



Q3
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FINANCIAL RESULTS

NOVEMBER 4, 2020

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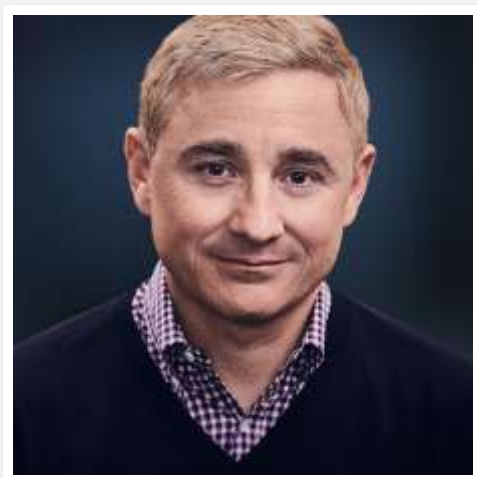
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Management Team



Frank Gibeau
CHIEF EXECUTIVE OFFICER



Gerard Griffin
CHIEF FINANCIAL OFFICER



zynga



Forward-Looking Statements

This presentation contains forward-looking statements, including those statements relating to our outlook for the full year and fourth quarter of 2020 under the headings “Q4 2020 Financial Guidance,” “Raised FY 2020 Financial Guidance,” “Q4 2020 Financial Guidance: GAAP To Non-GAAP Reconciliation” and “Raised 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; expectation to launch new titles that have the potential to become Forever Franchises or that are fast-to-market games; continued execution of our multi-year growth strategy which includes investing in new markets, categories, platforms and technologies; our ability to navigate the current environment; our plans to enhance existing games with new events, features and updates, scale existing games and increase marketing investments for both our live services portfolio and new game launches; our performance expectations regarding our live services, advertising business, Forever Franchises, new game launches and our older mobile and web titles; our ability to integrate and achieve the intended benefits of our recent acquisitions; our opportunities to grow through additional acquisitions and international audience expansion; our positioning to be an interactive entertainment growth leader; and our ability to achieve and expectations related to financial projections, including revenue, deferred revenue, bookings, income, adjusted EBITDA, contingent consideration accruals, amortization of acquired intangibles, user pay mix, stock-based compensation, marketing investments, income taxes, 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, including risks, uncertainty and assumptions relating to the COVID-19 pandemic, shelter-in-place rules and effects on business and economic conditions. Our actual results could differ materially from those predicted or implied and reported results should not be considered as an indication of our future performance. Undue reliance should not be placed on such forward-looking statements, which are based on information available to us on the date hereof. We assume no obligation to update such statements. More information about factors that could affect our operating results are described in greater detail in our public filings with the Securities and Exchange Commission (the “SEC”), copies of which may be obtained by visiting our Investor Relations web site at <http://investor.zynga.com> or the SEC's web site at www.sec.gov.

In addition, the preliminary financial results set forth in this letter are estimates based on information currently available to us. While we believe these estimates are meaningful, they could differ from the actual amounts that we ultimately report in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2020. We assume no obligation and do not intend to update these estimates prior to filing our Quarterly Report on Form 10-Q.



OVERVIEW OF Q3 2020 PERFORMANCE

Q3 2020 Highlights

- Highest revenue and bookings performances in Zynga history with revenue of \$503 million, up 46% year-over-year, and bookings of \$628 million, up 59% year-over-year
- Record online game – or user pay – revenue of \$436 million, up 55% year-over-year, and user pay bookings of \$561 million, up 69% year-over-year
- Record international revenue of \$191 million, up 44% year-over-year, and international bookings of \$241 million, up 49% year-over-year
- Highest revenue and bookings quarter for our Social Slots portfolio, in addition to record Q3 revenue and bookings performances by *Words With Friends*, *CSR2* and our Casual Cards portfolio
- *Toon Blast* and *Toy Blast* performed well in their first full quarter at Zynga and were key drivers of our year-over-year topline growth alongside *Empires & Puzzles* and *Merge Magic!*
- Launched *Harry Potter: Puzzles & Spells* in late September, which is off to a great start with positive player feedback and strong initial player engagement
- Best average mobile daily active users (DAUs) and average mobile monthly active users (MAUs) in more than six years with mobile DAUs of 31 million, up 53% year-over-year, and mobile MAUs of 83 million, up 23% year-over-year
- Generated operating cash flow of \$113 million, our best Q3 performance and up 65% year-over-year
- Completed our acquisition of Rollic on October 1, 2020, marking our entry into the fast-growing hyper-casual market and bringing a highly talented team with an extensive network of external developers to Zynga.
- All Zynga employees continued to work from home seamlessly while delivering on a robust lineup of bold beats across our live services portfolio as well as the launch of *Harry Potter: Puzzles & Spells*

Q3 2020 Financial Guidance vs. Actuals

(in thousands, except per share data)

GAAP	Q3 2020 Guidance ⁽²⁾	Actuals
Revenue	\$ 445,000	\$ 503,332
(B) Net increase in deferred revenue ⁽¹⁾	\$ (175,000)	\$ (124,631)
Net loss	\$ (160,000)	\$ (122,206)
Basic and diluted net loss per share	\$ (0.15)	\$ (0.11)
Basic and diluted share count	1,080,000	1,076,680
 Non-GAAP		
Bookings	\$ 620,000	\$ 627,963
(A) Adjusted EBITDA	\$ (45,000)	\$ 37,722

Management Reporting = (A) - (B)

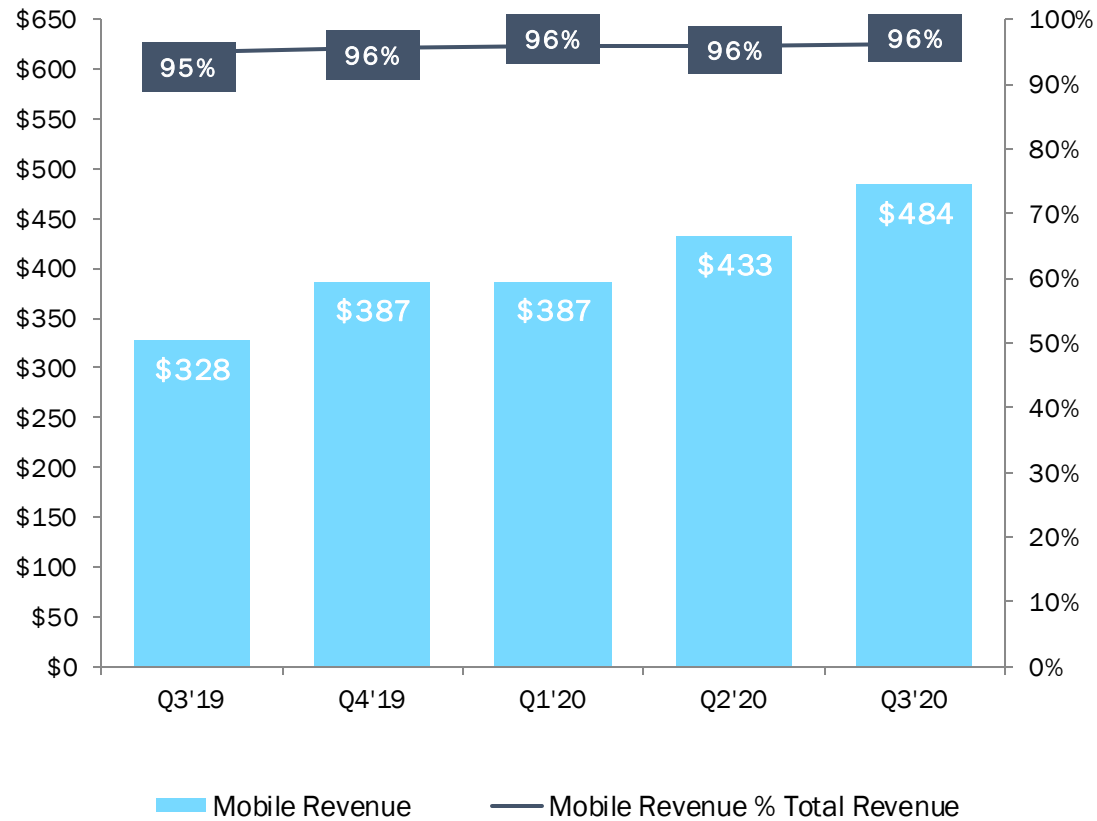
Footnotes:

