



**Zynga Inc.**  
**Update on Presentation of Non-GAAP Financial Measures**  
**October 27, 2016**

On May 17, 2016, the Staff of the United States Securities and Exchange Commission (the “SEC”) updated their Compliance & Disclosure Interpretations (“C&DIs”) related to the use of publicly reported non-GAAP financial measures. The C&DI updates affect all companies that disclose non-GAAP financial measures.

After consideration of the updated C&DIs, we will no longer exclude revenue deferrals in our computation of adjusted EBITDA. Additionally, we will no longer report non-GAAP net income (loss) and the related non-GAAP earnings (loss) per share.

It is important to note that this is only a change in external non-GAAP financial reporting on a prospective basis. We are not restating any of our prior financial results. Our GAAP results and presentation of GAAP metrics do not change.

This change in presentation has no effect on our business, nor how we manage our business, nor the way our Board of Directors evaluates management and Company performance. It has no impact on our business fundamentals but it will change how we present our business results externally.

For our upcoming Q3 2016 Earnings Release on November 2, 2016, for one last time, we will provide adjusted EBITDA as previously reported (i.e. including an adjustment for revenue deferrals) for comparative purposes.

In addition to this Q&A, please also refer to the conference call held on October 27, 2016 at 2:00 pm Pacific Time regarding this topic.

**QUESTIONS AND ANSWERS**

***Question 1: Why did Zynga historically report adjusted EBITDA including the adjustment for revenue deferrals?***

Answer 1: Adjusted EBITDA previously included an adjustment for revenue deferrals due to the delayed revenue recognition of our online game bookings. In accordance with GAAP, we record the sale of virtual currency and/or virtual goods as deferred revenue and then recognize that revenue ratably over the estimated average life of the purchased virtual goods or as the virtual goods are consumed. Thus, our GAAP results allow our investors to understand how sales activity matches with the estimated average playing period of paying players, while our non-GAAP results allow our investors to understand our performance with respect to sales activity in a given period.

Given these revenue recognition requirements, our profitability under GAAP is subject to significant variability depending on when virtual currency and/or virtual goods are sold. Additionally, the cost of

revenue associated with our online game bookings (i.e. mobile payment processing fees) is expensed as incurred. Thus, in order to provide a more timely view of our sales and to match revenue with costs, we have historically reported adjusted EBITDA to exclude the impact of these deferrals.

***Question 2: Does this change in external reporting impact how Zynga is managed?***

Answer 2: No. Nothing will change in how we currently manage the business, how we evaluate the results of our operations and/or how we generate future operating plans. When assessing the Company's performance, management will continue to include an adjustment for the change in deferred revenue when calculating adjusted EBITDA.

***Question 3: How will Zynga be reporting its financial results in Q3 2016?***

Answer 3: We will continue to report the same GAAP results and non-GAAP results for bookings and adjusted EBITDA. Adjusted EBITDA however, will no longer include the adjustment for the "change in deferred revenue". Additionally, we will no longer report non-GAAP net income (loss) and the related non-GAAP earnings (loss) per share. Refer to the example earnings slide presentation that reflects these changes.

Additionally, for one last time, in our Q3 2016 earnings materials we will provide adjusted EBITDA as previously reported (i.e. including an adjustment for revenue deferrals) for the current quarter. This will allow comparison to our Q3 2016 outlook as communicated on our Q2 2016 Earnings Call on August 4, 2016.

***Question 4: Will Zynga change how guidance is provided?***

Answer 4: Yes, as it relates to our non-GAAP guidance. Guidance for adjusted EBITDA will no longer exclude revenue deferrals. However, we will continue to provide bookings and the expected change in deferred revenue. Additionally, we will no longer provide guidance for non-GAAP net income (loss) and the related non-GAAP earnings (loss) per share.

There will be no changes to our GAAP guidance.

***Question 5: Is Zynga restating historical financial results?***

Answer 5: No. This change in our external reporting for adjusted EBITDA is only on a prospective basis. The updated C&DIs do not have a retroactive effect. As a reminder, nothing is changing in how we currently manage the business or in its fundamentals.

***Question 6: Is Zynga changing its GAAP financials at all?***

Answer 6: No. There will be no changes to the GAAP financials. Our GAAP results will be reported using the same accounting and reporting policies and procedures Zynga has used historically.

***Question 7: For comparative purposes, will I still be able to calculate adjusted EBITDA as previously reported?***

Answer 7: Yes. The change in deferred revenue will continue to be provided. Thus, for those who wish to continue to evaluate our Company's performance based on the same measure we focus on internally, this amount can be used to calculate adjusted EBITDA as previously reported prior to Q3 2016.

## **FORWARD LOOKING STATEMENTS**

This document may include forward-looking statements regarding future events, including the ways in which Zynga may modify its system of external financial reporting and the ways in which Zynga's management and board of directors assess performance. 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. 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 or will be 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).