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FINANCIAL RESULTS

AUGUST 5, 2020

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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 third quarter of 2020 under the headings “Q3 2020 Financial Guidance,” “Revised FY 2020 Financial Guidance,” “Q3 2020 Financial Guidance: GAAP To Non-GAAP Reconciliation” and “Revised 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 later in 2020 and scale them over time; continued execution of our multi-year growth strategy which includes investing in new platforms and other initiatives, markets and technology; 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 or pending acquisitions; our opportunities to grow through additional acquisitions; our commitment to fund diversity & inclusion initiatives; and our ability to achieve and expectations related to financial projections, including revenue, deferred revenue, bookings, income, adjusted EBITDA, contingent consideration accruals, operating expenses, operating leverage, operating results, operating cash flow and margins.

Forward-looking statements often include words such as “guidance,” “outlook,” “projected,” “intends,” “will,” “anticipate,” “believe,” “target,” “expect,” “positioned,” and statements in the future tense are generally forward-looking. The achievement or success of the matters covered by such forward-looking statements involves significant risks, uncertainties and assumptions, 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 June 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 Q2 2020 PERFORMANCE

Q2 2020 Highlights

- Highest revenue and bookings performances in Zynga history, driven by outstanding live services performance
- Record revenue of \$452 million, up 47% year-over-year, and bookings of \$518 million, up 38% year-over-year
- Record online game – or user pay – revenue of \$388 million, up 61% year-over-year, and user pay bookings of \$455 million, up 47% year-over-year
- Generated operating cash flow of \$145 million, our best performance since Q4 2011, up 47% year-over-year
- *Empires & Puzzles*, *Merge Dragons!*, *Merge Magic!* and *Game of Thrones™ Slots Casino* were the largest drivers of year-over-year topline growth
- All Zynga employees continued to work from home seamlessly, while delivering on a robust lineup of bold beats including new ‘Battle Pass’ mechanics within *Empires & Puzzles*, *Merge Magic!* and *Hit it Rich! Slots*, as well as the featuring of *Fast & Furious™* within *CSR2*, *Rick and Morty™* within *Merge Dragons!* and a new ‘Dragons of Westeros’ feature in *Game of Thrones™ Slots Casino*
- Our Small Giant Games and Gram Games acquisitions continue to perform ahead of expectations
- Completed our acquisition of Peak on July 1, 2020, bringing a creative and passionate team to Zynga and expanding our live services portfolio to include chart-topping forever franchises *Toon Blast* and *Toy Blast*
- Continued to experiment with new gaming platforms – launched *Bumped Out*, our second title on the Snap Games platform, and *Word Pop*, our first voice-based game exclusively for Amazon’s Alexa
- Produced our first 2-hour livestream event on Twitch for *Words With Friends* in collaboration with Garth Brooks, Trisha Yearwood and Amazon Prime – reaching over 3 million total viewers and 13 million minutes watched
- Announced our commitment to contribute \$25 million over the next five years toward diversity and inclusion initiatives at Zynga and in the games industry

Q2 2020 Financial Guidance vs. Actuals

(in thousands, except per share data)

GAAP	Q2 2020 Guidance ⁽²⁾	Actuals
Revenue	\$ 430,000	\$ 451,688
(B) Net increase in deferred revenue ⁽¹⁾	\$ (70,000)	\$ (66,445)
Net loss	\$ (160,000)	\$ (150,300)
Basic and diluted net loss per share	\$ (0.17)	\$ (0.16)
Basic and diluted share count	960,000	956,854
Non-GAAP		
Bookings	\$ 500,000	\$ 518,133
(A) Adjusted EBITDA	\$ 35,000	\$ 70,032

Management Reporting = (A) - (B)