⁽¹⁾ For clarity, a net release of deferred revenue results in revenue being higher than bookings and is a positive impact to Adjusted EBITDA as reported; a net increase in deferred revenue results in revenue being lower than bookings and is a negative impact to Adjusted EBITDA as reported.

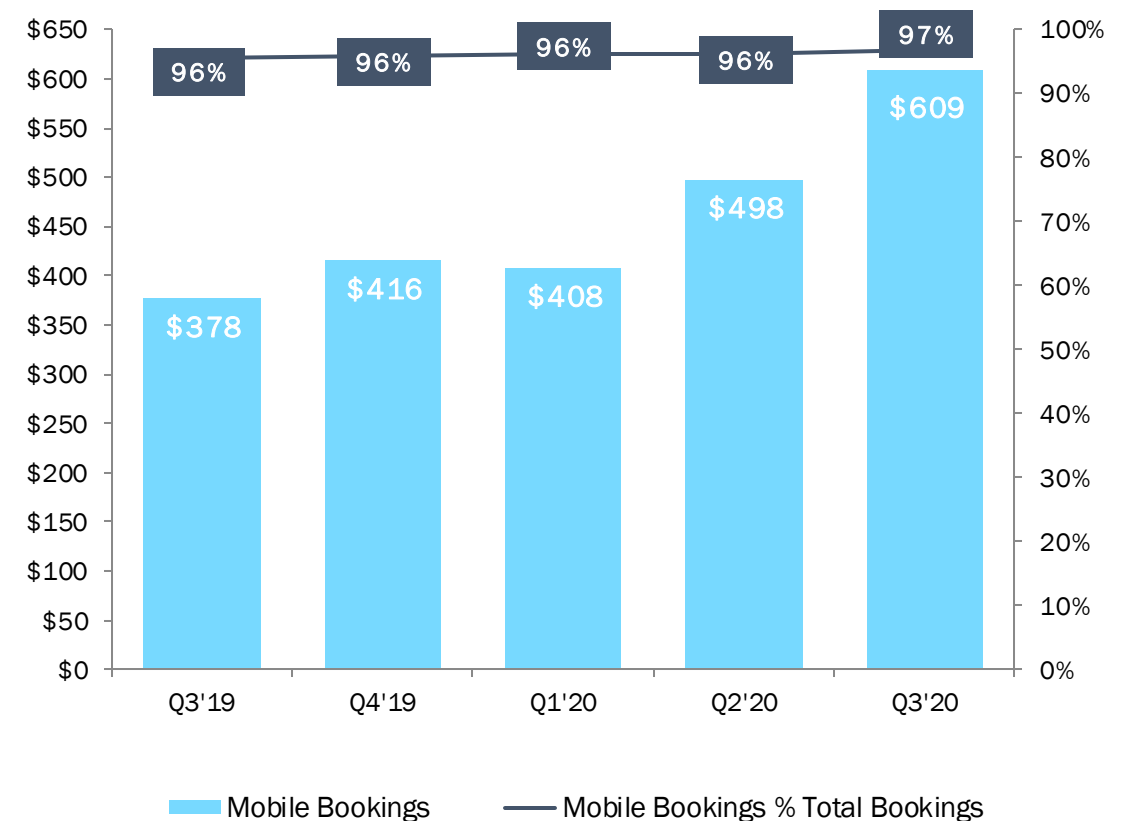
⁽²⁾ Q3 2020 guidance as communicated in our Q2 2020 earnings letter and slides

