Zynga Q1'14 Financial Results

April 23, 2014

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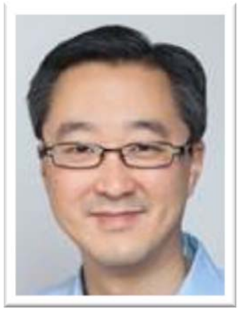
Management Team

Don Mattrick
Chief Executive Officer

Clive Downie
Chief Operating Officer



David Lee
Chief Financial Officer and
Chief Accounting Officer

Forward-Looking Statements

This presentation contains, and our call will contain, forward-looking statements relating to, among other things, our outlook for second quarter 2014 revenue, net loss, diluted net loss per share, weighted average diluted share count, bookings, Adjusted EBITDA, non-GAAP net loss, non-GAAP EPS and non-GAAP weighted average diluted share count, stock based expense, capital expenditures, legal expenses and taxes; our outlook for full year 2014 bookings, Adjusted EBITDA and taxes; longer term tax rates; the operational impact of our expected acquisition of NaturalMotion, including but not limited to our expected ability to expand our creative pipeline, accelerate our mobile growth and fast track our ability to deliver more hit games; the success of *Farmville 2: Country Escape*; the planned launch of mobile first games in our Words and Casino franchises in the second quarter and the success of these launches; the continued impact of our cost reduction plan; the impact of our new hires on our organization and other changes in personnel and roles; our future operational and strategic plans; our ability to strengthen and sustain the core of our business and achieve future growth against all of our key metrics including audience, bookings, Adjusted EBITDA and mobile bookings mix; our ability to successfully transition our business to take advantage of the market opportunity in our industry; our ability to remain profitable on an Adjusted EBITDA basis; our ability to develop, identify, market and launch hit games for mobile and web; our ability to monetize these games; our ability to deliver compelling entertainment experiences; our ability to grow and sustain our franchises on mobile and web; our ability to build and expand our network; our ability to grow 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 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 develop more efficient cost structures; our ability to efficiently deploy employees and leverage our teams and talent; our ability to embrace new practices to strengthen our game development, testing and marketing processes and our business generally; 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; 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; and our future operational plans, use of cash, strategies and prospects. Forward-looking statements often include words such as "outlook," "projected, " "intends," "will," "anticipate," "believe," “target,” "expect," and statements in the future tense are generally forward-looking statements. The achievement or success of the matters covered by such forward-looking statements involves significant risks, uncertainties and assumptions. Our actual results could differ materially from those predicted or implied, and reported results should not be considered as an indication of our future performance. Factors that could cause or contribute to such differences include, but are not limited to, the ability of key games, including *Farmville 2: Country Escape* to sustain or grow audience and bookings, the integration of our NaturalMotion acquisition and the success of its current and future games as part of Zynga, delays or challenges in implementing our cost-cutting activities, our relationship with Facebook or changes in the Facebook platform, attrition and declines in our existing games, our relationship with and/or agreements with iOS and or Android platform providers and/or changes to the Android or iOS platforms, our ability to launch new games in a timely manner and monetize these games and features effectively on the web and on mobile, including the second quarter launches from our Words and Casino franchises, 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, our ability to control and reduce expenses, our ability to use consumer feedback to improve our games, our ability to anticipate and address technical challenges that may arise, competition, changing interests of players, our exposure to illegitimate credit card activity and other security risks, sales or purchases of virtual goods used in Zynga Poker or our other games through unauthorized or illegitimate third-party websites, regulatory issues, intellectual property disputes or other litigation, asset impairment charges, our ability to retain key employees and retain and attract new talent, acquisitions by us and changes in corporate strategy or management.

Please note that, except where noted, the financial information included herein and discussed on the call includes the results of NaturalMotion subsequent to the close of the acquisition, which took place on February 11, 2014.

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, 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. The results we report in our Form 10-Q for the three months ended March 31, 2014 could differ from the preliminary results we have announced in this presentation.

Non-GAAP Financial Measures:

We have provided in this release non-GAAP financial information including bookings, Adjusted EBITDA, free cash flow, non-GAAP net income and non-GAAP EPS, as a supplement to the consolidated financial statements, which are prepared in accordance with generally accepted accounting principles ("GAAP"). Management uses these non-GAAP financial measures internally in analyzing our financial results to assess operational performance and liquidity. The presentation of this financial information is not intended to be considered in isolation or as a substitute for the financial information prepared in accordance with GAAP. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. We believe these non-GAAP financial measures are useful to investors because they allow for greater transparency with respect to key financial metrics we use in making operating decisions and because our investors and analysts use them to help assess the health of our business. We have provided reconciliations between our historical and second quarter 2014 outlook for non-GAAP financial measures to the most directly comparable GAAP financial measures. However, we have not provided reconciliation of full year 2014 bookings outlook to revenue, Adjusted EBITDA outlook to net income (loss), non-GAAP effective tax rate outlook to GAAP effective tax rate or non-GAAP EPS outlook to GAAP EPS because certain reconciling items necessary to accurately project revenue (including the projected mix of virtual goods sold in our games, and the projected estimated average lives of durable virtual goods for our games) for a full year are not in our control and cannot be reasonably projected due to variability from period to period caused by changes in player behavior and other factors. As revenue and/or net income (loss) for the applicable future period is a necessary input to determine all of these comparable GAAP figures, we are not able to provide these reconciliations for the full year 2014.