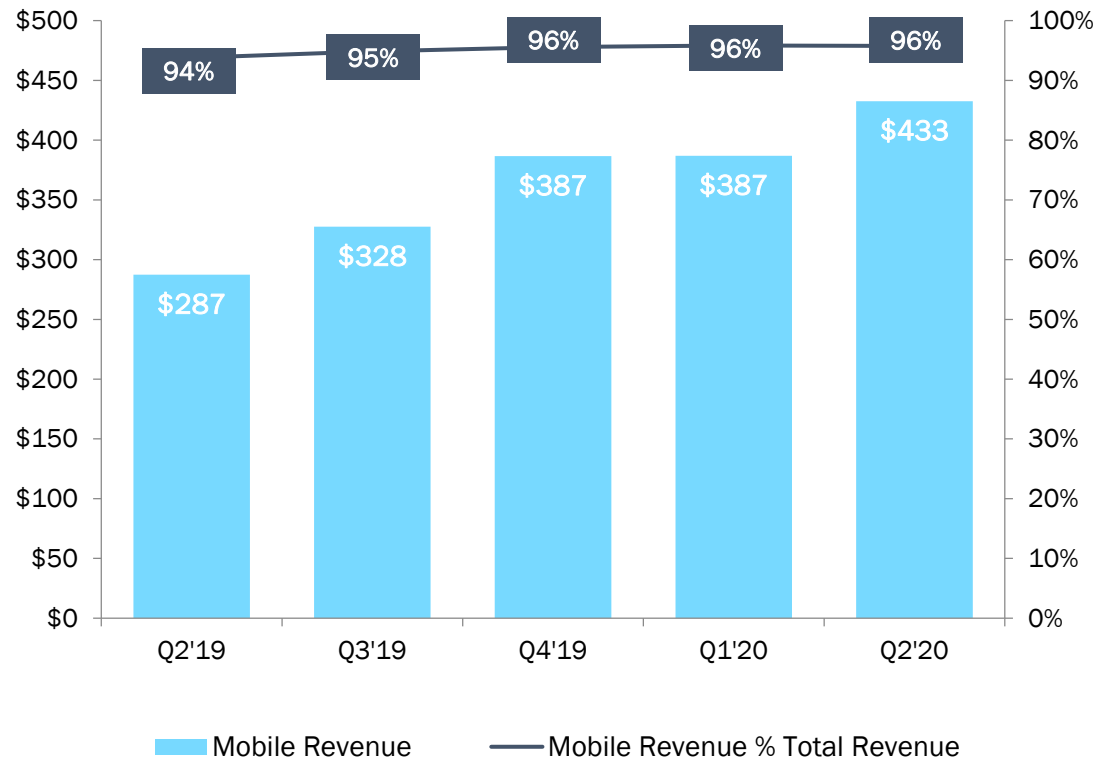
Footnotes:

⁽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.

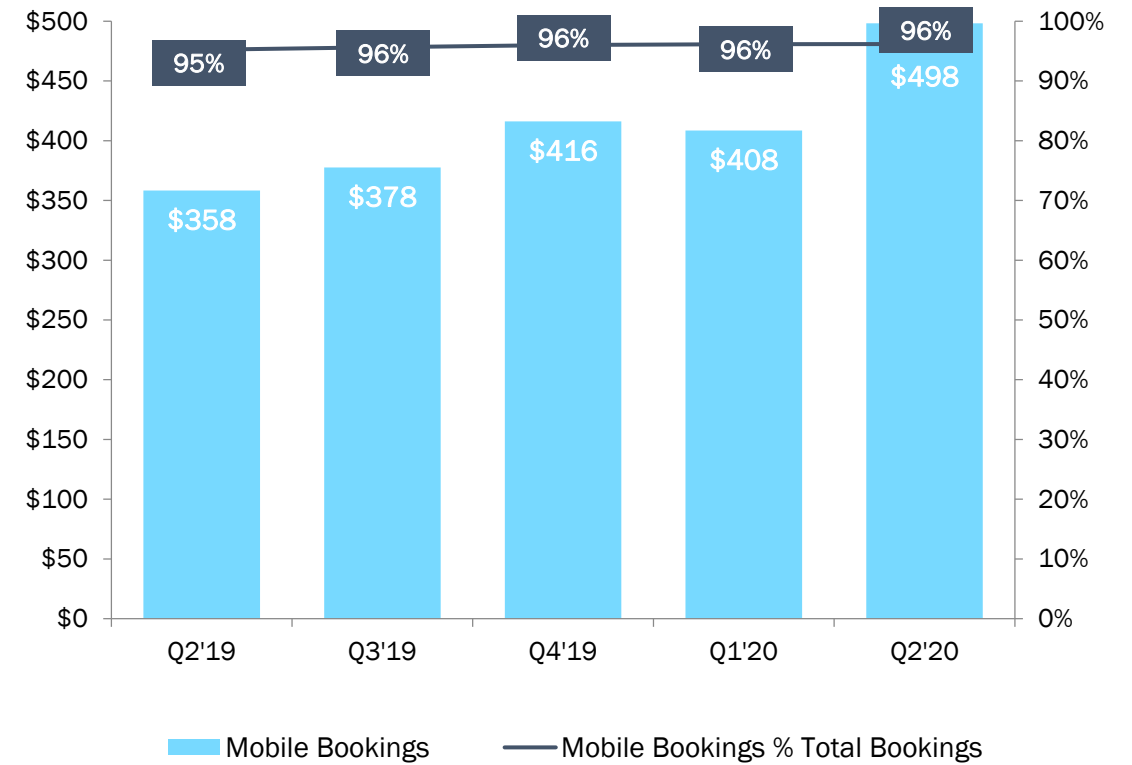
⁽²⁾ Updated Q2 2020 guidance as communicated in our June 1, 2020 Form 8-K filing announcing our acquisition of Peak