Mobile: Revenue & Bookings

MOBILE REVENUE
96% OF TOTAL IN Q3'20



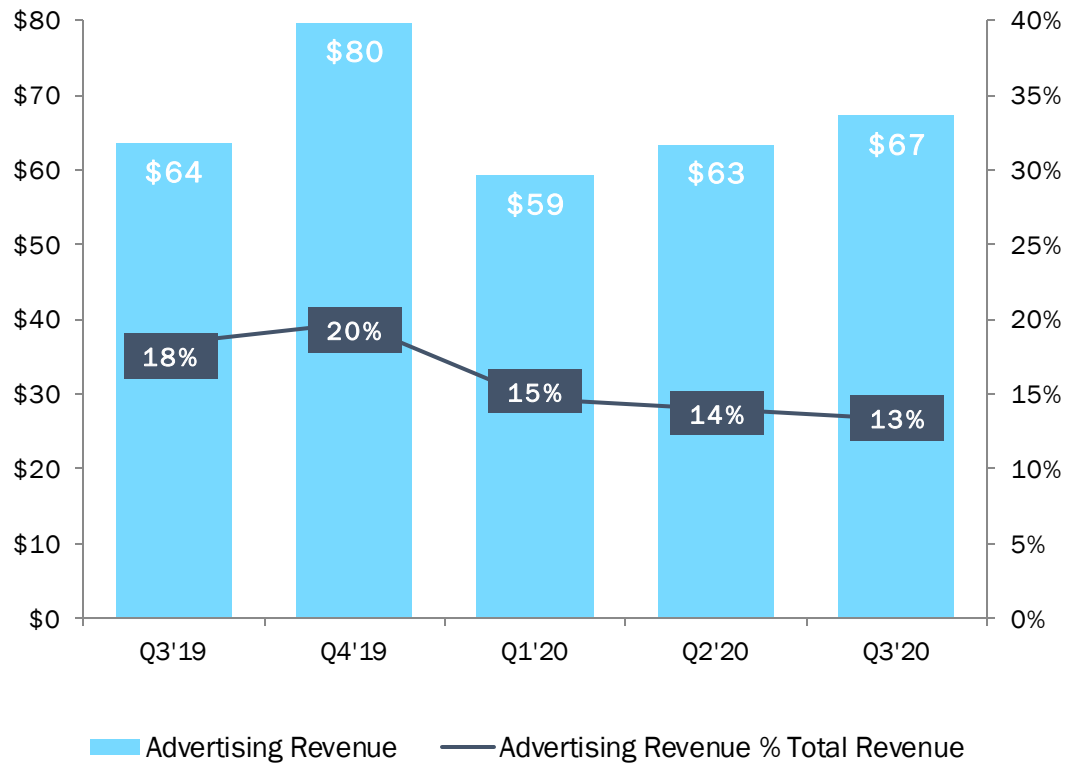
MOBILE BOOKINGS
97% OF TOTAL IN Q3'20



Advertising: Revenue & Bookings

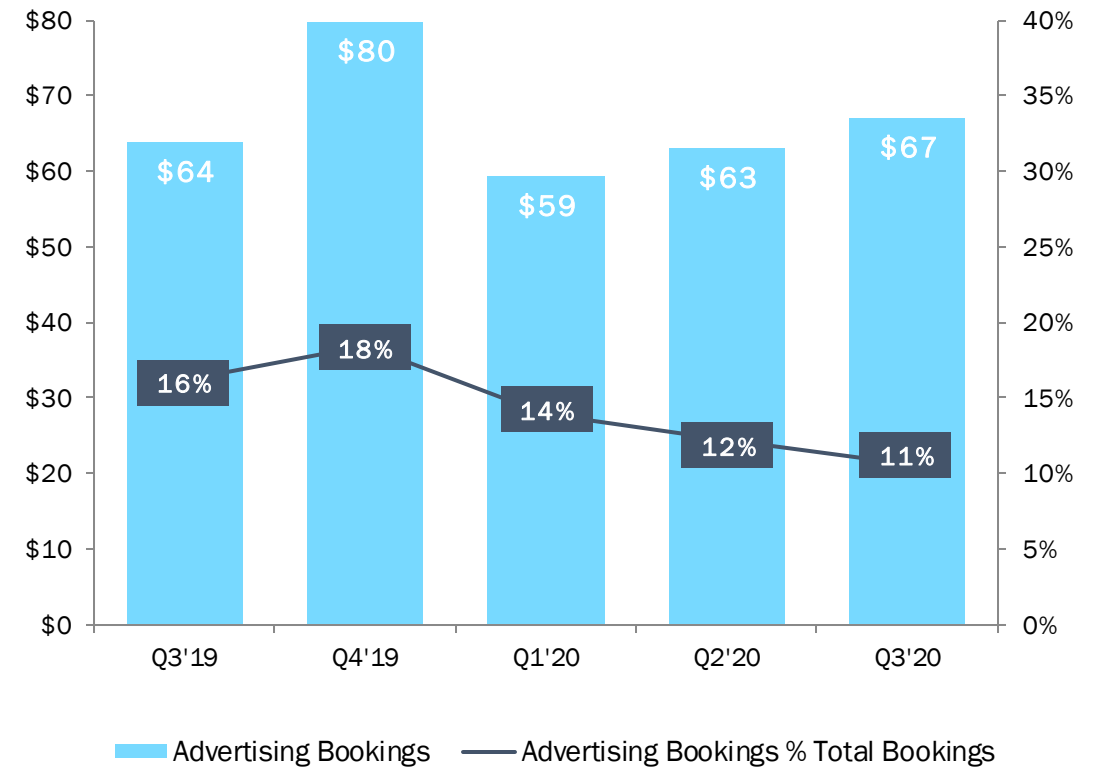
ADVERTISING REVENUE

13% OF TOTAL IN Q3'20



ADVERTISING BOOKINGS

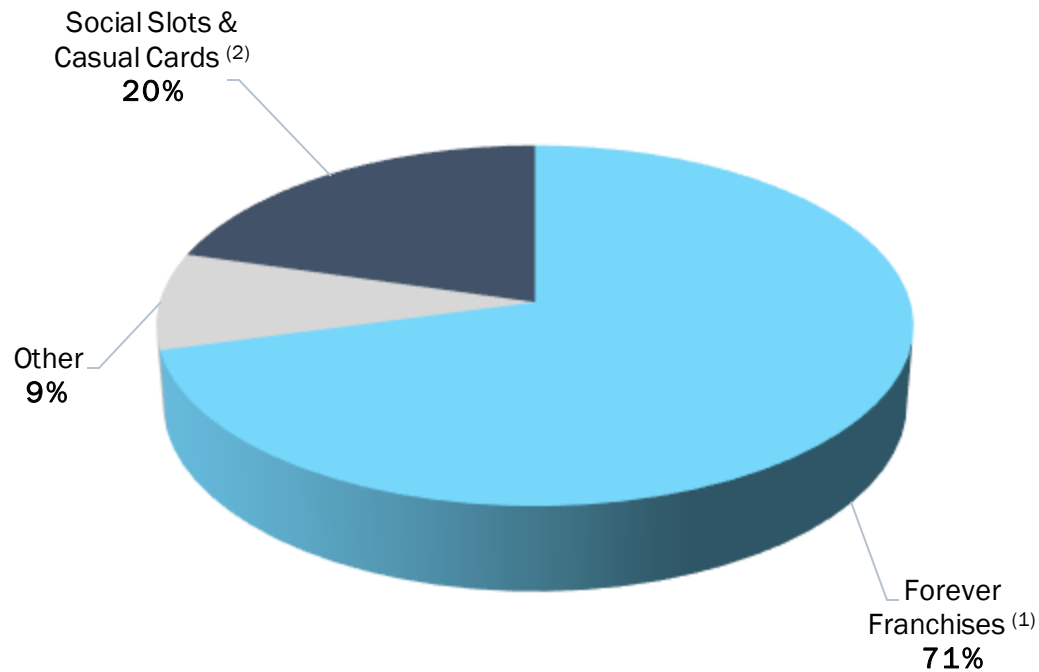
11% OF TOTAL IN Q3'20



Q3 2020 Total Revenue & Bookings