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

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

Because of these limitations, you should consider bookings, Adjusted EBITDA, non-GAAP net income, non-GAAP EPS, 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 Q1'14 Performance

Q1’14 Highlights

- Completed acquisition of NaturalMotion, expanding Zynga’s creative pipeline, accelerating its planned mobile growth and bringing in next-generation technology and tools
- Implemented global workforce reduction and closure of datacenter facilities as part of an overall plan to reduce costs
- Generated bookings of $161M and Adjusted EBITDA of $14M, outperforming high end of outlook range
- Achieved sequential growth across bookings, adjusted EBITDA, mobile bookings mix and audience metrics for first time in 2 years
- Delivered double digit mobile audience growth quarter over quarter, excluding contribution from NaturalMotion

Q1'14 Outlook vs. Q1'14 Actuals

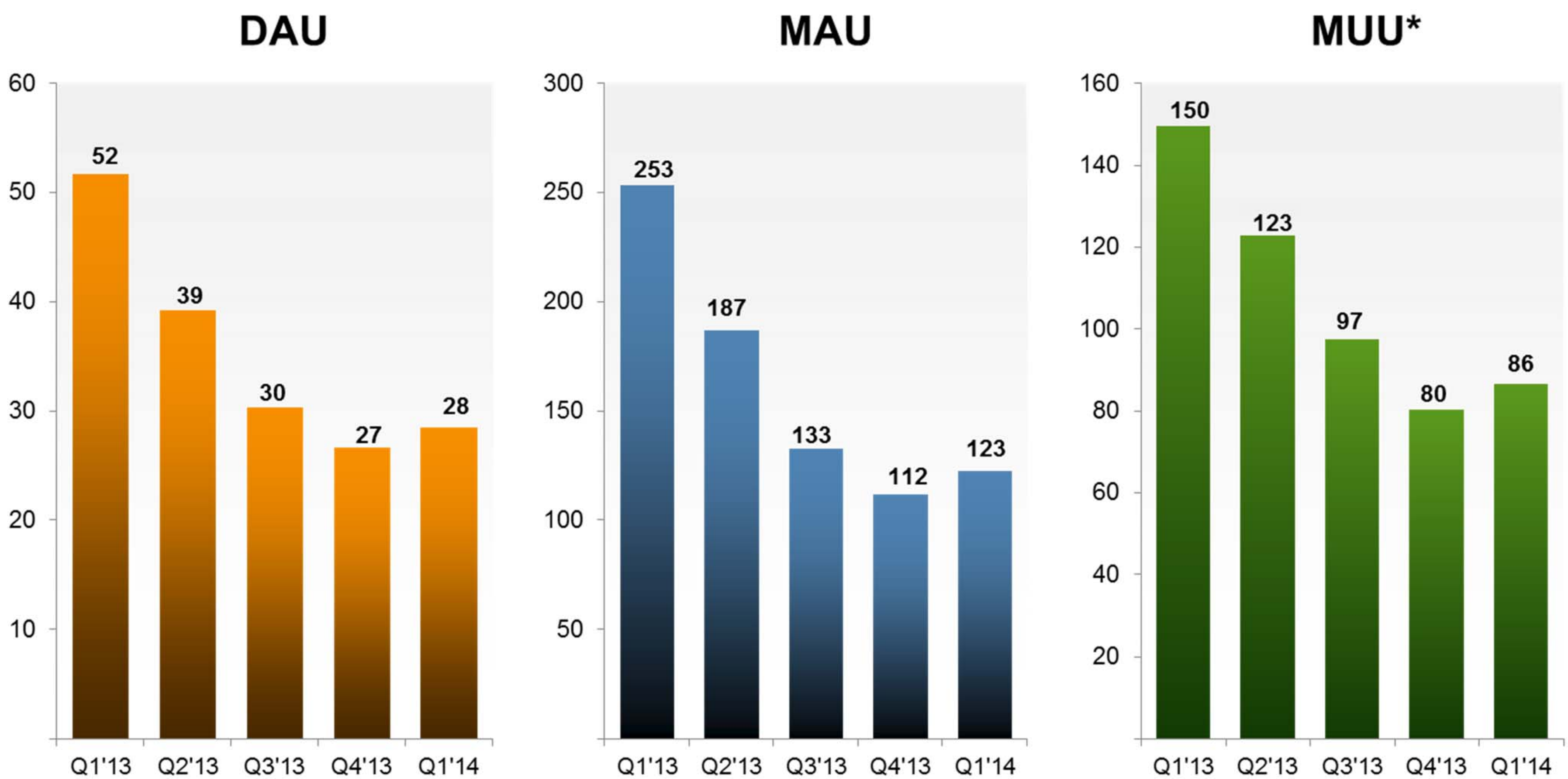
(in millions, except per share data)

	Outlook*	Actuals
Non-GAAP		
Bookings	$ 138 - 148	$ 161
Adjusted EBITDA	$ 5 - 10	$ 14
Non-GAAP net loss	$ (10) - (6)	$ (6)
Non-GAAP EPS	$ (0.01)	$ (0.01)
GAAP		
Revenue	$ 155 - 165	$ 168
Stock-based expense	$ 25	$ 28
Net loss	$ (56) - (49)	$ (61)
EPS	$ (0.07) - (0.06)	$ (0.07)

* Q1'14 outlook as communicated on our January 30, 2014 fourth quarter earnings call