Mobile: Revenue & Bookings

MOBILE REVENUE
96% OF TOTAL IN Q2'20



MOBILE BOOKINGS
96% OF TOTAL IN Q2'20



Advertising: Revenue & Bookings

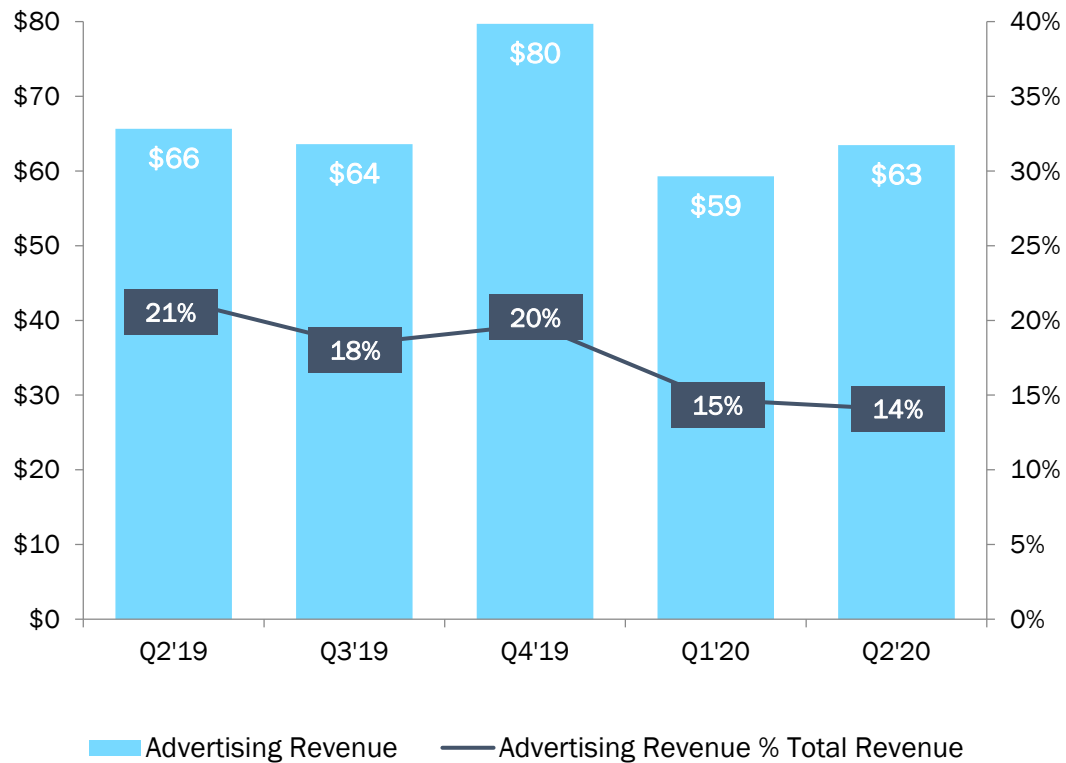
IN MILLIONS



Q2
2020

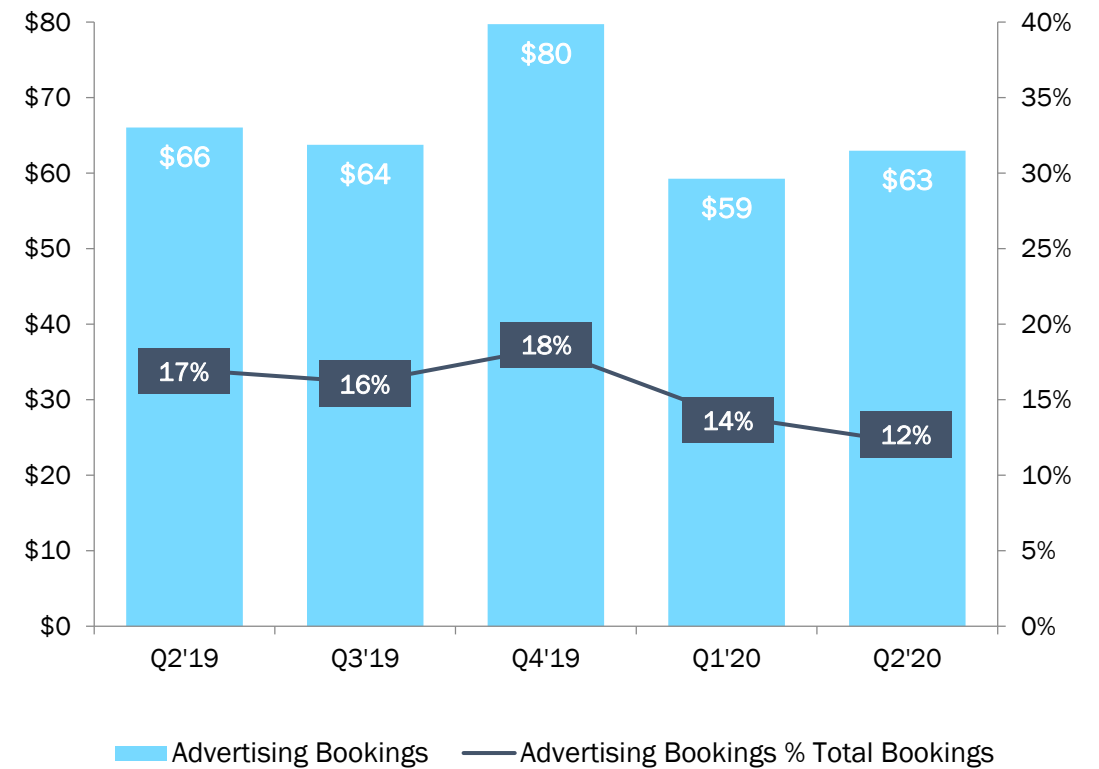
ADVERTISING REVENUE

14% OF TOTAL IN Q2'20