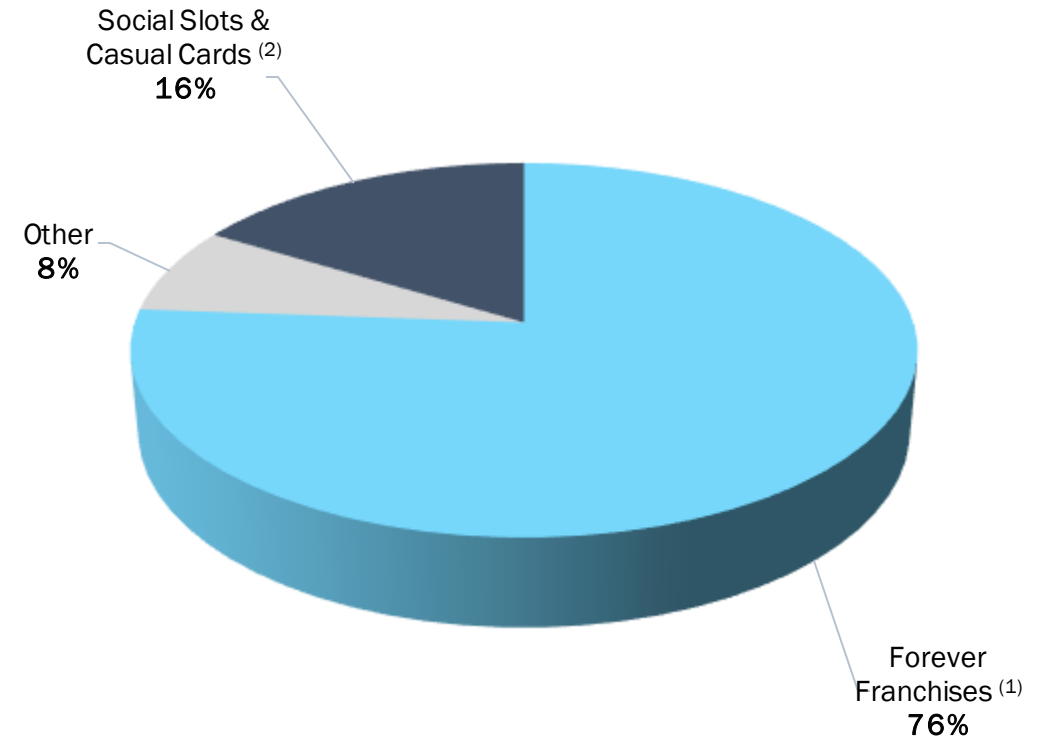
TOTAL REVENUE

TOTAL: \$503 million



TOTAL BOOKINGS

TOTAL: \$628 million

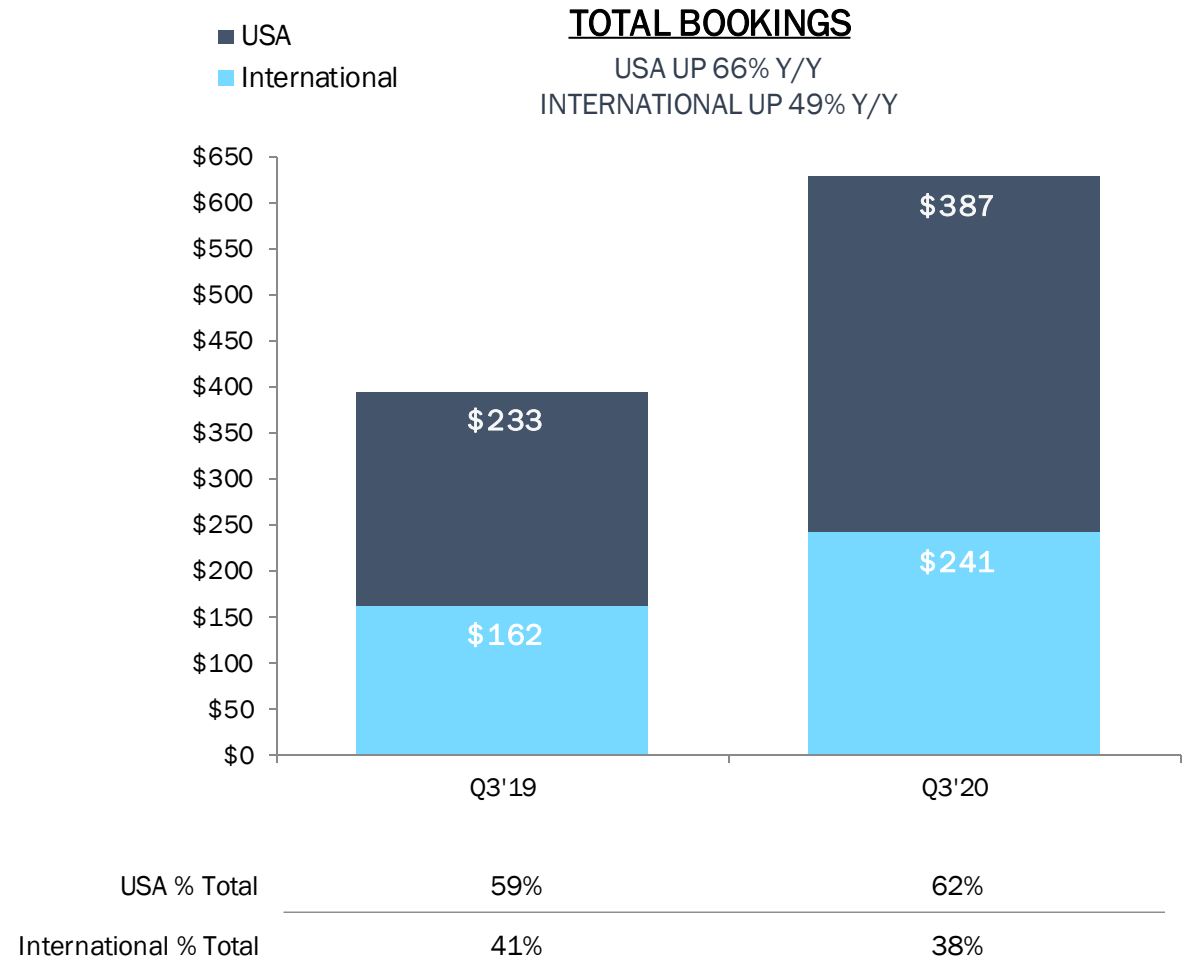
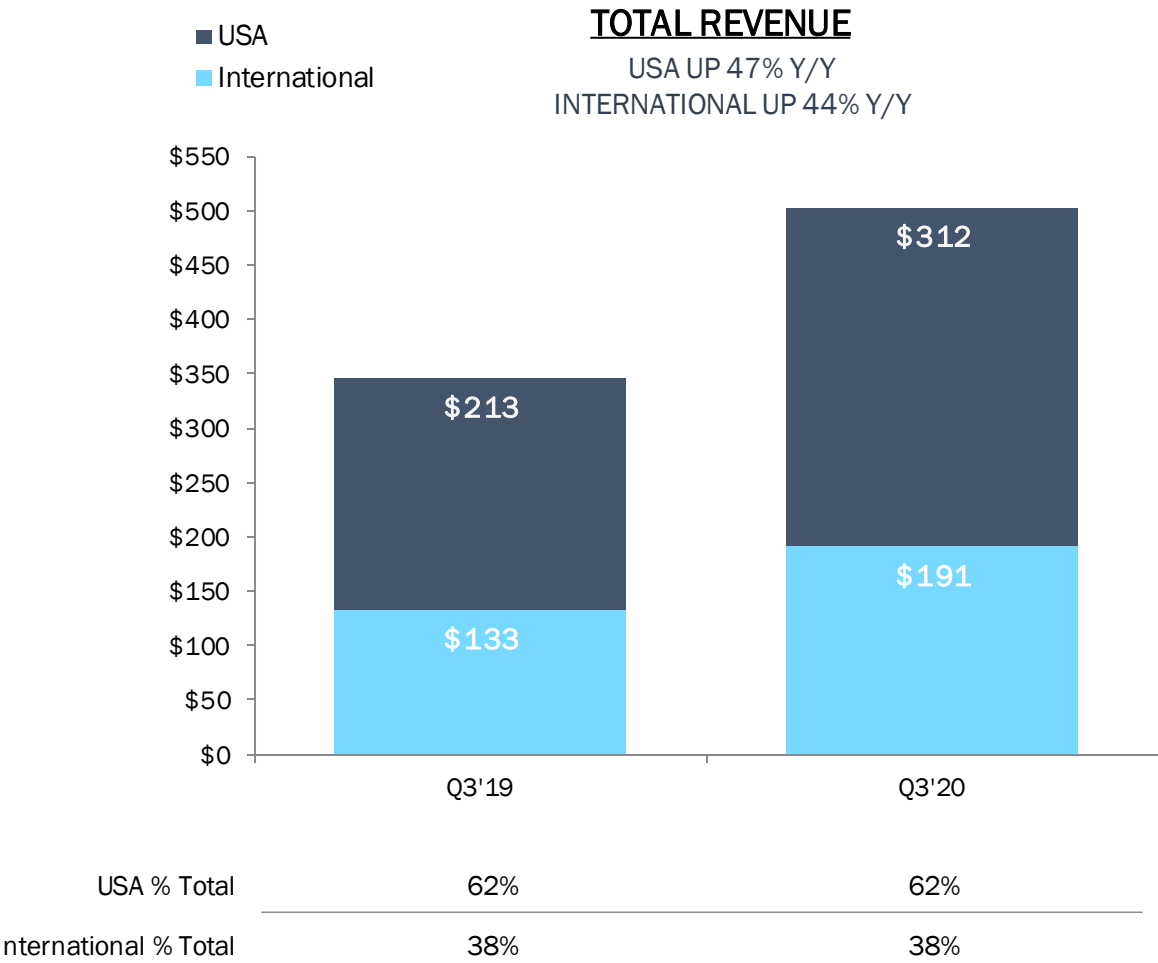


Footnotes:

(1) "Forever Franchises" includes CSR Racing, Empires & Puzzles, Merge Dragons!, Merge Magic!, Toon Blast, Toy Blast, Words With Friends and Zynga Poker.

