	<u>\$ (1,008)</u>	<u>\$ (28,995)</u>	<u>\$ (5,500)</u>	<u>\$ (2,553)</u>	<u>\$ (2,333)</u>	<u>\$ (68,239)</u>	<u>\$ 791,818</u>



## Q1 2020 FINANCIAL GUIDANCE: GAAP TO NON-GAAP RECONCILIATION

(in thousands, except per share data)

	Q1'20 Guidance	Q1'19 Actual	Variance
<b>Reconciliation of Revenue to Bookings</b>			
Revenue	\$ 385,000	\$ 265,403	\$ 119,597
Change in deferred revenue	15,000	94,082	(79,082)
Bookings	<u>\$ 400,000</u>	<u>\$ 359,485</u>	<u>\$ 40,515</u>
<b>Reconciliation of Net (Loss) Income to Adjusted EBITDA</b>			
Net (loss) income	\$ (26,000)	\$ (128,828)	\$ 102,828
(Benefit from) provision for income taxes	10,000	(10,252)	20,252
Other (income) expense, net	-	(3,374)	3,374
Interest income	(5,000)	(443)	(4,557)
Interest expense	8,000	1,262	6,738
Depreciation and amortization	20,000	21,080	(1,080)
Acquisition-related transaction expenses	-	7,356	(7,356)
Contingent consideration fair value adjustment	25,000	85,500	(60,500)
(Gain) loss on legal settlement and related expense	-	(9,627)	9,627
Stock-based compensation expense	<u>25,000</u>	<u>18,773</u>	<u>6,227</u>
Adjusted EBITDA	<u>\$ 57,000</u>	<u>\$ (18,553)</u>	<u>\$ 75,553</u>
<b>Basic and diluted net loss per share</b>	\$ (0.03)	\$ (0.14)	\$ 0.11
<b>GAAP basic and diluted shares</b>	950,000	926,230	23,770

## FY 2020 FINANCIAL GUIDANCE: GAAP TO NON-GAAP RECONCILIATION

(in thousands, except per share data)

	<b>FY'20 Guidance</b>	<b>FY'19 Actual</b>	<b>Variance</b>
<b>Reconciliation of Revenue to Bookings</b>			
Revenue	\$ 1,600,000	\$ 1,321,659	\$ 278,341
Change in deferred revenue	150,000	242,402	(92,402)
Bookings	<u>\$ 1,750,000</u>	<u>\$ 1,564,061</u>	<u>\$ 185,939</u>
<b>Reconciliation of Net (Loss) Income to Adjusted EBITDA</b>			
Net (loss) income	\$ (130,000)	\$ 41,925	\$ (171,925)
(Benefit from) provision for income taxes	35,000	5,410	29,590
Other (income) expense, net	-	(8,220)	8,220
Interest income	(20,000)	(14,039)	(5,961)
Interest expense	30,000	16,971	13,029
Depreciation and amortization	80,000	79,445	555
Acquisition-related transaction expenses	-	7,588	(7,588)
Contingent consideration fair value adjustment	100,000	201,564	(101,564)
(Gain) loss on legal settlement and related expense	-	(10,664)	10,664
Gain on sale of building, net of transfer tax <sup>(1)</sup>	-	(314,247)	314,247
Stock-based compensation expense	<u>105,000</u>	<u>81,482</u>	<u>23,518</u>
Adjusted EBITDA	<u>\$ 200,000</u>	<u>\$ 87,215</u>	<u>\$ 112,785</u>
<b>Basic net (loss) income per share</b>	\$ (0.14)	\$ 0.04	\$ (0.18)
<b>Diluted net (loss) income per share</b>	\$ (0.14)	\$ 0.04	\$ (0.18)
<b>GAAP basic shares</b>	960,000	938,709	21,291
<b>GAAP diluted shares</b>	960,000	974,020	(14,020)

Footnote:

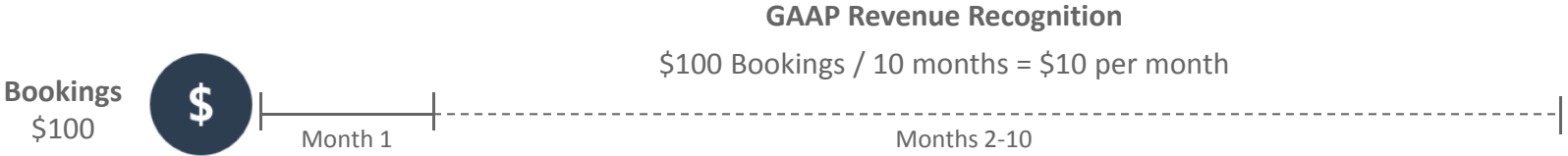
(1) The gain on the sale of the building, net of transfer tax, was recorded within "Other income (expense), net" in our consolidated statement of operations for the year ended December 31, 2019



## **APPENDIX - REVENUE TO BOOKINGS ILLUSTRATION**

# REVENUE, DEFERRED REVENUE AND BOOKINGS ILLUSTRATION

- The following example illustrates GAAP revenue recognition for online game bookings in a Zynga mobile game:
  - Example: Assume that a player purchases \$100 of virtual currency in a Zynga mobile game
    - The player uses the virtual currency to purchase a durable virtual good
    - For the purpose of this example, the estimated average playing period of payers for this mobile game is 10 months



- Bookings recognized in month 1 = \$100
- Revenue recognized in month 1 = \$10
- Deferred Revenue at end of month 1 = \$90 (to be recognized as revenue in months 2-10)

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