ADVERTISING BOOKINGS

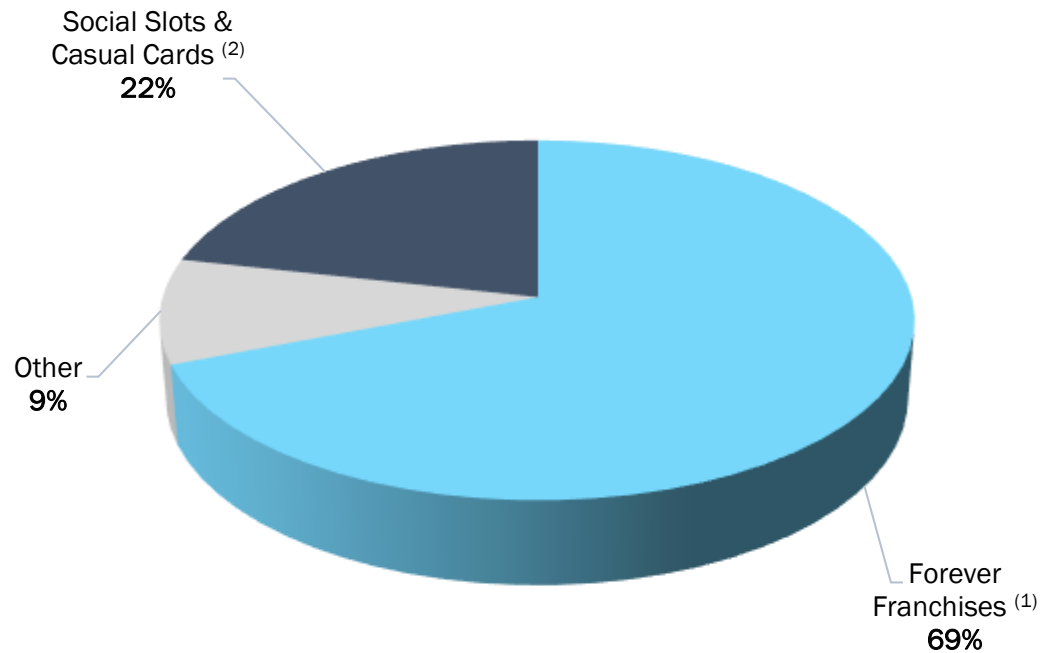
12% OF TOTAL IN Q2'20



Q2 2020 Total Revenue & Bookings

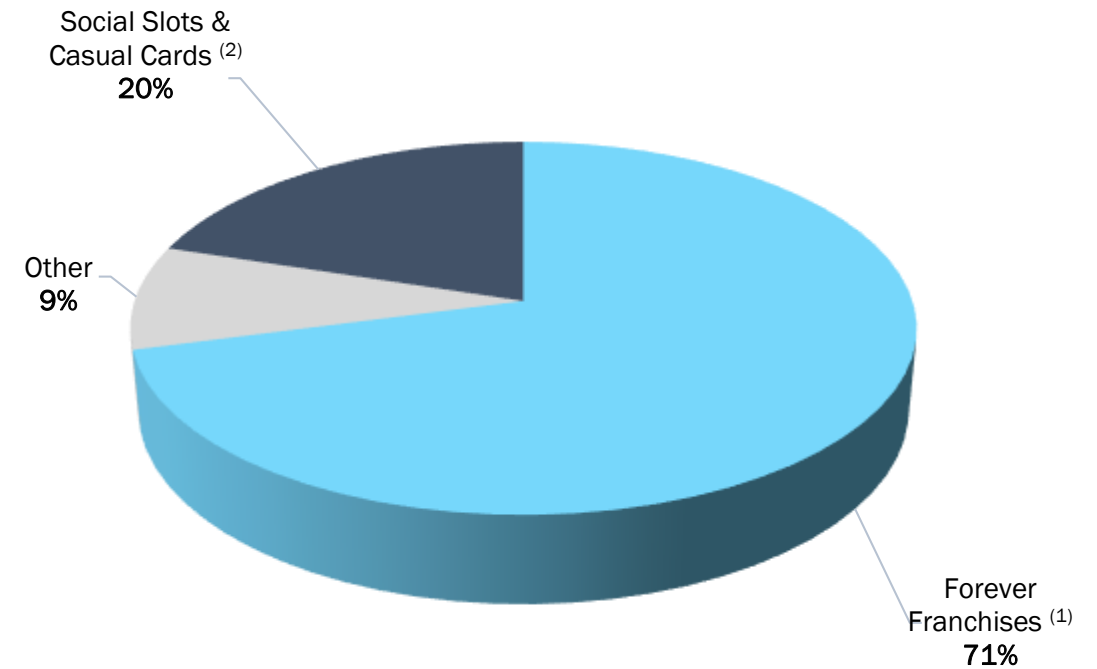
TOTAL REVENUE

\$452 million



TOTAL BOOKINGS

\$518 million



Footnotes:

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

