



ZYNGA Q2'2016

FINANCIAL RESULTS

August 4, 2016

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MANAGEMENT TEAM



CHIEF EXECUTIVE OFFICER

Frank Gibeau



**INTERIM CHIEF FINANCIAL OFFICER
AND CHIEF ACCOUNTING OFFICER**

Michelle Quejado

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements, including those statements, among others, relating to our outlook for the third quarter of 2016 under the heading “Q3’2016 FINANCIAL OUTLOOK” and those relating to the following: we will continue to focus on building out our strategic partnership pipeline and developing new, innovative ad products for players; we expect to launch our newest Invest Express game, *FarmVille: Tropic Escape*, worldwide by the end of Q3; and we remain on track to launch *Dawn of Titans* worldwide during the Q4 holiday season.

Forward-looking statements often include words such as “outlook,” “project,” “plan,” “intend,” “could,” “should,” “would,” “will,” “might,” “anticipate,” “estimate,” “continue,” “believe,” “may,” “target,” “expect,” or similar expressions, the negative or plural of these words or expressions and statements in the future tense are generally forward-looking. The achievement or success of the matters covered by such forward-looking statements is subject to a number of risks, uncertainties, and assumptions. 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, 2015 and, when filed, our Quarterly report on Form 10-Q for the three months ended June 30, 2016, copies of which may be obtained by visiting our Investor Relations web site at <http://investor.zynga.com> or the Securities and Exchange Commission’s (the “SEC”) 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. Except as required by law, we assume no obligation to update any forward-looking statements for any reason to conform these statements to actual results or to changes in our expectations. The results we report in our Quarterly Report on Form 10-Q for the three months ended June 30, 2016 could differ from the preliminary results we have announced in this presentation.

References to game ratings contained in this presentation are as of the date of this presentation and are generally based on the average rating for the game’s most recent release or update in the applicable platform or app store. At times, there may be a limited number of ratings, especially if the current version of the game has only been released or updated recently. All references to 5 star reviews contained in this presentation are as of the date of this presentation and are for all of the game’s releases or updates in the applicable platform or app store.

KEY FINANCIAL METRICS

We regularly review a number of metrics, including the following key financial and operating metrics, to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions.

Bookings. Bookings is a non-GAAP financial measure that is equal to revenue recognized during the period plus the change in deferred revenue during the period. We record the sale of virtual goods as deferred revenue and then recognize that revenue over the estimated average life of the purchased virtual goods or as the virtual goods are consumed. Advertising sales, which consist of certain branded virtual goods and sponsorships, are also deferred and recognized over the estimated average life of the branded virtual good, similar to online game revenue. Bookings, as opposed to revenue, is the fundamental top-line metric we use to manage our business, as we believe it is a useful indicator of the sales activity in a given period. Over the long term, the factors impacting our bookings and revenue are the same. However, in the short term, there are factors that may cause revenue to exceed or be less than bookings in any period. We use bookings to evaluate the results of our operations, generate future operating plans and assess the performance of our company.

Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure that we calculate as net income (loss), adjusted for provision for (benefit from) income taxes; other income (expense), net; interest income; gain (loss) from significant legal settlements; restructuring expense, net; depreciation and amortization; impairment of intangible assets; stock-based expense; contingent consideration fair value adjustments; acquisition-related transaction expenses, and change in deferred revenue. We believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.



DISCUSSION OF Q2'2016 PERFORMANCE

Q2'2016 PERFORMANCE SUMMARY

FINANCIAL HIGHLIGHTS

- Bookings of \$175 million; above the high end of the guidance range, flat Y/Y and down 4% Q/Q
- Adjusted EBITDA of \$12 million; above the guidance range
- \$868 million in cash, cash equivalents and marketable securities
- Non-GAAP operating expenses of \$118 million; down 5% Q/Q, driven by a 14% reduction in marketing expenses

MOBILE HIGHLIGHTS

- Mobile bookings of \$137 million or 78% of overall bookings; up 19% Y/Y and down 2% Q/Q
- Average Mobile Daily Active Users (mobile DAUs): 15 million; down 7% Q/Q
- Apple and Google are now our two largest platform partners for online game bookings

ADVERTISING HIGHLIGHTS

- Advertising and other bookings of \$45 million or 26% of total bookings; up 17% Y/Y
- Results were driven through partnerships with leading ad networks and brands such as Pepsi Co., Disney and McDonald's
- We will continue to focus on building out our strategic partnership pipeline and developing new, innovative ad products for players

Q2'2016 OUTLOOK VS. ACTUALS

(in millions, except per share data)

GAAP	Outlook*	Actuals
Revenue	\$ 170 - 180	\$ 182
Net income (loss)	\$ (26) - (20)	\$ (4)
Diluted share count	875	873
Net income (loss) per share	\$ (0.03) - (0.02)	\$ (0.01)
 Non-GAAP		
Bookings	\$ 160 - 170	\$ 175
Adjusted EBITDA	\$ 0 - 5	\$ 12
Diluted share count	875	894
Non-GAAP earnings (loss) per share	\$ (0.01) - 0.00	\$ 0.00

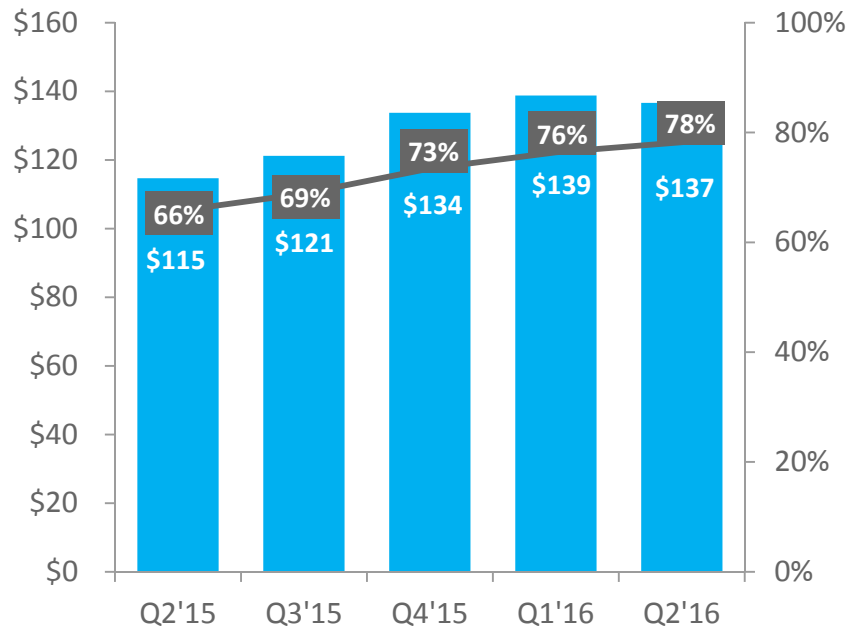
* Q2'16 outlook as communicated in our Q1'16 press release and shareholder's letter