Audience Metrics

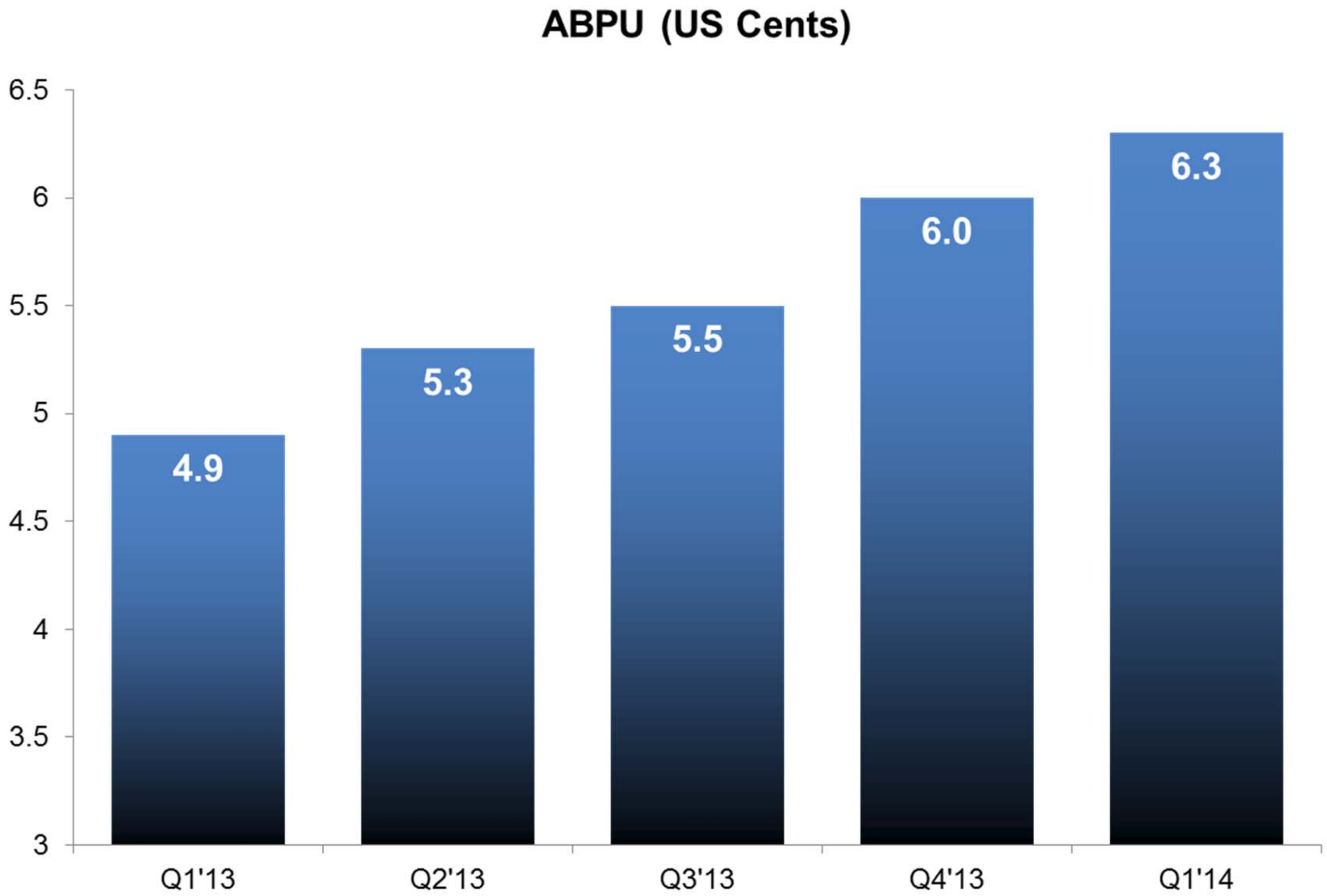
In millions



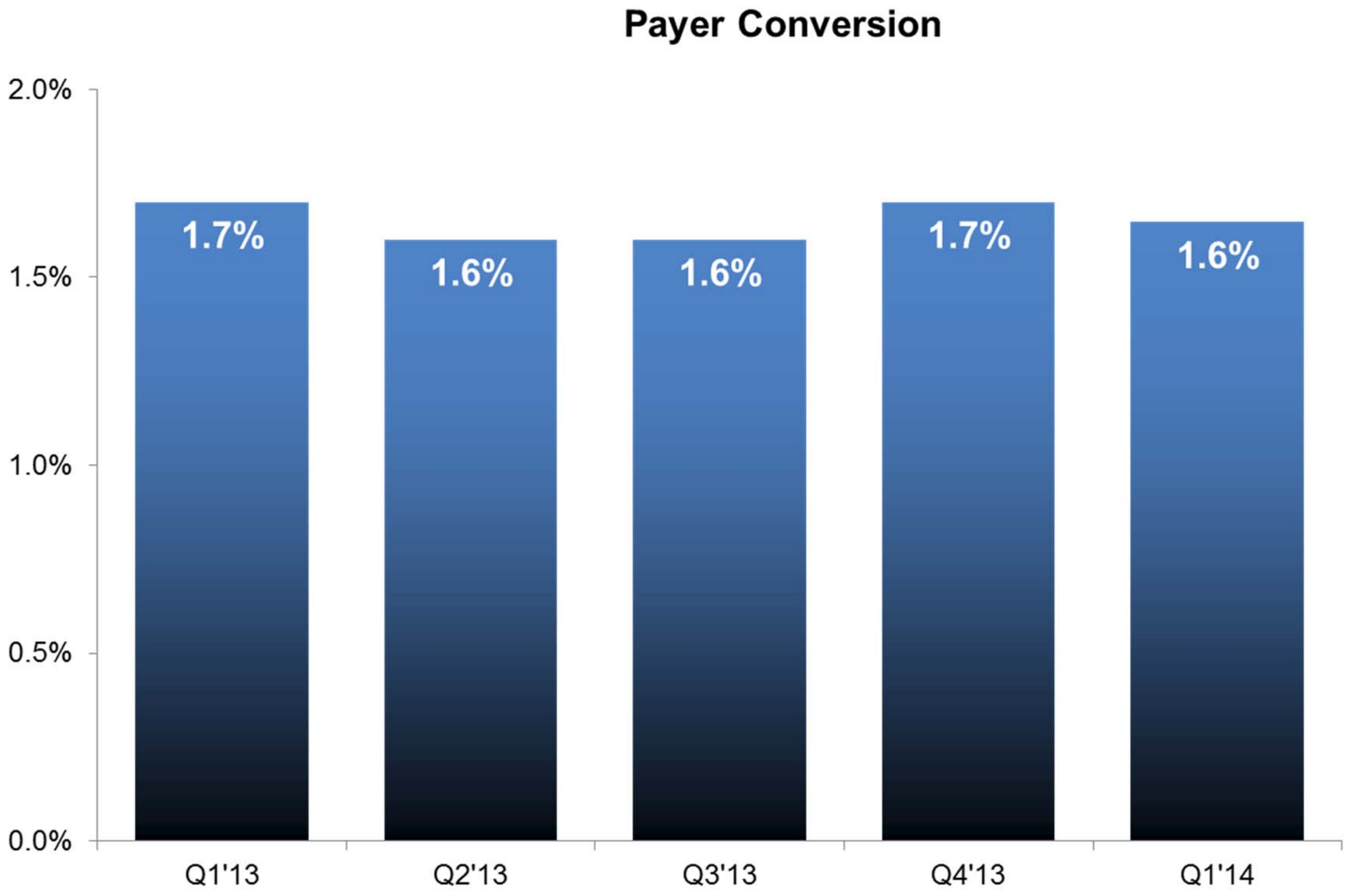
* MUUs exclude NaturalMotion as the necessary data is not yet available