(2) "Social Slots & Casual Cards" includes Black Diamond Casino, Game of Thrones Slots Casino, Hit It Rich! Slots, Willy Wonka Slots, Wizard of Oz Slots, the Casual Card Games acquired in December 2017, Bluff Plus and Solitaire.

By Geography: Revenue & Bookings



Net Income (Loss) & Cash Flow

(in millions, except per share data)

	Q3'20	Q2'20	Q1'20	Q4'19	Q3'19
Net income (loss)	\$ (122)	\$ (150)	\$ (104)	\$ (4)	\$ 230
Diluted net income (loss) per share	\$ (0.11)	\$ (0.16)	\$ (0.11)	\$ (0.00)	\$ 0.24
Operating cash flow	\$ 113	\$ 145	\$ (35)	\$ 94	\$ 69
Free cash flow (non-GAAP)	\$ 109	\$ 142	\$ (44)	\$ 89	\$ 60
Cash, cash equivalents and investments	\$ 758	\$ 1,572	\$ 1,434	\$ 1,537	\$ 1,446

Key Operating Metrics



The company tracks operating metrics using internal systems which rely on internal company data and third party data. We rely on the veracity of data provided by individuals and reported by third parties to 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.

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.

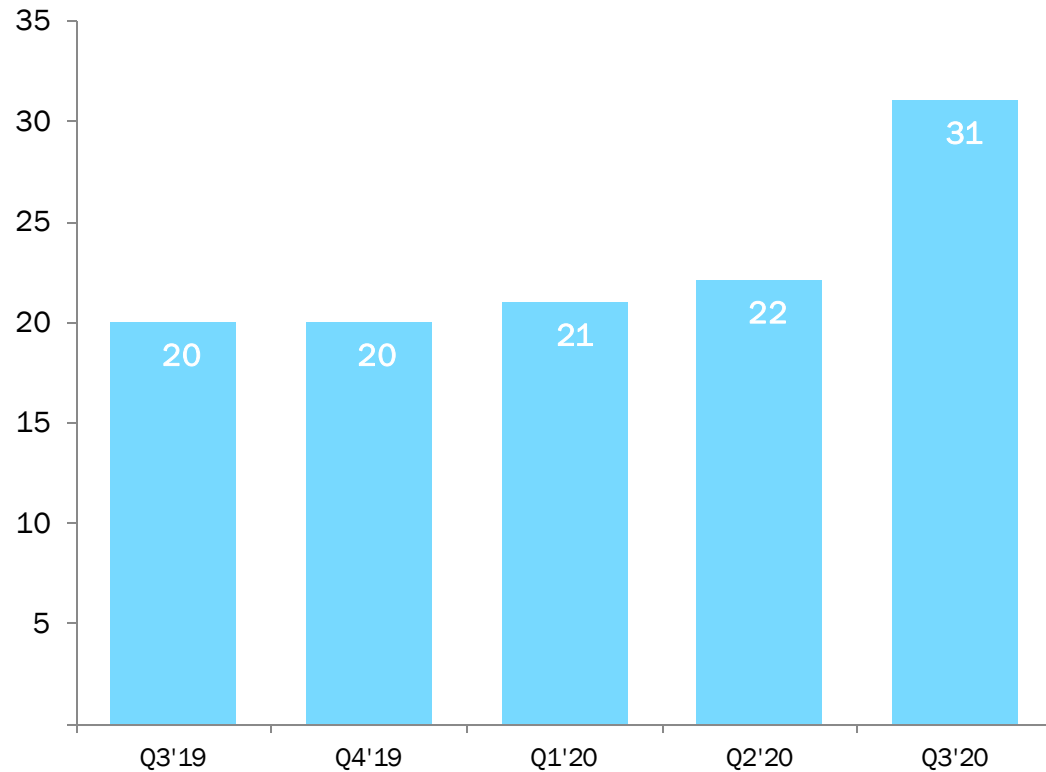
Mobile DAUs. We define Mobile Daily Active Users (DAUs) as the number of individuals who played one of our mobile games during a particular day. Under this metric, an individual who plays two different mobile games on the same day is counted as two Mobile DAUs. We use information provided by third parties 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.

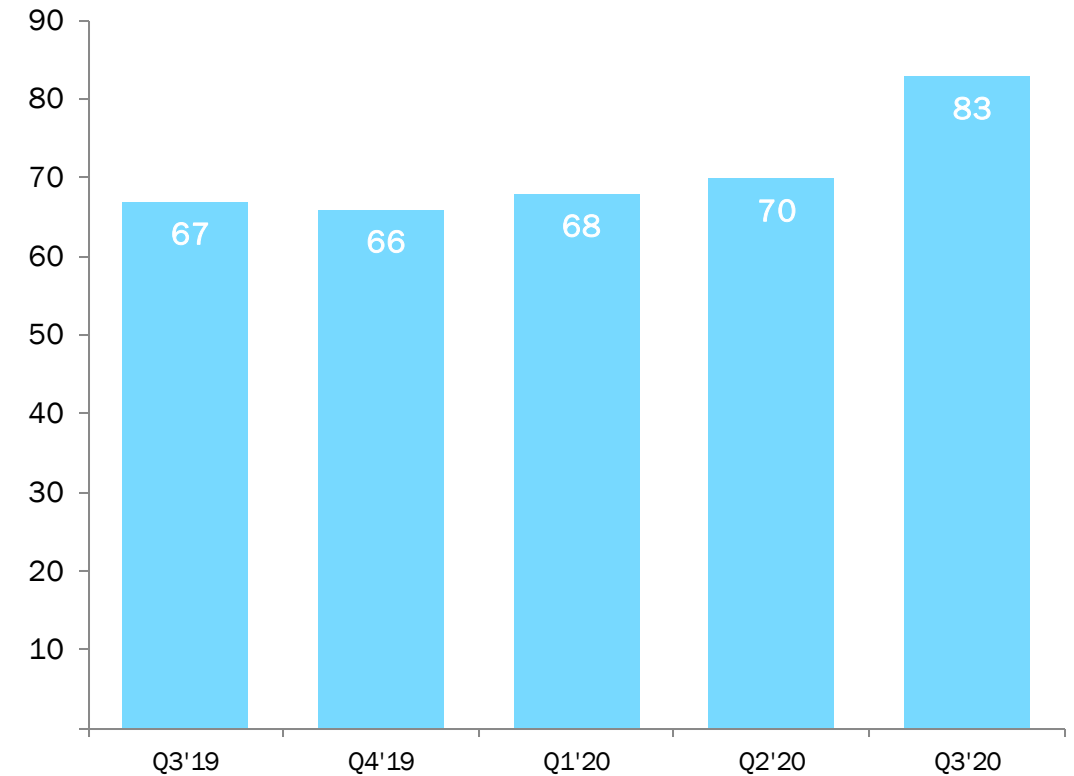
Mobile ABPU. We define Mobile Average Daily Bookings per Average Mobile DAU (ABPU) as our total mobile bookings in a given period, divided by the number of days in that period, divided by, the average Mobile DAUs during the period. We believe that Mobile ABPU provides useful information to investors 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