MOBILE HIGHLIGHTS

IN MILLIONS

MOBILE BOOKINGS

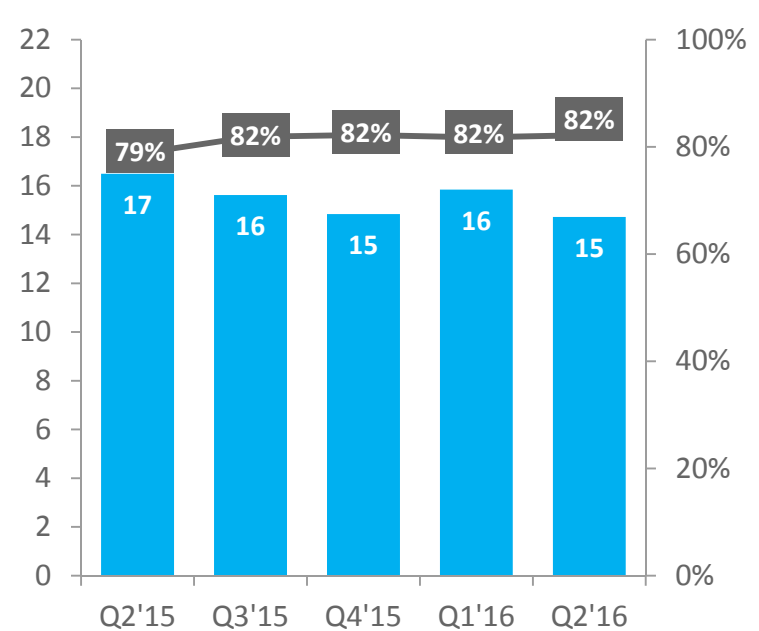
78% OF TOTAL IN Q2'16



Mobile Bookings Mobile Bookings % Total Bookings

MOBILE DAU

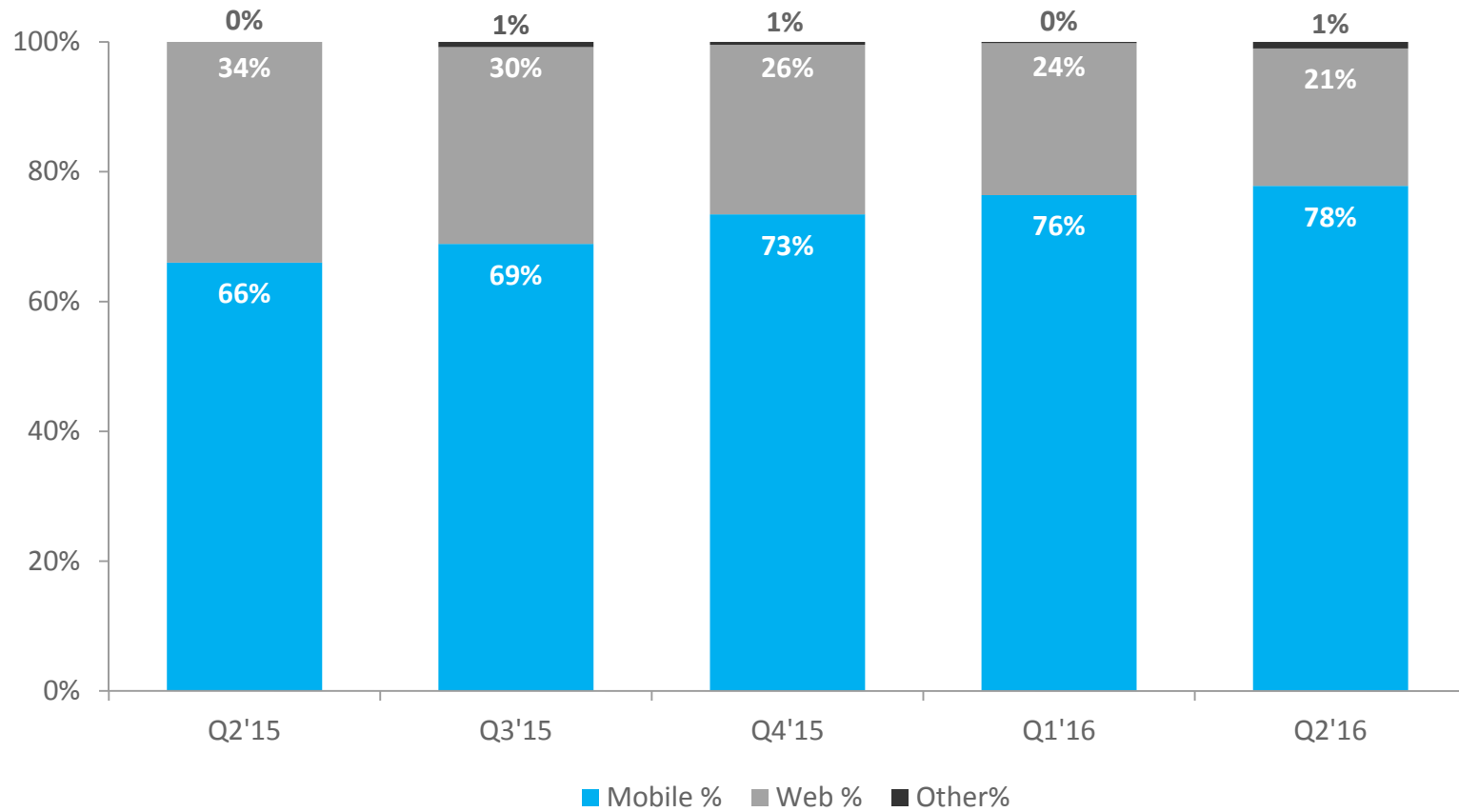
82% OF TOTAL IN Q2'16



Mobile DAU Mobile DAU % Total DAU



PLATFORM BOOKINGS MIX



OUR PRODUCTS

SOCIAL CASINO



- Our *Social Slots* portfolio grew mobile bookings by 31% Y/Y and 3% Q/Q in Q2
 - We continue to have 4 Slots games in the top 30 highest grossing Casino category in the App Store



- *Willy Wonka and the Chocolate Factory Slots*, which had its first full quarter in Q2, helped offset some of the 23% Q/Q mobile bookings declines we experienced in *Hit It Rich! Slots*



- *Zynga Poker* achieved its second quarter of growth across mobile bookings and audience
 - Mobile bookings were up 9% Y/Y and 5% Q/Q and Mobile DAU saw growth of 3% Q/Q

CASUAL



- *Words With Friends* had its strongest Q2 bookings performance in the 6-year history of the game, with mobile bookings up 57% Y/Y
 - The game declined sequentially by 1% driven by a seasonal dip in DAU



- Since the launch of *Wizard of Oz: Magic Match*, the game's retention and monetization have been among the highest for our mobile Match-3 titles
 - Players are responding positively with more than 51,000 5-star App Store and Google Play reviews

OUR PRODUCTS

ACTION STRATEGY



- We launched *CSR2* to widespread acclaim with more than 600,000 5-star reviews across the App Store and Google Play
- The *CSR* franchise is the top grossing Racing franchise so far in 2016, and is currently being played in over 200 countries and territories
- We remain on track to launch *Dawn of Titans* worldwide during the Q4 holiday season



- The game is currently in 15 test markets, and its quality continues to resonate with players with an average of 4.5 stars in the App Store

INVEST EXPRESS

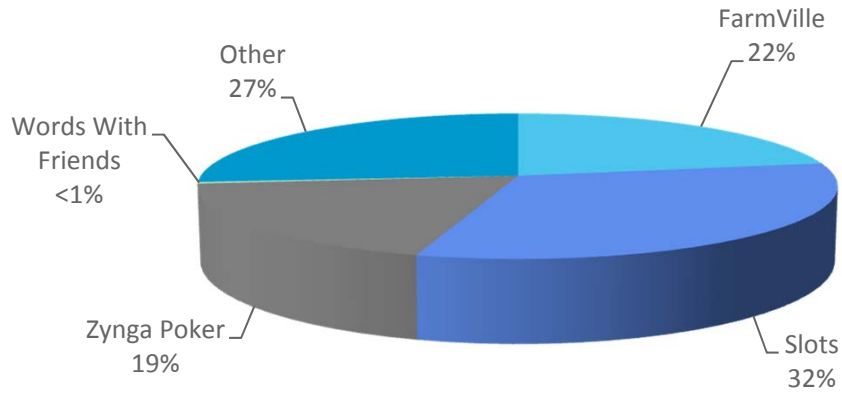


- We expect to launch our newest Invest Express game, *FarmVille: Tropic Escape*, worldwide by the end of Q3
 - We expanded soft-launch into 8 territories and are seeing positive results around *FarmVille: Tropic Escape*'s weekly crafting feature