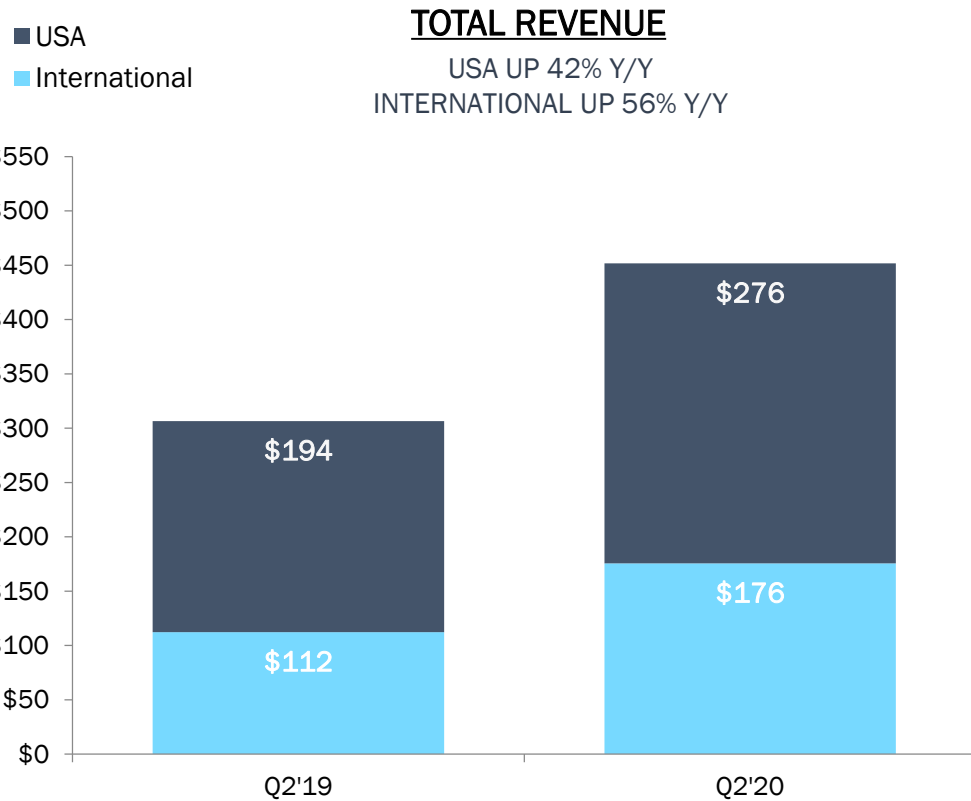
(2) "Social Slots & Casual Cards" includes Black Diamond Casino, Game of Thrones Slots Casino, Hit It Rich! Slots, Willy Wonka Slots, Wizard of Oz Slots, the Casual Card Games acquired in December 2017 and Solitaire.