MOBILE DAU ⁽¹⁾



MOBILE MAU ⁽¹⁾

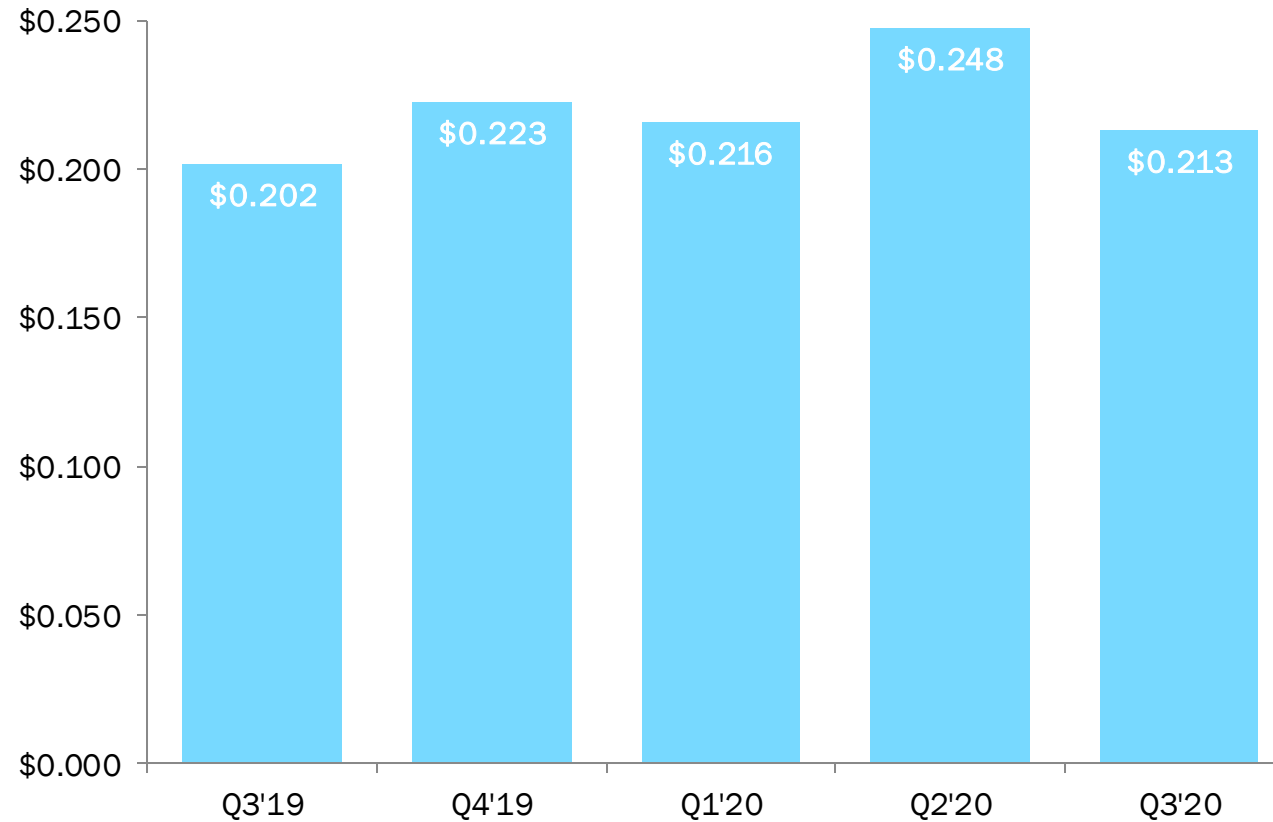


Footnote:

(1) We do not have the third party network login data to link an individual who has played under multiple user accounts for our mobile messenger games, *Merge Magic!* and games acquired from Gram Games, Small Giant and Peak and accordingly, actual Mobile DAU and Mobile MAU may be lower than reported due to the potential duplication of these individuals.

Mobile Audience Metrics

MOBILE AVERAGE BOOKINGS PER
MOBILE DAU (ABPU)



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



Q4 AND RAISED FY 2020 FINANCIAL GUIDANCE

Q4 2020 Financial Guidance

(in thousands, except per share data)

GAAP	Q4'20 Guidance	Q4'19 Actual	Variance
Revenue	\$ 570,000	\$ 404,463	\$ 165,537
(B) Net increase in deferred revenue ⁽¹⁾	\$ (100,000)	\$ (28,934)	\$ (71,066)
Net loss	\$ (92,000)	\$ (3,500)	\$ (88,500)
Basic and diluted net loss per share	\$ (0.09)	\$ (0.00)	\$ (0.09)
Basic and diluted share count	1,080,000	947,633	132,367
Non-GAAP			
Bookings	\$ 670,000	\$ 433,397	\$ 236,603
(A) Adjusted EBITDA	\$ 35,000	\$ 75,374	\$ (40,374)

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.

Raised FY 2020 Financial Guidance

(in thousands, except per share data)

	Raised FY'20 Guidance	FY'19 Actual	Variance
GAAP			
Revenue	\$ 1,928,786	\$ 1,321,659	\$ 607,127
(B) Net increase in deferred revenue ⁽¹⁾	\$ (312,184)	\$ (242,402)	\$ (69,782)
Net income (loss)	\$ (468,431)	\$ 41,925 ⁽²⁾	\$ (510,356)
Basic net income (loss) per share	\$ (0.46)	\$ 0.04	\$ (0.50)
Diluted net income (loss) per share	\$ (0.46)	\$ 0.04	\$ (0.50)
Basic share count	1,020,000	938,709	81,291
Diluted share count	1,020,000	974,020	45,980
Non-GAAP			
Bookings	\$ 2,240,970	\$ 1,564,061	\$ 676,909
(A) Adjusted EBITDA	\$ 211,216	\$ 87,215	\$ 124,001

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.

⁽²⁾ Net income for FY'19 includes a one-time gain of \$314 million related to the sale of our San Francisco headquarters building.



GAAP TO NON-GAAP RECONCILIATIONS

Non-GAAP Financial Measures

We have provided in this presentation certain non-GAAP financial measures to supplement our consolidated financial statements prepared in accordance with U.S. GAAP (our “GAAP financial statements”). Management uses non-GAAP financial measures internally in analyzing our financial results to assess operational performance and liquidity. Our non-GAAP financial measures may be different from non-GAAP financial measures used by other companies.

The presentation of our non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, our GAAP financial statements. We believe that both management and investors benefit from referring to our non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. We believe our non-GAAP financial measures are useful to investors because they allow for greater transparency with respect to key financial measures we use in making operating decisions and because our investors and analysts use them to help assess the health of our business.

We have provided reconciliations of our non-GAAP financial measures used in this presentation to the most directly comparable GAAP financial measures in the following tables and elsewhere in this presentation.

Because of the following limitations of our non-GAAP financial measures, you should consider the non-GAAP financial measures presented in this presentation with our GAAP financial statements. Key limitations of our non-GAAP financial measures include:

- Bookings does not reflect that we defer and recognize online game revenue and revenue from certain advertising transactions over the estimated average playing period of payers for durable virtual items or as consumed for consumable virtual items;
- Adjusted EBITDA does not include the impact of stock-based compensation expense, acquisition-related transaction expenses, contingent consideration fair value adjustments and legal settlements and related legal 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;
- Free cash flow is derived from net cash provided by operating activities less cash spent on capital expenditures; and
- Non-GAAP Operating expenses do not include the impact of stock-based compensation expense, acquisition-related transaction expenses, contingent consideration fair value adjustments, legal settlements and related legal expense or amortization of intangible assets from acquisitions.