Note: DAUs were 28.4M for Q1'14 vs 26.6M for Q4'13

Monetization

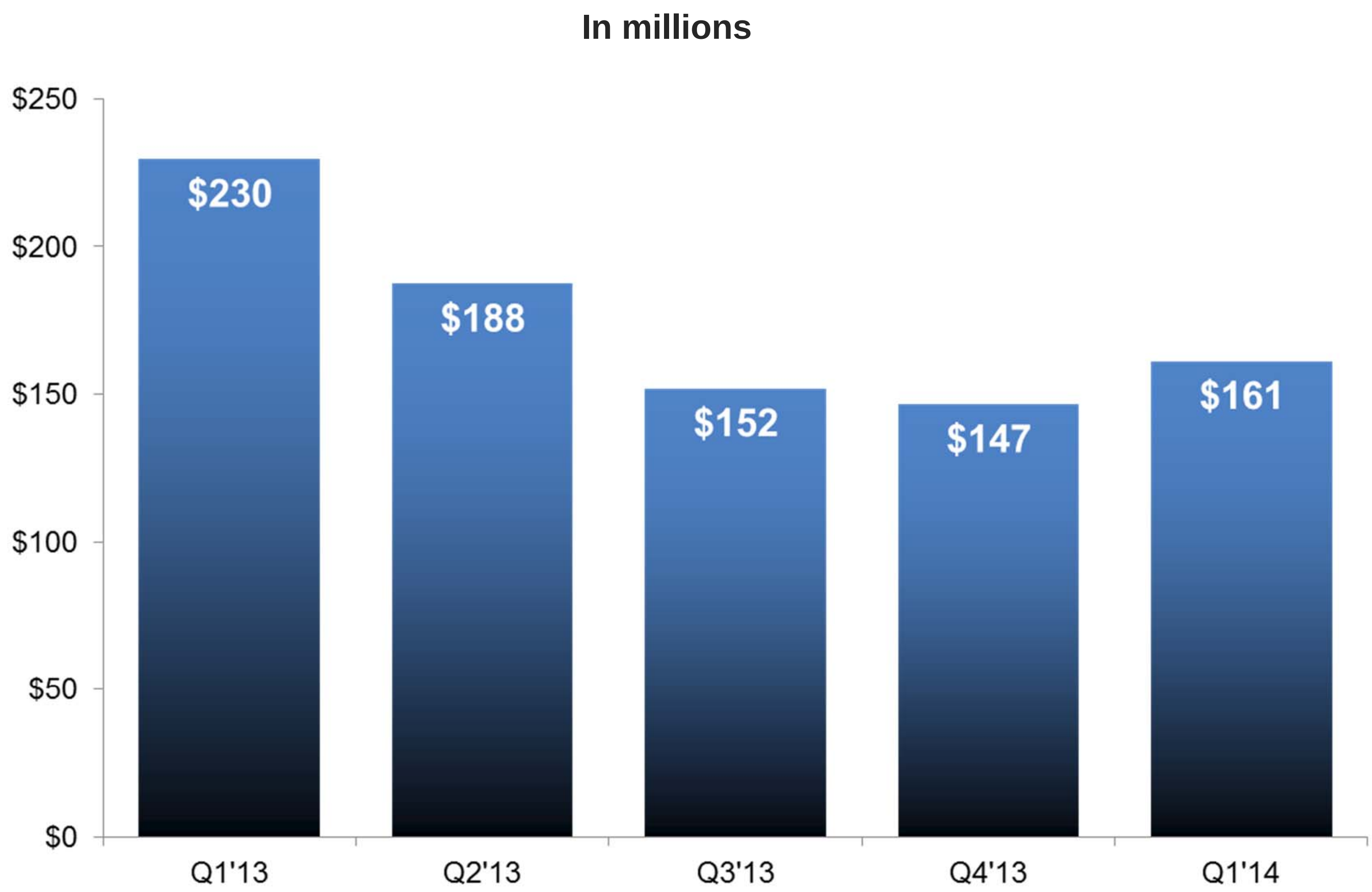


Monetization