By Geography: Revenue & Bookings

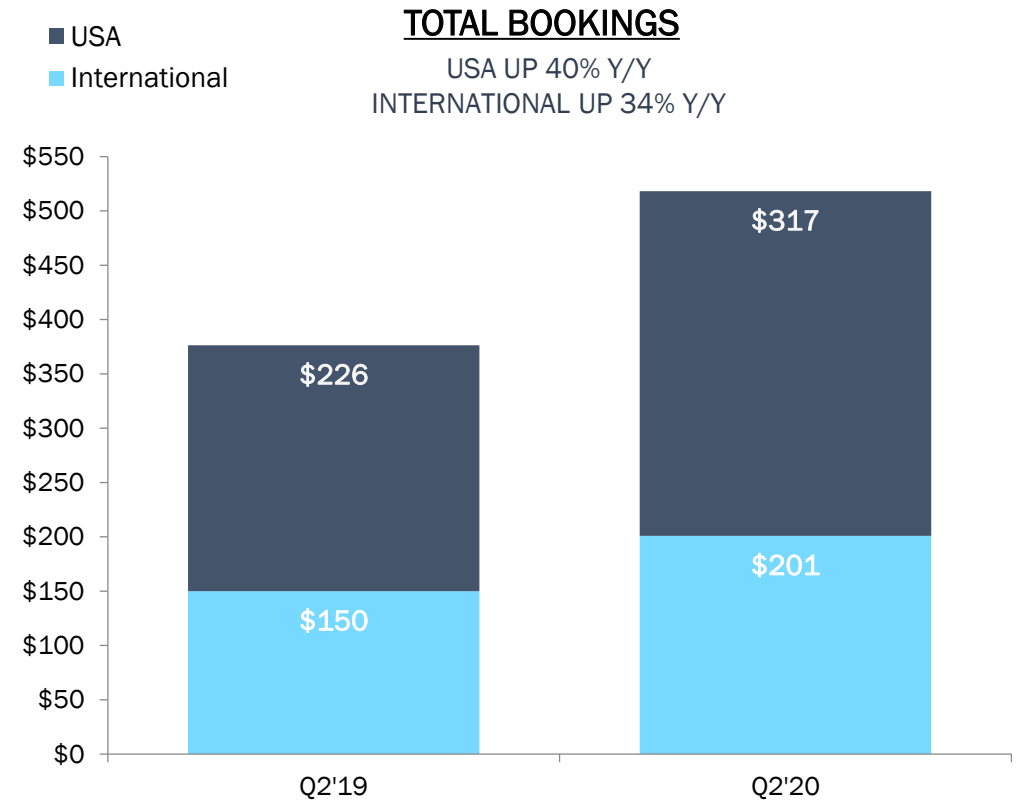
IN MILLIONS



Q2
2020



USA % Total	63%	61%
International % Total	37%	39%



USA % Total	60%	61%
International % Total	40%	39%

Net Income (Loss) & Cash Flow

(in millions, except per share data)

	Q2'20	Q1'20	Q4'19	Q3'19	Q2'19
Net income (loss)	\$ (150)	\$ (104)	\$ (4)	\$ 230	\$ (56)
Diluted net income (loss) per share	\$ (0.16)	\$ (0.11)	\$ (0.00)	\$ 0.24	\$ (0.06)
Operating cash flow	\$ 145	\$ (35)	\$ 94	\$ 69	\$ 99
Free cash flow (non-GAAP)	\$ 142	\$ (44)	\$ 89	\$ 60	\$ 94
Cash, cash equivalents and investments	\$ 1,572	\$ 1,434	\$ 1,537	\$ 1,446	\$ 831

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.