Revenue To Bookings: Total

(in thousands, unaudited)

	3 months ended		9 months ended	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Reconciliation of Revenue to Bookings: Total				
Revenue	\$ 503,332	\$ 345,293	\$ 1,358,787	\$ 917,196
Change in deferred revenue	124,631	49,513	212,184	213,468
Bookings: Total	<u>\$ 627,963</u>	<u>\$ 394,806</u>	<u>\$ 1,570,971</u>	<u>\$ 1,130,664</u>

Revenue To Bookings: Mobile

(in thousands, unaudited)

	3 months ended				
	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Reconciliation of Revenue to Bookings: Mobile					
Revenue	\$ 484,182	\$ 432,634	\$ 386,989	\$ 386,621	\$ 327,578
Change in deferred revenue	124,819	65,646	21,510	29,507	49,983
Bookings: Mobile	<u>\$ 609,001</u>	<u>\$ 498,280</u>	<u>\$ 408,499</u>	<u>\$ 416,128</u>	<u>\$ 377,561</u>

(in thousands, unaudited)

	9 months ended	
	9/30/2020	9/30/2019
Reconciliation of Revenue to Bookings: Mobile		
Revenue	\$ 1,303,805	\$ 861,114
Change in deferred revenue	211,975	216,143
Bookings: Mobile	<u>\$ 1,515,780</u>	<u>\$1,077,257</u>

Revenue To Bookings: Advertising

(in thousands, unaudited)

	3 months ended				
	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Reconciliation of Revenue to Bookings: Advertising					
Revenue	\$ 67,280	\$ 63,465	\$ 59,290	\$ 79,709	\$ 63,599
Change in deferred revenue	(296)	(495)	(30)	9	155
Bookings: Advertising	\$ 66,984	\$ 62,970	\$ 59,260	\$ 79,718	\$ 63,754

(in thousands, unaudited)

	9 months ended	
	9/30/2020	9/30/2019
Reconciliation of Revenue to Bookings: Advertising		
Revenue	\$ 190,035	\$ 194,443
Change in deferred revenue	(821)	272
Bookings: Advertising	\$ 189,214	\$ 194,715

Revenue To Bookings: By Platform (3 months)

	3 months ended			3 months ended		
<i>(in thousands, unaudited)</i>	9/30/2020			9/30/2019		
Reconciliation of Revenue to Bookings: Online Game	Mobile	Other ⁽¹⁾	Total	Mobile	Other ⁽¹⁾	Total
Revenue	\$ 418,034	\$ 17,977	\$ 436,011	\$ 265,836	\$ 15,815	\$ 281,651
Change in deferred revenue	125,116	(149)	124,967	49,828	(431)	49,397
Bookings: Online Game	<u>\$ 543,150</u>	<u>\$ 17,828</u>	<u>\$ 560,978</u>	<u>\$ 315,664</u>	<u>\$ 15,384</u>	<u>\$ 331,048</u>

	3 months ended			3 months ended		
<i>(in thousands, unaudited)</i>	9/30/2020			9/30/2019		
Reconciliation of Revenue to Bookings: Advertising & Other	Mobile	Other ⁽¹⁾	Total	Mobile	Other ⁽¹⁾	Total
Revenue	\$ 66,148	\$ 1,173	\$ 67,321	\$ 61,742	\$ 1,900	\$ 63,642
Change in deferred revenue	(297)	(39)	(336)	155	(39)	116
Bookings: Advertising & Other	<u>\$ 65,851</u>	<u>\$ 1,134</u>	<u>\$ 66,985</u>	<u>\$ 61,897</u>	<u>\$ 1,861</u>	<u>\$ 63,758</u>

Footnote:

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

Revenue To Bookings: By Platform (9 months)

<i>(in thousands, unaudited)</i>	9 months ended			9 months ended		
	9/30/2020			9/30/2019		
	Mobile	Other ⁽¹⁾	Total	Mobile	Other ⁽¹⁾	Total
Reconciliation of Revenue to Bookings: Online Game						
Revenue	\$ 1,116,927	\$ 51,625	\$ 1,168,552	\$ 672,449	\$ 50,074	\$ 722,523
Change in deferred revenue	212,796	328	213,124	215,871	(2,557)	213,314
Bookings: Online Game	<u>\$ 1,329,723</u>	<u>\$ 51,953</u>	<u>\$ 1,381,676</u>	<u>\$ 888,320</u>	<u>\$ 47,517</u>	<u>\$ 935,837</u>

<i>(in thousands, unaudited)</i>	9 months ended			9 months ended		
	9/30/2020			9/30/2019		
	Mobile	Other ⁽¹⁾	Total	Mobile	Other ⁽¹⁾	Total
Reconciliation of Revenue to Bookings: Advertising & Other						
Revenue	\$ 186,878	\$ 3,357	\$ 190,235	\$ 188,665	\$ 6,008	\$ 194,673
Change in deferred revenue	(821)	(119)	(940)	272	(118)	154
Bookings: Advertising & Other	<u>\$ 186,057</u>	<u>\$ 3,238</u>	<u>\$ 189,295</u>	<u>\$ 188,937</u>	<u>\$ 5,890</u>	<u>\$ 194,827</u>

Footnote:

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

Revenue To Bookings: By Geography

<i>(in thousands, unaudited)</i>	3 months ended <i>USA</i>		3 months ended <i>International</i>	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Reconciliation of Revenue to Bookings: By Geography				
Revenue	\$ 311,966	\$ 212,567	\$ 191,366	\$ 132,726
Change in deferred revenue	75,013	20,595	49,618	28,918
Bookings: By Geography	\$ 386,979	\$ 233,162	\$ 240,984	\$ 161,644

Net Income (Loss) To Adjusted EBITDA

<i>(in thousands, unaudited)</i>	3 months ended		9 months ended	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Reconciliation of Net Income (Loss) to Adjusted EBITDA				
Net income (loss)	\$ (122,206)	\$ 230,083	\$ (376,431)	\$ 45,425
Provision for (benefit from) income taxes	(8,773)	9,880	17,927	(3,177)
Other expense (income), net	3,051	490	4,810	(6,762)
Interest income	(1,029)	(6,597)	(10,152)	(7,929)
Interest expense	7,322	6,728	21,238	10,158
Depreciation and amortization	49,191	19,069	87,087	59,818
Acquisition-related transaction expenses	4,642	-	11,170	7,588
Contingent consideration fair value adjustment	66,800	60,764	335,704	170,164
Gain on legal settlement and related legal expense	-	-	-	(10,664)
Gain on sale of building, net of transfer tax ⁽¹⁾	-	(314,247)	-	(314,247)
Stock-based compensation expense	38,724	21,339	84,862	61,467
Adjusted EBITDA	<u>\$ 37,722</u>	<u>\$ 27,509</u>	<u>\$ 176,215</u>	<u>\$ 11,841</u>

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 three and nine months ended September 30, 2019

Net Cash Provided By (Used In) Operating Activities To Free Cash Flow

(in thousands, unaudited)

	3 months ended		9 months ended	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Reconciliation of net cash provided by (used in) operating activities to free cash flow				
Net cash provided by (used in) operating activities	\$ 113,293	\$ 68,618	\$ 223,263	\$ 168,779
Acquisition of property and equipment	(4,573)	(8,841)	(16,074)	(18,799)
Free cash flow	<u>\$ 108,720</u>	<u>\$ 59,777</u>	<u>\$ 207,189</u>	<u>\$ 149,980</u>

GAAP To Non-GAAP Costs & Expenses (3 months)

3 months ended September 30, 2020

(in thousands, unaudited)