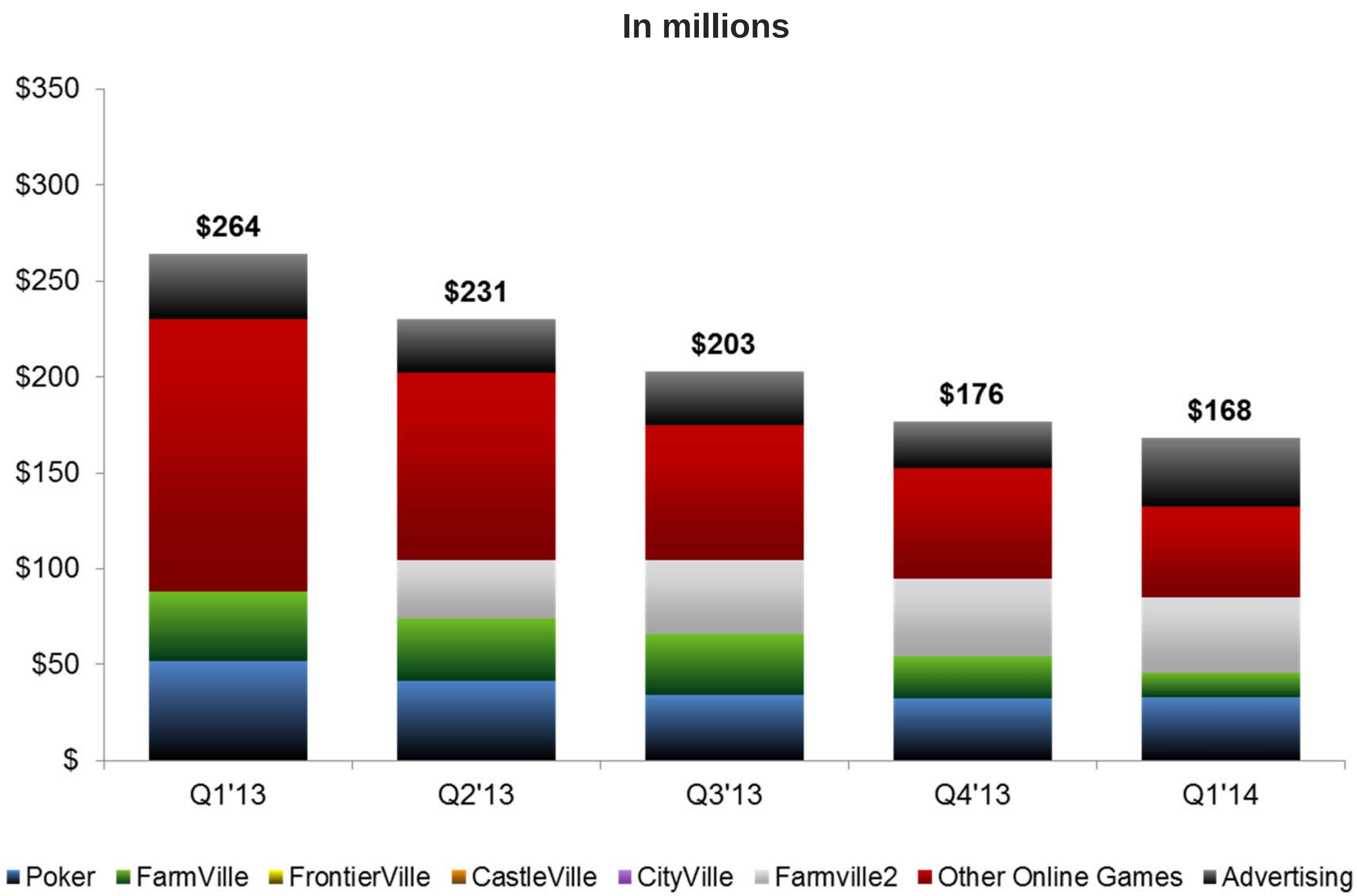
MUUs and MUPs exclude NaturalMotion as the necessary data is not yet available