Q2'2016 ONLINE GAME BOOKINGS AND REVENUE BY FRANCHISE

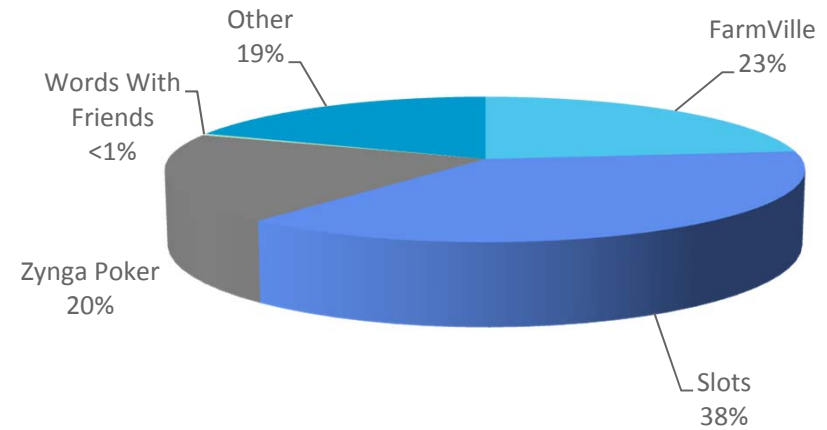
Q2'2016 ONLINE GAME REVENUE

Total Amount: \$136 million



Q2'2016 ONLINE GAME BOOKINGS

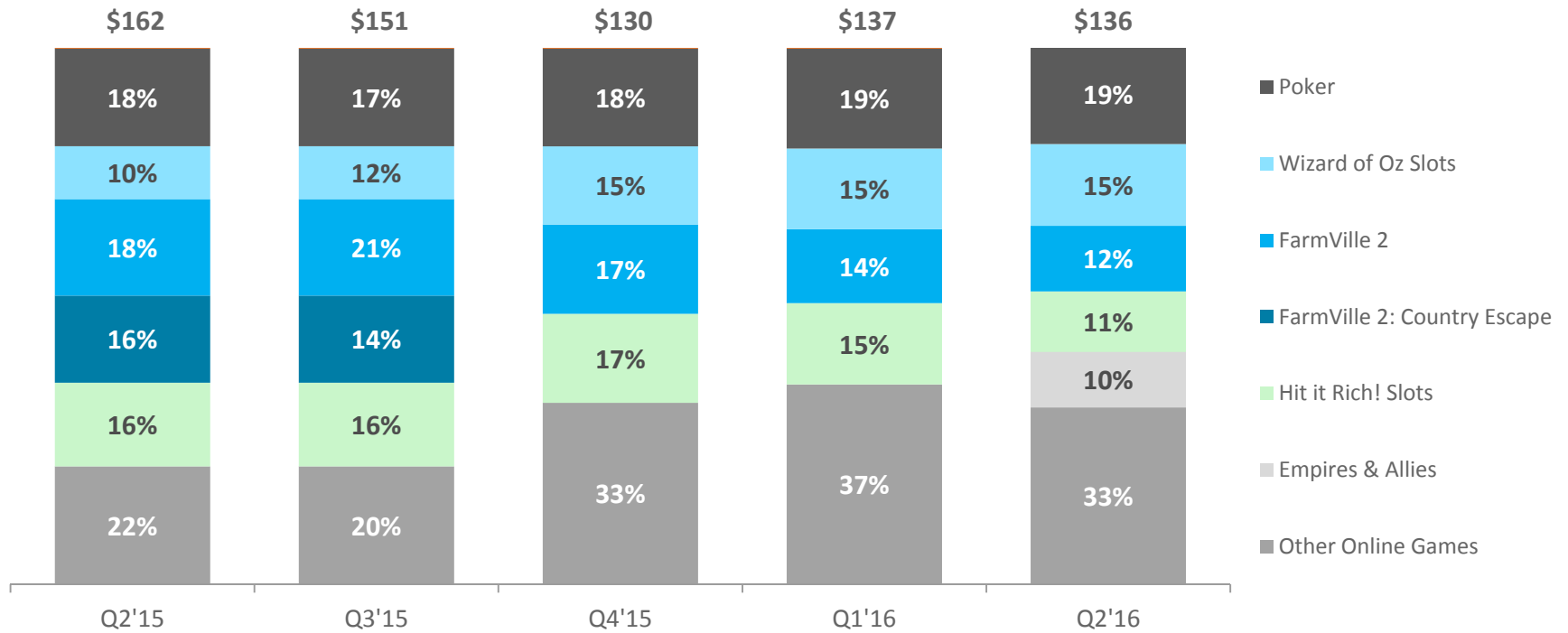
Total Amount: \$129 million



Note: Online game bookings/revenue excludes advertising and other bookings/revenue

ONLINE GAME REVENUE CONCENTRATION

TOTAL REVENUE IN MILLIONS

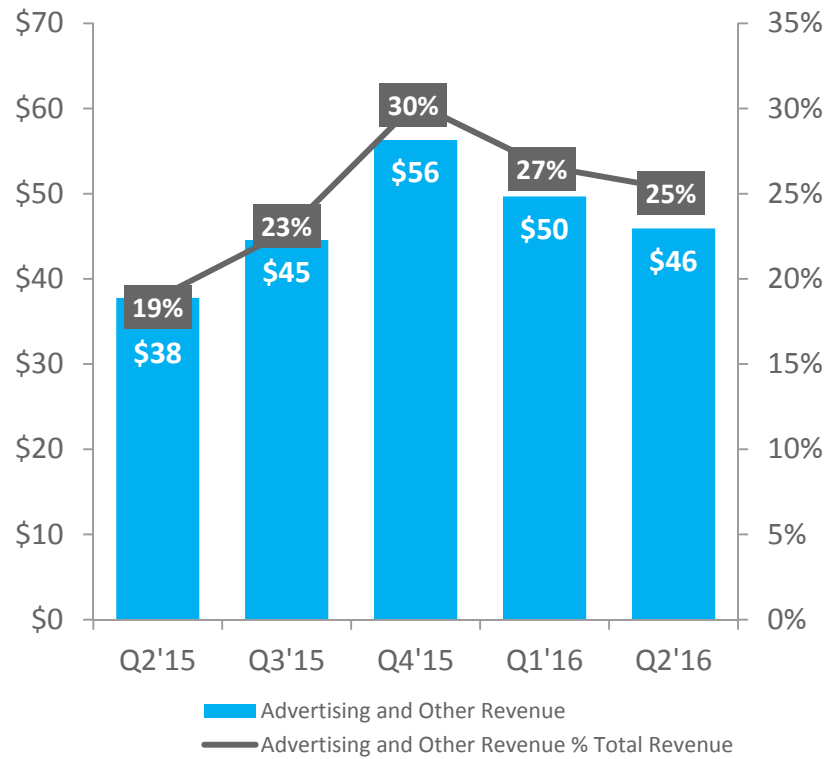


Note: Games representing less than 10% of online game revenue in any period are included in "Other Online Games"