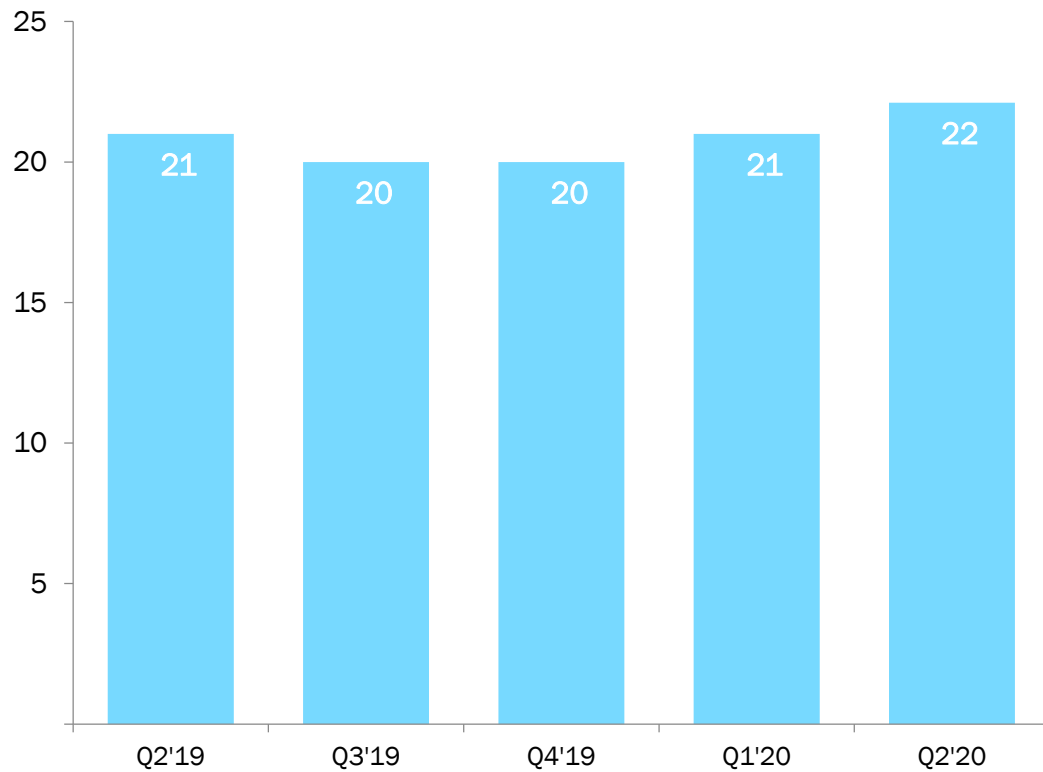
Mobile DAUs. We define Mobile Daily Active Users (DAUs) as the number of individuals who played one of our mobile games during a particular day. Under this metric, an individual who plays two different mobile games on the same day is counted as two Mobile DAUs. We use information provided by third parties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

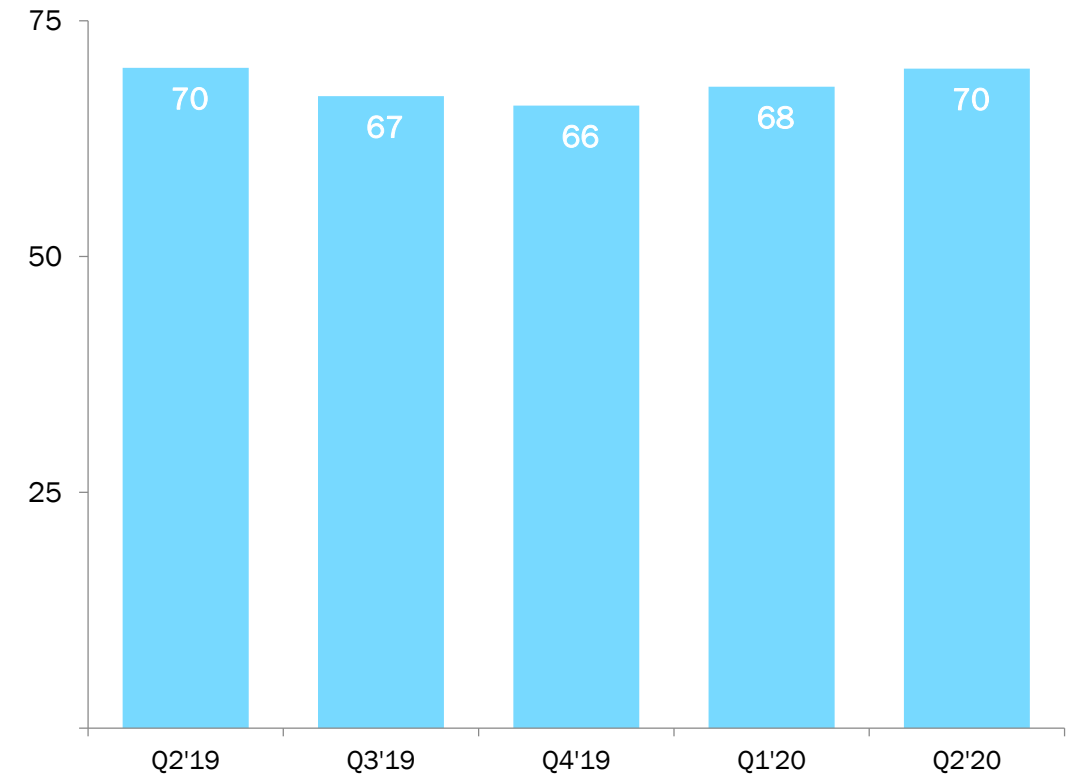
Mobile ABPU. We define Mobile Average Daily Bookings per Average Mobile DAU (ABPU) as our total mobile bookings in a given period, divided by the number of days in that period, divided by, the average Mobile DAUs during the period. We believe that Mobile ABPU provides useful information to investors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