	Adjustments to GAAP to arrive at non-GAAP measures					Non-GAAP measure
	GAAP measure	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition-related expenses	Stock-based compensation expense	
Cost of revenue	\$ 235,940	\$ (45,989)	\$ -	\$ -	\$ (566)	\$ 189,385
Operating expenses						
Research and development	165,947	-	(66,800)	-	(25,380)	73,767
Sales and marketing	186,999	-	-	-	(3,957)	183,042
General and administrative	36,081	-	-	(4,642)	(8,821)	22,618
Total operating expenses	389,027	-	(66,800)	(4,642)	(38,158)	279,427
Total costs and expenses	\$ 624,967	\$ (45,989)	\$ (66,800)	\$ (4,642)	\$ (38,724)	\$ 468,812

3 months ended September 30, 2019

(in thousands, unaudited)

	Adjustments to GAAP to arrive at non-GAAP measures					Non-GAAP measure
	GAAP measure	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition-related expenses	Stock-based compensation expense	
Cost of revenue	\$ 133,859	\$ (16,531)	\$ -	\$ -	\$ (407)	\$ 116,921
Operating expenses						
Research and development	137,487	-	(60,764)	-	(12,029)	64,694
Sales and marketing	120,836	-	-	-	(3,046)	117,790
General and administrative	26,774	-	-	-	(5,857)	20,917
Total operating expenses	285,097	-	(60,764)	-	(20,932)	203,401
Total costs and expenses	\$ 418,956	\$ (16,531)	\$ (60,764)	\$ -	\$ (21,339)	\$ 320,322

GAAP To Non-GAAP Costs & Expenses (9 months)

9 months ended September 30, 2020

<i>(in thousands, unaudited)</i>	Adjustments to GAAP to arrive at non-GAAP measures						Non-GAAP measure
	GAAP measure	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition-related expenses	Gain from legal settlements and related expense	Stock-based compensation expense	
Cost of revenue	\$ 561,350	\$ (78,707)	\$ -	\$ -	\$ -	\$ (1,548)	\$ 481,095
Operating expenses							
Research and development	591,744	-	(335,703)	-	-	(48,595)	207,446
Sales and marketing	444,822	-	-	-	-	(10,960)	433,862
General and administrative	103,479	-	-	(11,170)	-	(23,759)	68,550
Total operating expenses	1,140,045	-	(335,703)	(11,170)	-	(83,314)	709,858
Total costs and expenses	\$ 1,701,395	\$ (78,707)	\$ (335,703)	\$ (11,170)	\$ -	\$ (84,862)	\$ 1,190,953

9 months ended September 30, 2019

<i>(in thousands, unaudited)</i>	Adjustments to GAAP to arrive at non-GAAP measures						Non-GAAP measure
	GAAP measure	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition-related expenses	Gain from legal settlements and related expense	Stock-based compensation expense	
Cost of revenue	\$ 382,374	\$ (50,327)	\$ -	\$ -	\$ -	\$ (1,088)	\$ 330,959
Operating expenses							
Research and development	401,461	-	(170,164)	-	-	(35,982)	195,315
Sales and marketing	336,376	(291)	-	-	-	(8,453)	327,632
General and administrative	73,517	-	-	(7,588)	10,664	(15,944)	60,649
Total operating expenses	811,354	(291)	(170,164)	(7,588)	10,664	(60,379)	583,596
Total costs and expenses	\$ 1,193,728	\$ (50,618)	\$ (170,164)	\$ (7,588)	\$ 10,664	\$ (61,467)	\$ 914,555

Q4 2020 Financial Guidance: GAAP To Non-GAAP Reconciliation

(in thousands, except per share data)

	Q4'20 Guidance	Q4'19 Actual	Variance
Reconciliation of Revenue to Bookings			
Revenue	\$ 570,000	\$ 404,463	\$ 165,537
Change in deferred revenue	100,000	28,934	71,066
Bookings	<u>\$ 670,000</u>	<u>\$ 433,397</u>	<u>\$ 236,603</u>
Reconciliation of Net (Loss) Income to Adjusted EBITDA			
Net (loss) income	\$ (92,000)	\$ (3,500)	\$ (88,500)
Provision for (benefit from) income taxes	(2,000)	8,587	(10,587)
Other income, net	-	(1,458)	1,458
Interest income	(1,000)	(6,110)	5,110
Interest expense	8,000	6,813	1,187
Depreciation and amortization	55,000	19,627	35,373
Acquisition-related transaction expenses	2,000	-	2,000
Contingent consideration fair value adjustment	20,000	31,400	(11,400)
Stock-based compensation expense	45,000	20,015	24,985
Adjusted EBITDA	<u>\$ 35,000</u>	<u>\$ 75,374</u>	<u>\$ (40,374)</u>
Basic and diluted net loss per share	\$ (0.09)	(0.00)	\$ (0.09)
GAAP basic and diluted shares	1,080,000	947,633	132,367

Raised FY 2020 Financial Guidance: GAAP To Non-GAAP Reconciliation

(in thousands, except per share data)

	Raised FY'20 Guidance	FY'19 Actual	Variance
Reconciliation of Revenue to Bookings			
Revenue	\$ 1,928,786	\$ 1,321,659	\$ 607,127
Change in deferred revenue	312,184	242,402	69,782
Bookings	<u>\$ 2,240,970</u>	<u>\$ 1,564,061</u>	<u>\$ 676,909</u>
 Reconciliation of Net (Loss) Income to Adjusted EBITDA			
Net (loss) income	\$ (468,431)	\$ 41,925	\$ (510,356)
Provision for income taxes	15,927	5,410	10,517
Other expense (income), net	4,810	(8,220)	13,030
Interest income	(11,153)	(14,039)	2,886
Interest expense	29,238	16,971	12,267
Depreciation and amortization	142,087	79,445	62,642
Acquisition-related transaction expenses	13,169	7,588	5,581
Contingent consideration fair value adjustment	355,703	201,564	154,139
Gain on legal settlement and related expense	-	(10,664)	10,664
Gain on sale of building, net of transfer tax ⁽¹⁾	-	(314,247)	314,247
Stock-based compensation expense	129,866	81,482	48,384
Adjusted EBITDA	<u>\$ 211,216</u>	<u>\$ 87,215</u>	<u>\$ 124,001</u>
 Basic net (loss) income per share	 \$ (0.46)	 \$ 0.04	 \$ (0.50)
Diluted net (loss) income per share	\$ (0.46)	\$ 0.04	\$ (0.50)
GAAP basic shares	1,020,000	938,709	81,291
GAAP diluted shares	1,020,000	974,020	45,980

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

WHAT WILL
OUR PLAYERS
THANK US FOR?



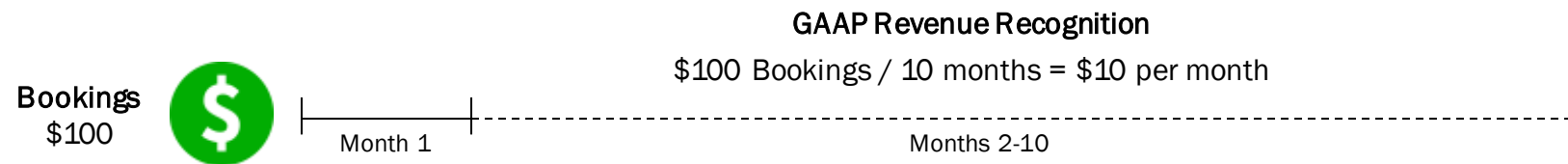
APPENDIX - REVENUE TO BOOKINGS ILLUSTRATION

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)

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



Q3
2020