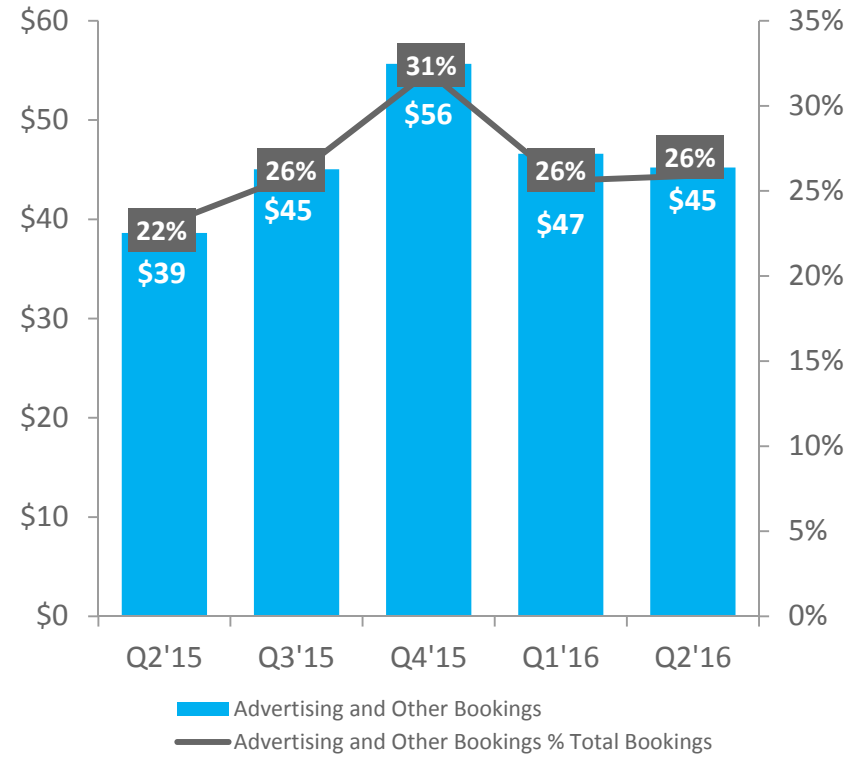
ADVERTISING AND OTHER

IN MILLIONS

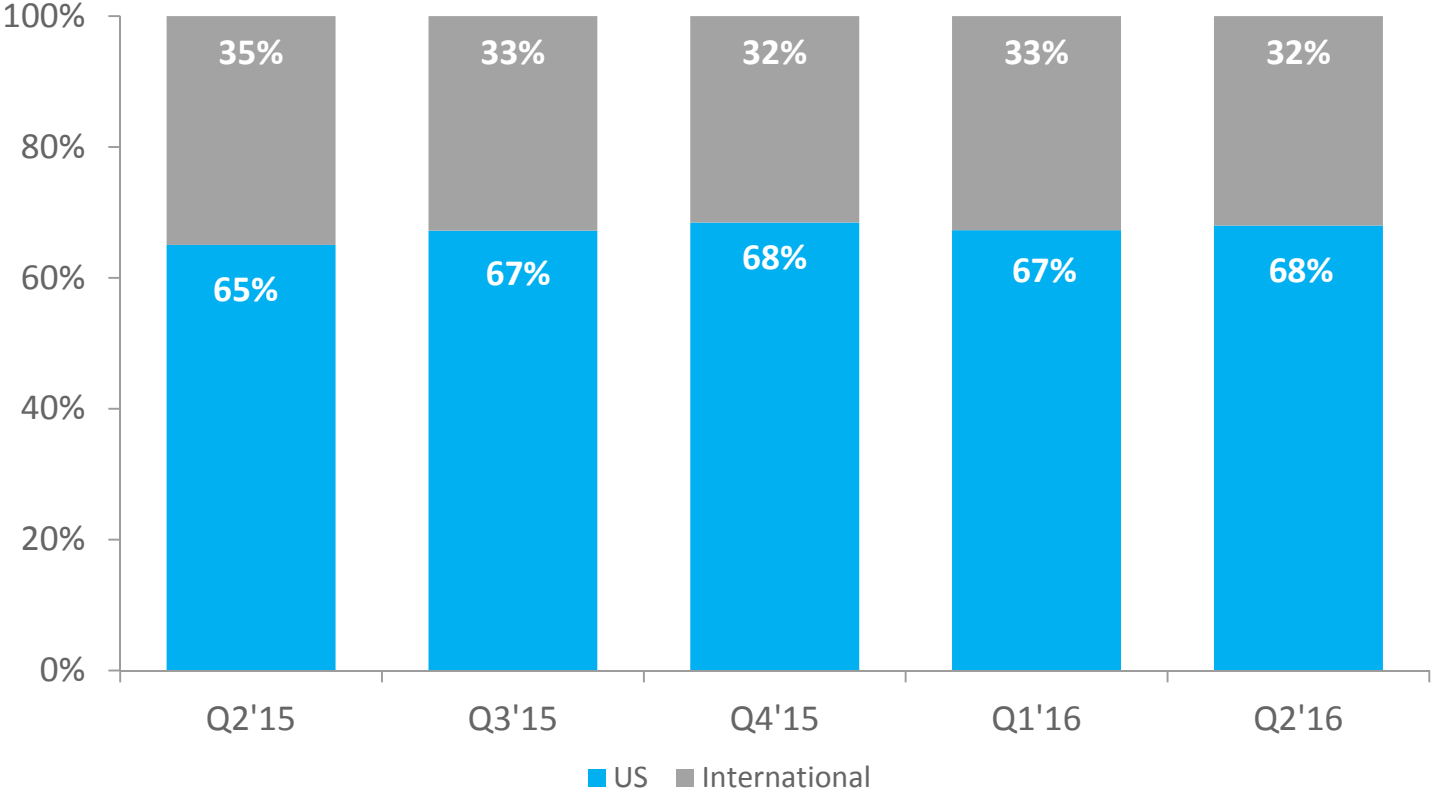
ADVERTISING AND OTHER REVENUE



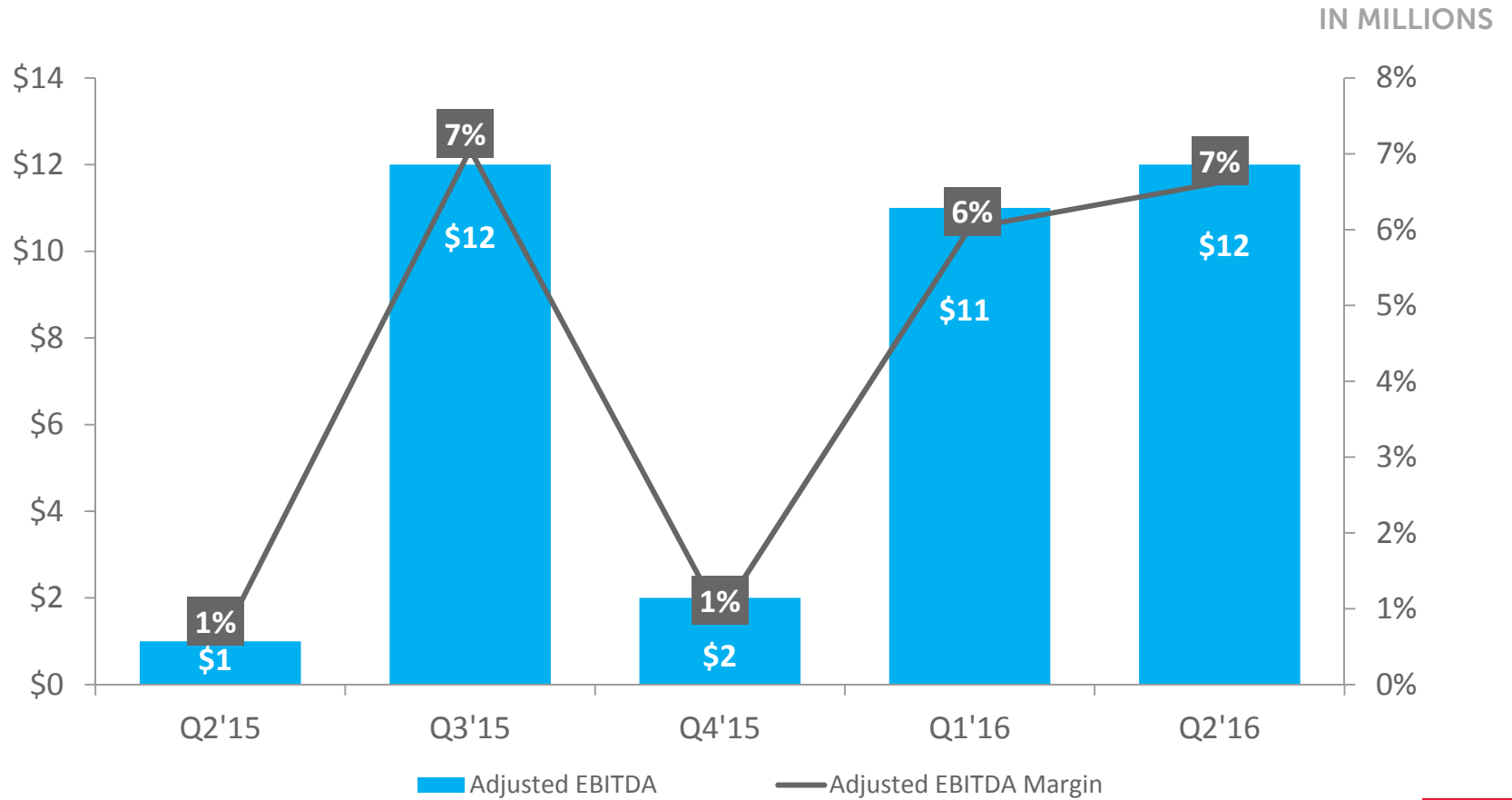
ADVERTISING AND OTHER BOOKINGS



REVENUE BY GEOGRAPHY



ADJUSTED EBITDA AND MARGIN



Note: Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of bookings

NET INCOME (LOSS) AND CASH FLOW

(in millions, except per share data)

	Q2'16	Q1'16	Q2'15
GAAP			
Net income (loss)	\$ (4.4)	\$ (26.6)	\$ (26.9)
Diluted net income (loss) per share	\$ (0.01)	\$ (0.03)	\$ (0.03)
Non-GAAP			
Non-GAAP net income (loss)	\$ 1.6	\$ 1.6	\$ (7.6)
Diluted earnings (loss) per share	\$ 0.00	\$ 0.00	\$ (0.01)
Operating cash flow	\$ 14.5	\$ (3.3)	\$ 4.2
Free cash flow	\$ 13.3	\$ (6.0)	\$ 1.1
Cash, cash equivalents and marketable securities	\$ 868	\$ 857	\$ 1,099

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 calculate our metrics and reduce duplication of data. In the first quarter of 2015, the company modified its calculations to take into account our business's transition to mobile and updates to our operating metrics which utilize additional third party data to help us identify whether a player logged in under two or more accounts is the same individual. As a result of these changes, we revised the definitions for DAUs, MAUs, MUUs, and MUPs in the first quarter of 2015. In the third quarter of 2015, the company made a subsequent modification to its calculations of MUU to further reduce duplication. These key operating metrics have been revised to reflect the company's current definitions and calculations for all periods presented. Please refer to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, and, when filed, our Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, for a full explanation of the changes and the comparison of the revised and as reported numbers for 2015.