Bookings



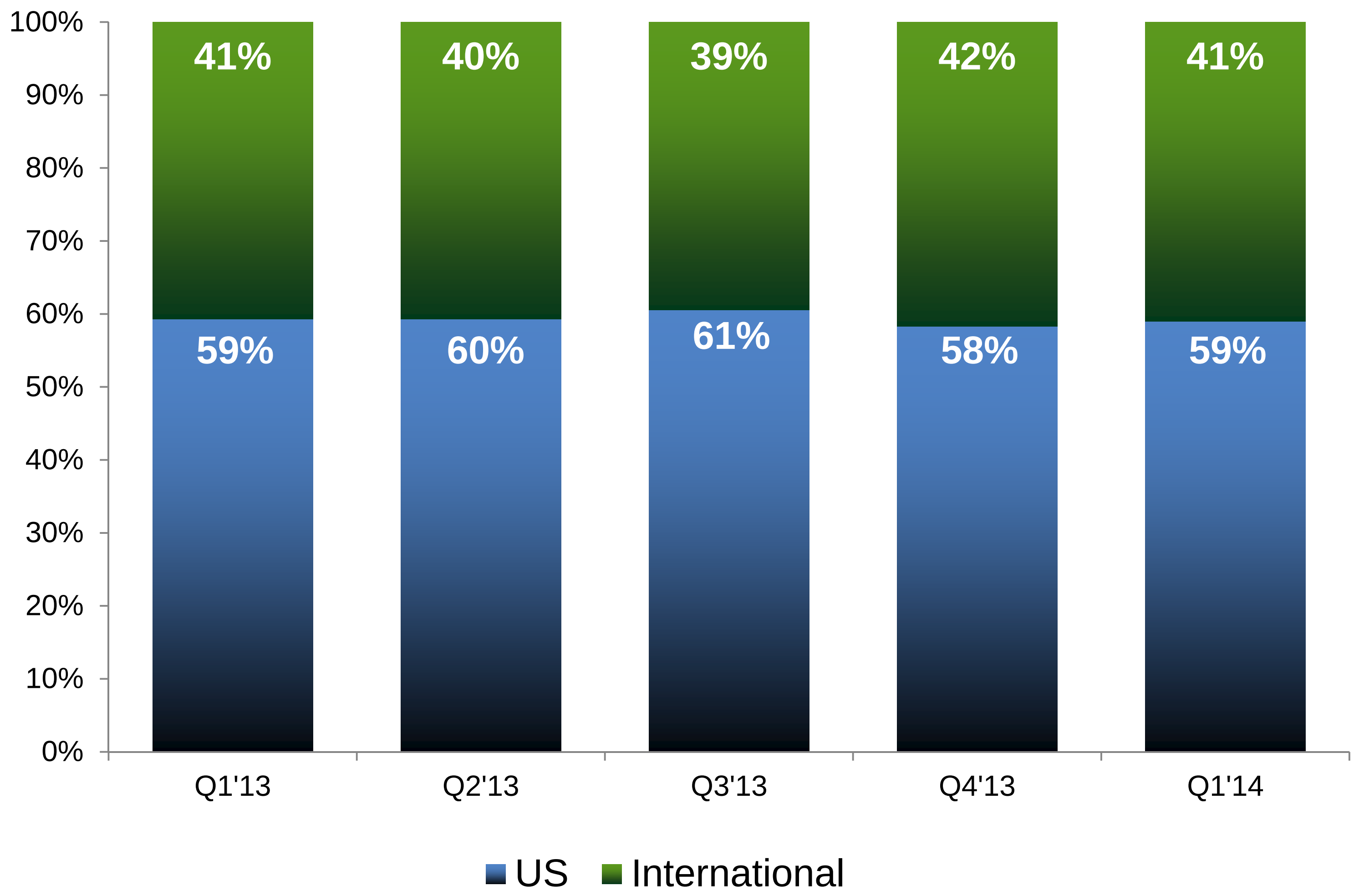
In millions
$250
$200
$150
$100
$50
$0
$230
$188
$152
$147
$161
Q1'13
Q2'13
Q3'13
Q4'13
Q1'14