DAUs. We define DAUs as the number of individuals who played one of our games during a particular day. Under this metric, an individual who plays two different games on the same day is counted as two DAUs. We use information provided by third parties to help us identify individuals who play the same 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 DAUs. Average DAUs for a particular period is the average of the DAUs for each day during that period. We use DAUs as a measure of audience engagement.

MAUs. We define MAUs as the number of individuals who played one of our games in the 30-day period ending with the measurement date. Under this metric, an individual who plays two different games in the same 30-day period is counted as two MAUs. We use information provided by third parties to help us identify individuals who play the same 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 MAUs. Average MAUs for a particular period is the average of the MAUs at each month-end during that period. We use MAUs as a measure of total game audience size.

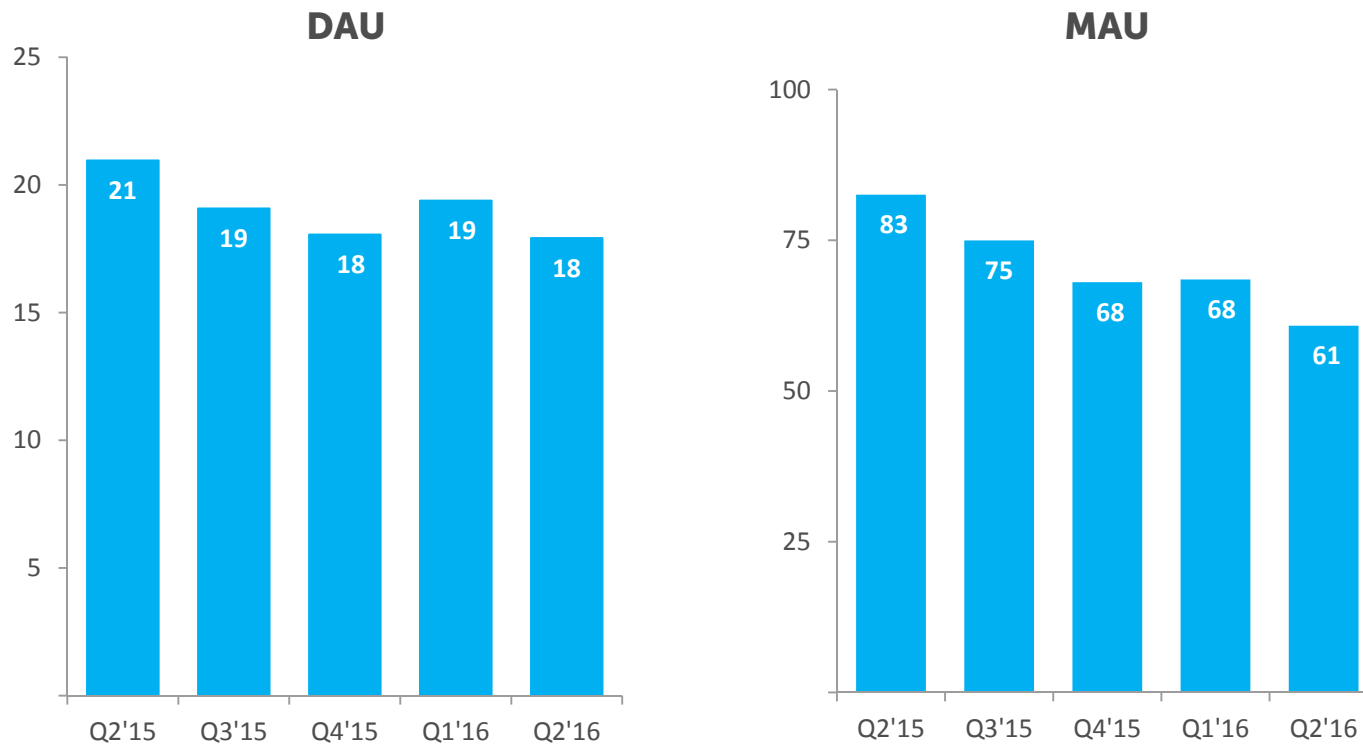
MUUs. We define MUUs as the number of individuals who played one or more of our games, which we were able to verify were played by the same individual in the 30-day period ending with the measurement date. An individual who plays more than one of our games in a given 30-day period would be counted as a single MUU to the extent we can verify that the games were played by the same individual. However, because we do not always have the third party network login data necessary to link an individual who has paid under multiple user accounts in a given 30-day period, an individual may be counted as multiple MUUs. Because many of our players play more than one game in a given 30-day period, MUUs are always equal to or lower than MAUs in any given time period. Average MUUs for a particular period is the average of the MUUs at each month end during that period. We use MUUs as a measure of total audience reach across our network of games.

MUPs. We define MUPs as the number of individuals who made a payment at least once during the applicable 30-day period through a payment method for which we can quantify the number of individuals, including payers from certain mobile games. MUPs does not include individuals who use certain payment methods for which we cannot quantify the number of unique payers. However, because we do not always have the third party network login data necessary to link an individual who has paid under multiple user accounts in a 30-day period, a player who has paid using multiple user accounts may be counted as multiple MUPs. MUPs are presented as an average of the three months in the applicable quarter. We use MUPs as a measure of the number of individuals who made payments across our network of games during a 30-day period.

ABPU. We define ABPU as our total bookings in a given period, divided by the number of days in that period, divided by, the average DAUs during the period. We believe that 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 ABPU as a measure of overall monetization across all of our players through the sale of virtual goods and advertising.

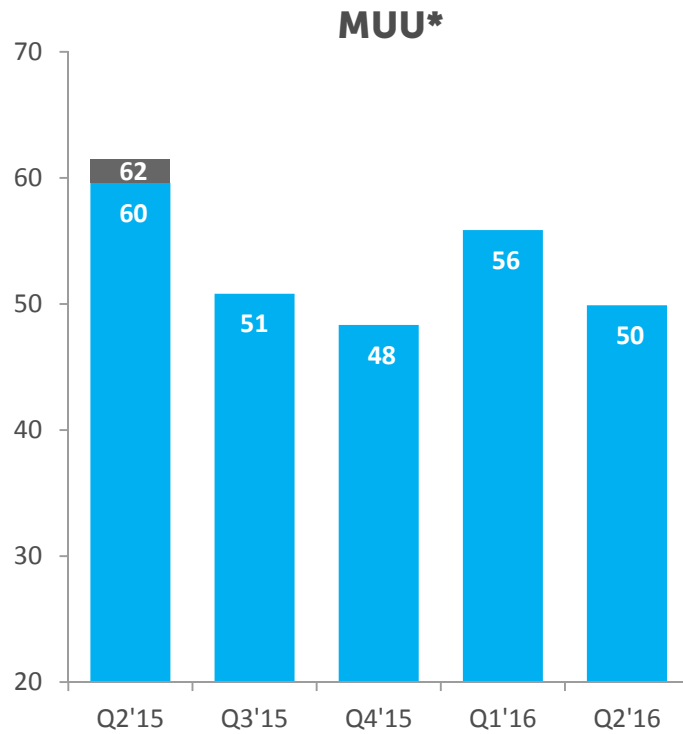
AUDIENCE METRICS

IN MILLIONS



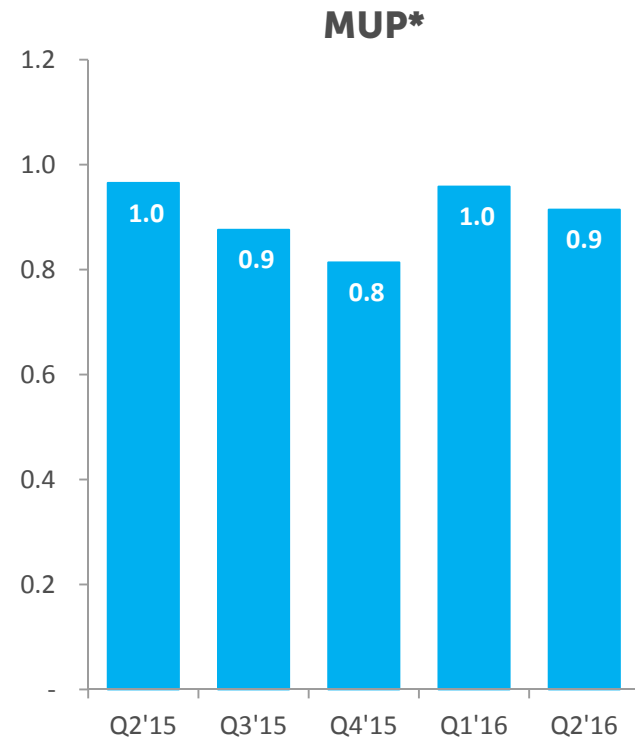
AUDIENCE METRICS

* In 2016, payer conversion excludes Rising Tide games (*Black Diamond Casino* and *Vegas Diamond Slots*) and Zindagi legacy games (*Yummy Gummy* and *Crazy Kitchen*) and for 2015, payer conversion excludes NaturalMotion legacy games (*CSR Racing*, *CSR Classics* and *Clumsy Ninja*) as the necessary data is not available. **IN MILLIONS**



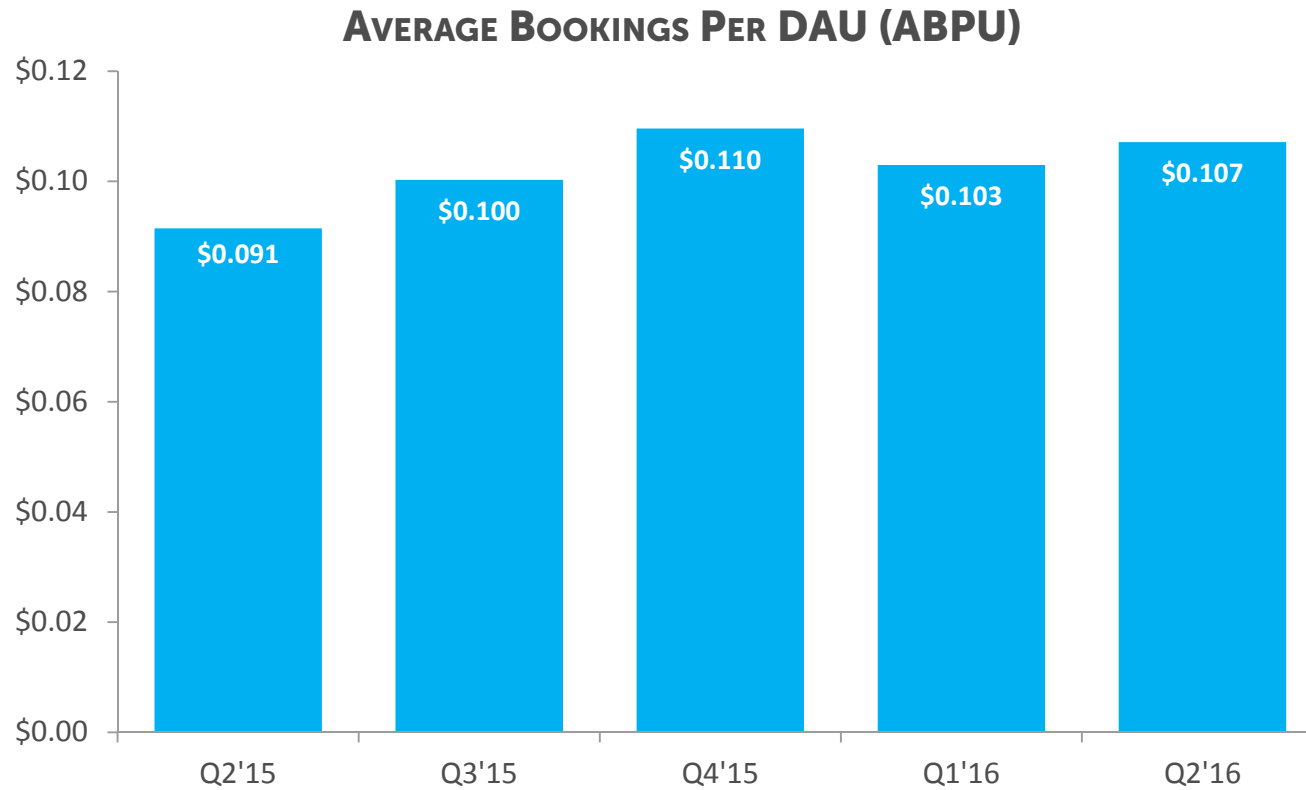
■ Subsequent Revision in Q3'15 ■ Initial Revision Q1'15

In Q3'15, the company made a modification to its calculations of MUU to further reduce duplication of users of both web and mobile platforms



MONETIZATION

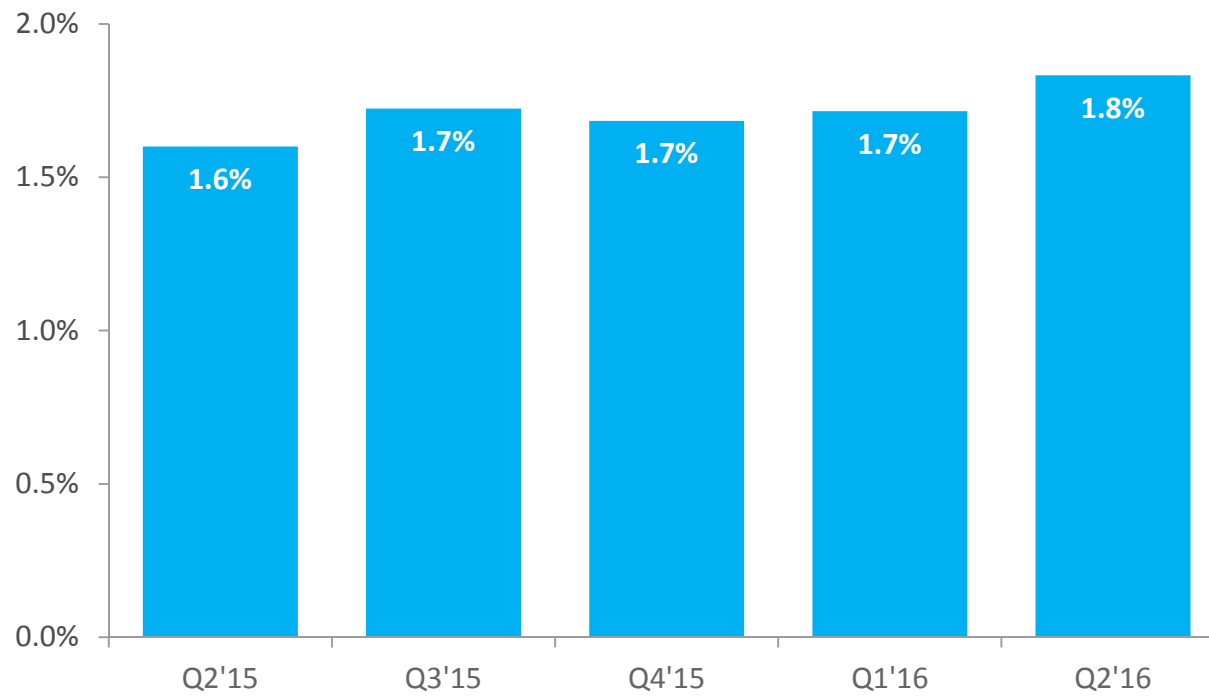
IN US DOLLARS



MONETIZATION

* In 2016, payer conversion excludes Rising Tide games (*Black Diamond Casino* and *Vegas Diamond Slots*) and Zindagi legacy games (*Yummy Gummy* and *Crazy Kitchen*) and for 2015, payer conversion excludes NaturalMotion legacy games (*CSR Racing*, *CSR Classics* and *Clumsy Ninja*) as the necessary data is not available.