Revenue

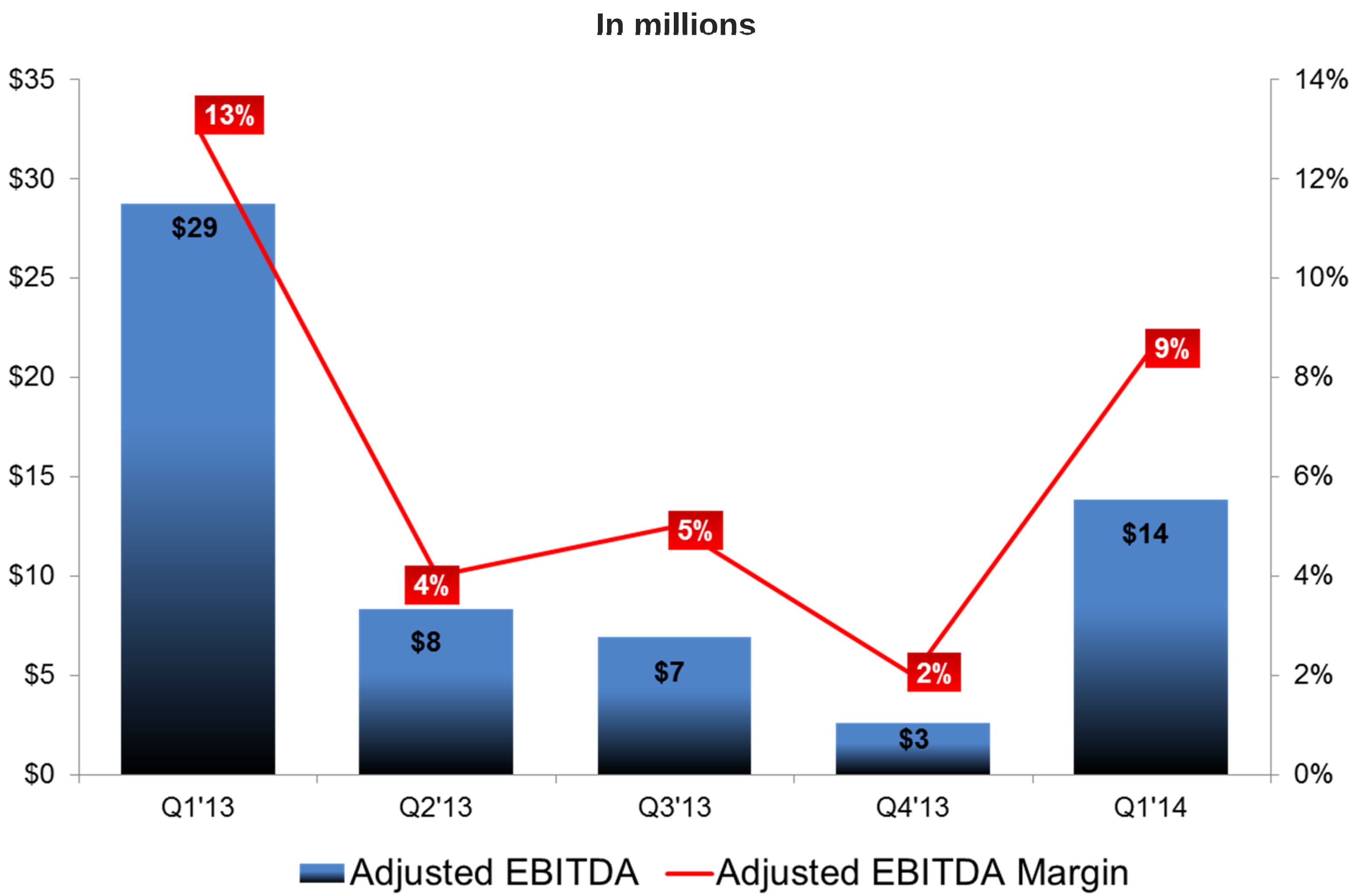


Note: Games representing less than 10% of online game revenue in any period are included in Other Online Games.

Revenue by Geography



Adjusted EBITDA and Margin



Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of bookings

Net Income (Loss) and Cash Flow

(in millions, except per share data)	Q1'13	Q4'13	Q1'14
GAAP			
Net income (loss)	$ 4.1	$ (25.2)	$ (61.1)
Diluted earnings per share	$ 0.00	$ (0.03)	$ (0.07)
Non-GAAP			
Net income (loss)	$ 9.1	$ (20.8)	$ (6.3)
Diluted earnings per share	$ 0.01	$ (0.03)	$ (0.01)
Operating cash flow	$ 26.4	$ 7.7	$ (24.2)
Free cash flow	$ 23.2	$ 6.8	$ (25.0)
Cash, cash equivalents and marketable securities	$ 1,535	$ 1,542	$ 1,137

Q2'14 and FY2014 Financial Outlook

Q2’14 Financial Outlook

(in millions, except per share data)	Q2'14 Outlook	
GAAP	**Low**	**High**
Revenue	$ 140	$ 160
Stock-based expense	$ 30	$ 30
Net loss	$ 75	$ 65
Diluted share count	878	878
EPS	$ (0.08)	$ (0.07)
Non-GAAP		
Bookings	$ 175	$ 195
Adjusted EBITDA	$ 10	$ 20
Non-GAAP net loss	$ (2)	$ 6
Diluted share count	878	930 [1]
Non-GAAP EPS	$ 0.00	$ 0.01

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

FY2014 Financial Outlook

(in millions, except per share data)	FY2014 Outlook Low	FY2014 Outlook High
Non-GAAP		
Bookings	$ 770	$ 810
Adjusted EBITDA	$ 70	$ 100
Non-GAAP net income	$ 8	$ 29
Diluted share count	930	930
Non-GAAP EPS	$ 0.01	$ 0.03

GAAP to Non-GAAP Reconciliations

Revenue to Bookings

(in thousands, unaudited)	3 months ended 3/31/14	3 months ended 3/31/13
Reconciliation of Revenue to Bookings		
Revenue	$ 168,020	$ 263,589
Change in deferred revenue	(6,662)	(33,774)
Bookings	**$ 161,358**	**$ 229,815**

Net Loss to Adjusted EBITDA

(in thousands, unaudited)	3 months ended 3/31/14	3 months ended 3/31/13
Reconciliation of Net loss to Adjusted EBITDA		
Net loss	$ (61,183)	$ 4,133
Provision for (benefit from) income taxes	(7,079)	(8,766)
Other income (expense), net	(1,125)	863
Interest income	(870)	(1,163)
Restructuring expense	29,655	5,459
Depreciation and amortization	25,344	32,061
Contingent consideration fair value adjustment	1,280	-
Acquisition-related transaction expenses	6,160	-
Stock-based expense	28,326	29,922
Change in deferred revenue	(6,662)	(33,774)
Adjusted EBITDA	**$ 13,846**	**$ 28,735**

Net Loss to Non-GAAP Net Income (Loss)

(in thousands, unaudited)	3 months ended 3/31/14	3 months ended 3/31/13
Reconciliation of Net loss to Non-GAAP net income (loss)		
Net loss	$ (61,183)	$ 4,133
Stock-based expense	28,326	29,922
Amortization of intangible assets from acquisitions	2,607	3,658
Contingent consideration fair value adjustment	1,280	-
Acquisition-related transaction expenses	6,160	-
Change in deferred revenue	(6,662)	(33,774)
Restructuring expense	29,655	5,459
Tax effect of non-GAAP adjustments to net loss	(6,441)	(293)
Non-GAAP net income (loss)	**$ (6,258)**	**$ 9,105**