PAYER CONVERSION*





Q3'2016 FINANCIAL OUTLOOK

Q3'2016 FINANCIAL OUTLOOK

(in millions, except per share data)

GAAP

	Q3'16 Outlook	
	Low	High
Revenue	\$ 170	\$ 180
Net income (loss)	\$ (33)	\$ (29)
Diluted share count	880	880
Net income (loss) per share	\$ (0.04)	\$ (0.03)

Non-GAAP

	Low	High
Bookings	\$ 180	\$ 190
Adjusted EBITDA	\$ 12	\$ 16
Diluted share count	901	901
Non-GAAP earnings (loss) per share	\$ 0.01	\$ 0.01



GAAP TO Non-GAAP RECONCILIATIONS

NON-GAAP FINANCIAL MEASURES

We have provided in this presentation certain non-GAAP financial measure, including total bookings, advertising and other bookings, mobile bookings, web/online game bookings, Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP diluted share count, non-GAAP operating expenses, non-GAAP earnings (loss) per share, non-GAAP net income (loss), free cash flow, and non-GAAP provision for (benefit from) income taxes, to supplement our consolidated financial statements prepared in accordance with GAAP (our "GAAP financial statements"). Management uses these 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 these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for our GAAP financial statements. 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. In line with our historical practice, the financial information presented herein is provided on a supplemental, non-GAAP basis unless otherwise indicated. We have provided reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures in (i) the press release announcing our financial results for the three months ended June 30, 2016 (which is included as Exhibit 99.1 to our Current Report on Form 8-K, filed with the SEC on August 4, 2016, a copy 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), (ii) when filed, our Quarterly Report on Form 10-Q for the three months ended June 30, 2016, a copy 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, and (iii) this presentation, a copy of which may be obtained by visiting our Investor Relations web site at <http://investor.zynga.com> and (iv) our second quarter of 2016 shareholder letter, dated August 4, 2016, a copy of which may be obtained by visiting our Investor Relations web site at <http://investor.zynga.com>.

Some limitations of the non-GAAP financial measures included in this presentation:

- Adjusted EBITDA and non-GAAP net income (loss) do not include the impact of stock-based expense, 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 durable virtual goods or as virtual goods are consumed;
- Adjusted EBITDA does not reflect income tax expense and does not include other income (expense) net, which includes foreign exchange gains and losses and interest income
- Adjusted EBITDA excludes 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;
- Non-GAAP earnings (loss) per share gives effect to all dilutive awards based on the treasury stock method that were excluded from the GAAP diluted earnings per share calculation in periods when non-GAAP net income (loss) is positive and GAAP net income (loss) is negative; and
- Free cash flow is derived from net cash provided by operating activities less cash spent on capital expenditures and acquisitions, and removing the excess income tax benefits or costs associated with stock-based awards.

Because of these limitations, you should consider the non-GAAP financial measures presented in this presentation with our GAAP financial statements. See the GAAP to non-GAAP reconciliations in this presentation and in the places listed above for further details.

REVENUE TO BOOKINGS: TOTAL

(in thousands, unaudited)	3 months ended		6 months ended	
	6/30/16	6/30/15	6/30/16	6/30/15
Reconciliation of Revenue to Bookings				
Revenue	\$ 181,735	\$ 199,918	\$ 368,456	\$ 383,211
Change in deferred revenue	(7,082)	(25,456)	(12,178)	(41,339)
Bookings	\$ 174,653	\$ 174,462	\$ 356,278	\$ 341,872

REVENUE TO BOOKINGS: ADVERTISING AND OTHER; ADVERTISING

(in thousands, unaudited)	3 months ended		6 months ended	
	6/30/16	6/30/15	6/30/16	6/30/15
Reconciliation of Revenue to Bookings: Advertising & Other				
Revenue	\$ 45,912	\$ 37,757	\$ 95,576	\$ 73,087
Change in deferred revenue	(695)	859	(3,750)	(1,704)
Bookings: Advertising & Other	\$ 45,217	\$ 38,616	\$ 91,826	\$ 71,383
Less Bookings: Other	\$ (1,990)	\$ (1,622)	\$ (3,223)	\$ (2,169)
Bookings: Advertising	\$ 43,227	\$ 36,994	\$ 88,603	\$ 69,214

NET INCOME (LOSS) TO ADJUSTED EBITDA

(in thousands, unaudited)	3 months ended		6 months ended	
	6/30/16	6/30/15	6/30/16	6/30/15
Reconciliation of Net income (loss) to Adjusted EBITDA				
Net income (loss)	\$ (4,446)	\$ (26,868)	\$ (31,004)	\$ (73,364)
Provision for (benefit from) income taxes	506	991	2,986	2,571
Other income (expense), net	(1,905)	(1,199)	(4,005)	(9,558)
Interest income	(761)	(605)	(1,466)	(1,399)
Restructuring expense, net	1,710	12,855	2,178	16,316
Depreciation and amortization	10,835	13,340	21,647	31,062
Acquisition-related transaction expenses	199	-	199	-
Contingent consideration fair value adjustment	(14,390)	-	(12,360)	9,400
Stock-based expense	26,899	27,905	56,507	69,367
Change in deferred revenue	(7,082)	(25,456)	(12,178)	(41,339)
Adjusted EBITDA	\$ 11,565	\$ 963	\$ 22,504	\$ 3,056

NET INCOME (LOSS) TO NON-GAAP NET INCOME (LOSS)

(in thousands, unaudited)	3 months ended		6 months ended	
	6/30/16	6/30/15	6/30/16	6/30/15
Reconciliation of Net income (loss) to Non-GAAP net income (loss)				
Net income (loss)	\$ (4,446)	(26,868)	(31,004)	(73,364)
Restructuring expense, net	1,710	12,855	2,178	16,316
Amortization of intangible assets from acquisitions	7,465	6,160	14,844	12,424
Acquisition-related transaction expenses	199	-	199	-
Contingent consideration fair value adjustment	(14,390)	-	(12,360)	9,400
Stock-based expense	26,899	27,905	56,507	69,367
Change in deferred revenue	(7,082)	(25,456)	(12,178)	(41,339)
Tax effect of non-GAAP adjustments to net income (loss)	(8,800)	(2,174)	(15,078)	(7,095)
Non-GAAP net income (loss)	\$ 1,555	(7,578)	3,108	(14,291)

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES TO FREE CASH FLOW

(in thousands, unaudited)	3 months ended		6 months ended	
	6/30/16	6/30/15	6/30/16	6/30/15
Reconciliation of net cash provided by (used in) operating activities to free cash flow				
Net cash provided by (used in) operating activities	\$ 14,546	\$ 4,202	\$ 11,241	\$ (42,800)
Acquisition of property and equipment	(1,293)	(3,127)	(3,947)	(5,239)
Free cash flow	\$ 13,253	\$ 1,075	\$ 7,294	\$ (48,039)

PROVISION FOR (BENEFIT FROM) INCOME TAXES

(in thousands, unaudited)	3 months ended		6 months ended	
	6/30/16	6/30/15	6/30/16	6/30/15
Reconciliation of GAAP provision for (benefit from) income taxes to Non-GAAP provision for (benefit from) income taxes				
GAAP provision for (benefit from) income taxes	\$ 506	\$ 991	\$ 2,986	\$ 2,571
Restructuring expense, net	582	1,369	667	1,750
Amortization of intangible assets from acquisitions	3,203	643	4,550	1,332
Acquisition-related transaction expenses	61	-	61	-
Contingent consideration fair value adjustment	(4,159)	-	(3,788)	1,035
Stock-based expense	11,916	2,847	17,321	7,411
Change in deferred revenue	(2,803)	(2,685)	(3,733)	(4,433)
Non-GAAP provision for (benefit from) income taxes	\$ 9,306	\$ 3,165	\$ 18,064	\$ 9,666

Q2'2016 STATEMENT OF OPERATIONS

Three months ended June 30, 2016

Adjustments to GAAP to arrive at non-GAAP net income (loss)
(In thousands, except per share data, unaudited)

	GAAP		Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense, net	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Non-GAAP measure
	Statement of Operations	Stock-based expense						
Total revenue	\$ 181,735	\$ -	\$ -	\$ (7,082)	\$ -	\$ -	\$ -	\$ 174,653 ⁽¹⁾
Cost of revenue	56,103	(1,127)	(6,722)	-	-	-	-	48,254
Research and development	66,233	(20,213)	-	-	1	-	14,390	60,411
Sales and marketing	40,631	(2,206)	(743)	-	-	(179)	-	37,503
General and administrative	25,374	(3,353)	-	-	(1,711)	(20)	-	20,290
Total costs and expenses	188,341	(26,899)	(7,465)	-	(1,710)	(199)	14,390	166,458
Income (loss) from operations	(6,606)	26,899	7,465	(7,082)	1,710	199	(14,390)	8,195
Interest income	761	-	-	-	-	-	-	761
Other income (expense), net	1,905	-	-	-	-	-	-	1,905
Income (loss) before income taxes	(3,940)	26,899	7,465	(7,082)	1,710	199	(14,390)	10,861
Provision for (benefit from) income taxes	506	11,916	3,203	(2,803)	582	61	(4,159)	9,306
Net Income (loss)	\$ (4,446)	\$ 14,983	\$ 4,262	\$ (4,279)	\$ 1,128	\$ 138	\$ (10,231)	\$ 1,555 ⁽²⁾
WASO								
Diluted	873,393							893,636
EPS								
Diluted	\$ (0.01)							\$ 0.00

Q2'2016 STATEMENT OF OPERATIONS

Six months ended June 30, 2016

Adjustments to GAAP to arrive at non-GAAP net income (loss)
(In thousands, except per share data, unaudited)

	GAAP Statement of Operations	Stock-based expense	Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense, net	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Non-GAAP measure
Total revenue	\$ 368,456	\$ -	\$ -	\$ (12,178)	\$ -	\$ -	\$ -	\$ 356,278 ⁽¹⁾
Cost of revenue	113,242	(1,776)	(13,364)	-	-	-	-	98,102
Research and development	153,970	(44,416)	-	-	(124)	-	12,360	121,790
Sales and marketing	86,975	(4,197)	(1,480)	-	-	(179)	-	81,119
General and administrative	47,758	(6,118)	-	-	(2,054)	(20)	-	39,566
Total costs and expenses	401,945	(56,507)	(14,844)	-	(2,178)	(199)	12,360	340,577
Income (loss) from operations	(33,489)	56,507	14,844	(12,178)	2,178	199	(12,360)	15,701
Interest income	1,466	-	-	-	-	-	-	1,466
Other income (expense), net	4,005	-	-	-	-	-	-	4,005
Income (loss) before income taxes	(28,018)	56,507	14,844	(12,178)	2,178	199	(12,360)	21,172
Provision for (benefit from) income taxes	2,986	17,321	4,550	(3,733)	667	61	(3,788)	18,064
Net Income (loss)	\$ (31,004)	\$ 39,186	\$ 10,294	\$ (8,445)	\$ 1,511	\$ 138	\$ (8,572)	\$ 3,108 ⁽²⁾
WASO								
Diluted	872,243							891,849
EPS								
Diluted	\$ (0.04)							\$ 0.00

Q2'2015 STATEMENT OF OPERATIONS

Three months ended June 30, 2015

Adjustments to GAAP to arrive at non-GAAP net income (loss)
(In thousands, except per share data, unaudited)

	GAAP Statement of Operations	Stock-based expense	Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense, net	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Non-GAAP measure
Total revenue	\$ 199,918	\$ -	\$ -	\$ (25,456)	\$ -	-	-	\$ 174,462 ⁽¹⁾
Cost of revenue	57,779	(772)	(5,384)	-	(671)	-	-	50,952
Research and development	90,896	(19,860)	-	-	(9,493)	-	-	61,543
Sales and marketing	41,119	(1,617)	(776)	-	(735)	-	-	37,991
General and administrative	37,805	(5,656)	-	-	(1,956)	-	-	30,193
Total costs and expenses	227,599	(27,905)	(6,160)	-	(12,855)	-	-	180,679
Income (loss) from operations	(27,681)	27,905	6,160	(25,456)	12,855	-	-	(6,217)
Interest income	605	-	-	-	-	-	-	605
Other income (expense), net	1,199	-	-	-	-	-	-	1,199
Income (loss) before income taxes	(25,877)	27,905	6,160	(25,456)	12,855	-	-	(4,413)
Provision for (benefit from) income taxes	991	2,847	643	(2,685)	1,369	-	-	3,165
Net Income (loss)	<u>\$ (26,868)</u>	<u>\$ 25,058</u>	<u>\$ 5,517</u>	<u>\$ (22,771)</u>	<u>\$ 11,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,578) ⁽²⁾</u>
WASO								
Diluted	911,699							911,699
EPS								
Diluted	<u>\$ (0.03)</u>							<u>\$ (0.01)</u>

- (1) Non-GAAP measure represents bookings
(2) Non-GAAP measure represents Non-GAAP net income (loss)



Q2'2015 STATEMENT OF OPERATIONS

Six months ended June 30, 2015

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

(In thousands, except per share data, unaudited)

	GAAP		Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense, net	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Non-GAAP measure
	Statement of Operations	Stock-based expense						
Total revenue	\$ 383,211	\$ -	\$ -	\$ (41,339)	\$ -	\$ -	\$ -	\$ 341,872 ⁽¹⁾
Cost of revenue	115,401	(1,844)	(10,858)	-	(671)	-	-	102,028
Research and development	198,416	(48,177)	-	-	(9,492)	-	(9,400)	131,347
Sales and marketing	72,958	(3,136)	(1,566)	-	(735)	-	-	67,521
General and administrative	78,186	(16,210)	-	-	(5,418)	-	-	56,558
Total costs and expenses	464,961	(69,367)	(12,424)	-	(16,316)	-	(9,400)	357,454
Income (loss) from operations	(81,750)	69,367	12,424	(41,339)	16,316	-	9,400	(15,582)
Interest income	1,399	-	-	-	-	-	-	1,399
Other income (expense), net	9,558	-	-	-	-	-	-	9,558
Income (loss) before income taxes	(70,793)	69,367	12,424	(41,339)	16,316	-	9,400	(4,625)
Provision for (benefit from) income taxes	2,571	7,411	1,332	(4,433)	1,750	-	1,035	9,666
Net Income (loss)	<u>\$ (73,364)</u>	<u>\$ 61,956</u>	<u>\$ 11,092</u>	<u>\$ (36,906)</u>	<u>\$ 14,566</u>	<u>\$ -</u>	<u>\$ 8,365</u>	<u>\$ (14,291) ⁽²⁾</u>
WASO								
Diluted	905,058							905,058
EPS								
Diluted	<u>\$ (0.08)</u>							<u>\$ (0.02)</u>

- (1) Non-GAAP measure represents bookings
(2) Non-GAAP measure represents Non-GAAP net income (loss)



Q3'2016 OUTLOOK

(in thousands, except per share data)

	Q3'16
Reconciliation of Revenue to Bookings	
Revenue range	\$ 170,000 - 180,000
Change in deferred revenue	10,000
Bookings range	\$ 180,000 - 190,000
Reconciliation of Net income (loss) to Adjusted EBITDA	
Net income (loss) range	\$ (33,000) - (29,000)
Provision for (benefit from) income taxes	0 - 2,000
Other income (expense), net	(2,000)
Interest income	(1,000)
Depreciation and amortization	11,000
Stock-based expense	27,000 - 25,000
Change in deferred revenue	10,000
Adjusted EBITDA range	\$ 12,000 - 16,000
Reconciliation of Net income (loss) to Non-GAAP net income (loss)	
Net income (loss) range	\$ (33,000) - (29,000)
Amortization of intangible assets from acquisitions	7,000
Stock-based expense	27,000 - 25,000
Change in deferred revenue	10,000
Tax effect of non-GAAP adjustments to net income (loss)	(6,000) - (7,000)
Non-GAAP net income (loss) range	\$ 5,000 - 6,000
GAAP diluted shares	880,000
Non-GAAP diluted shares	901,000
Net income (loss) per share range	\$ (0.04) - (0.03)
Non-GAAP earnings (loss) per share range	\$ 0.01