Net Cash Provided by Operating Activities to Free Cash Flow

(in thousands, unaudited)	3 months ended			
		3/31/14		3/31/13
Reconciliation of Net cash provided by operating activities to Free cash flow				
Net cash provided by (used in) operating activities	$	(24,246)	$	26,445
Acquisition of property and equipment		(1,234)		(4,924)
Excess tax benefits (costs) from stock-based awards		436		1,657
Free cash flow	**$**	**(25,044)**	**$**	**23,178**

Provision for (Benefit from) Income Taxes

(in thousands, unaudited)	3 months ended 3/31/14	3 months ended 3/31/13
Reconciliation of GAAP to Non-GAAP provision for (benefit from) income taxes		
GAAP Provision for (benefit from) income taxes	$ (7,079)	$ (8,766)
Stock-based expense	2,973	1,669
Amortization of intangible assets from acquisitions	274	204
Contingent consideration fair value adjustment	134	-
Acquisition-related transaction expenses	647	-
Change in deferred revenue	(699)	(1,884)
Restructuring expense	3,112	304
Non-GAAP provision for (benefit from) income taxes	**$ (638)**	**$ (8,473)**

Q1'14 Statement of Operations

Three months ended March 31, 2014

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

	GAAP Statement of Operations	Stock-based expense	Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense	Acquisition-related transaction expenses	Contingent consideration fair value adjustment	**Non-GAAP** measure
Total revenue	$ 168,020	$ -	$ -	$ (6,662)	$ -	$ -	$ -	$ 161,358 (1)
Cost of revenue	53,504	(1,279)	(2,322)	-	(1,179)	-	-	48,724
Research and development	97,584	(18,416)	-	-	(9,277)	-	(1,280)	68,611
Sales and marketing	29,853	(1,458)	(285)	-	(1,498)	-	-	26,612
General and administrative	57,336	(7,173)	-	-	(17,701)	(6,160)	-	26,302
Total costs and expenses	238,277	(28,326)	(2,607)	-	(29,655)	(6,160)	(1,280)	170,249
Income (loss) from operations	(70,257)	28,326	2,607	(6,662)	29,655	6,160	1,280	(8,891)
Interest income (expense)	870	-	-	-	-	-	-	870
Other income (expense), net	1,125	-	-	-	-	-	-	1,125
Income (loss) before income taxes	(68,262)	28,326	2,607	(6,662)	29,655	6,160	1,280	(6,896)
Provision for (benefit from) income taxes	(7,079)	2,973	274	(699)	3,112	647	134	(638)
Net Income (loss)	$ (61,183)	$ 25,353	$ 2,333	$ (5,963)	$ 26,543	$ 5,513	$ 1,146	$ (6,258) (2)
WASO								
Diluted	850,148							850,148
EPS								
Diluted	$ (0.07)							$ (0.01)

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

Q1’13 Statement of Operations

Three months ended March 31, 2013 — Adjustments to GAAP to arrive at non-GAAP net income (loss)

	GAAP Statement of Operations	Stock-based expense	Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense	Acquisition-related transaction expenses	Contingent consideration fair value adjustment	**Non-GAAP** measure
Total revenue	$ 263,589	$ -	$ -	$ (33,774)	$ -	$ -	$ -	$ 229,815 [1]
Cost of revenue	69,394	(1,933)	(3,170)	-	-	-	-	64,291
Research and development	129,181	(20,900)	-	-	(3,395)	-	-	104,886
Sales and marketing	27,307	(1,413)	(488)	-	(119)	-	-	25,287
General and administrative	42,640	(5,676)	-	-	(1,945)	-	-	35,019
Total costs and expenses	268,522	(29,922)	(3,658)	-	(5,459)	-	-	229,483
Income (loss) from operations	(4,933)	29,922	3,658	(33,774)	5,459	-	-	332
Interest income (expense)	1,163	-	-	-	-	-	-	1,163
Other income (expense), net	(863)	-	-	-	-	-	-	(863)
Income (loss) before income taxes	(4,633)	29,922	3,658	(33,774)	5,459	-	-	632
Provision for (benefit from) income taxes	(8,766)	1,669	204	(1,884)	304	-		(8,473)
Net Income (loss)	$ 4,133	$ 28,253	$ 3,454	$ (31,890)	$ 5,155	$ -	$ -	$ 9,105 [2]
WASO								
Diluted	827,526							827,526
EPS								
Diluted	$ 0.00							$ 0.01

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

Q2'14 Outlook

(in thousands, except per share data)

Reconciliation of Revenue to Bookings	Q2'14
Revenue range	140,000 - 160,000
Change in deferred revenue	35,000
Bookings range	175,000 - 195,000
Reconciliation of Net loss to Adjusted EBITDA	
Net loss range	(74,500) - (64,500)
Provision for (benefit from) income taxes	1,000
Other income, net	(1,000)
Interest income	(1,000)
Restructuring expense	500
Depreciation and amortization	20,000
Stock-based expense	30,000
Change in deferred revenue	35,000
Adjusted EBITDA range	10,000 - 20,000
Reconciliation of Net loss to Non-GAAP net loss	
Net loss range	(74,500) - (64,500)
Stock-based expense	30,000
Amortization of intangible assets from acquisitions	7,000
Restructuring expense	500
Change in deferred revenue	35,000
Tax effect of non-GAAP adjustments to net loss	0 - (2,000)
Non-GAAP net loss range	(2,000) - 6,000
GAAP diluted shares	878,000
Non-GAAP diluted shares	878,000 - 930,000[1]
Net loss per share range	(0.08) - (0.07)
Non-GAAP net income per share range	0.00 - 0.01

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

Thank you!