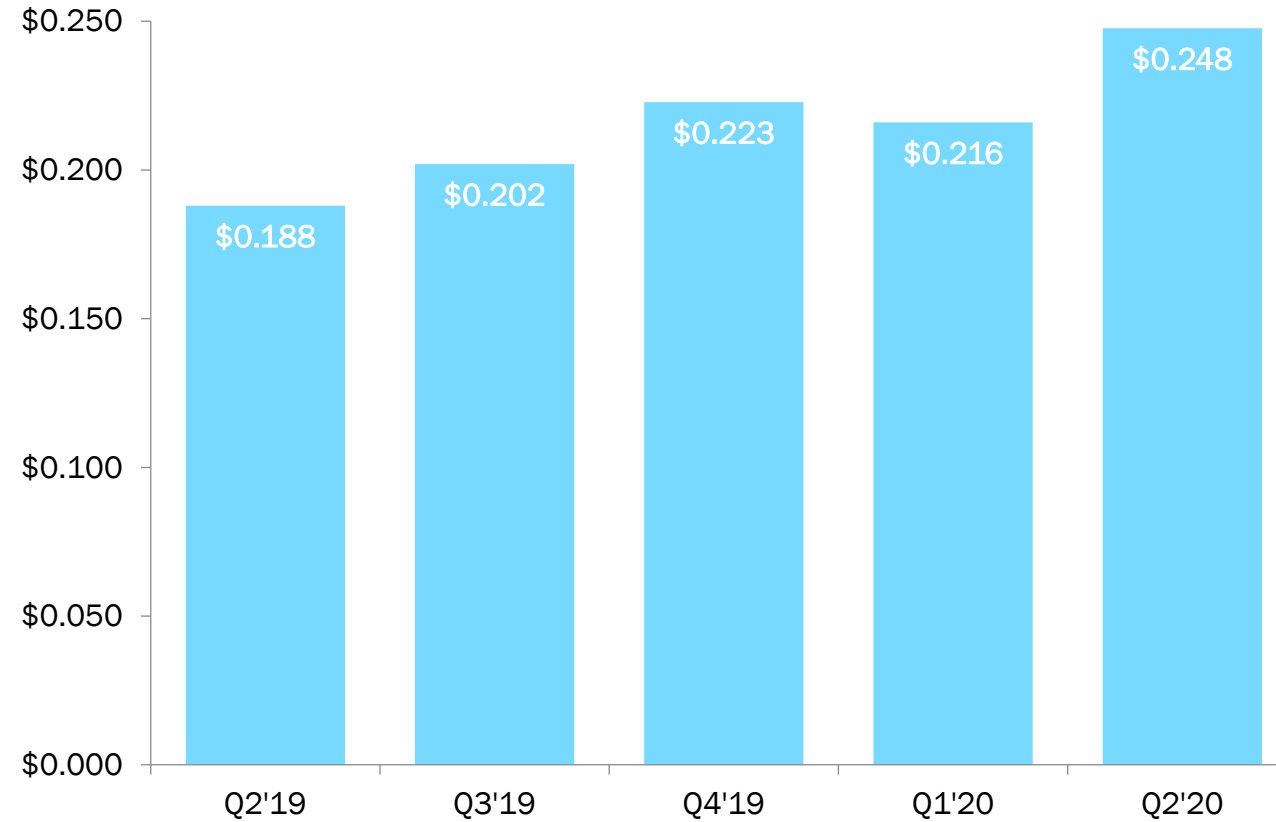


Footnote:

(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 and Small Giant 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.



Q3 AND REVISED FY 2020 FINANCIAL GUIDANCE

Q3 2020 Financial Guidance

(in thousands, except per share data)

GAAP	Q3'20 Guidance	Q3'19 Actual	Variance
Revenue	\$ 445,000	\$ 345,293	\$ 99,707
(B) Net increase in deferred revenue ⁽¹⁾	\$ (175,000)	\$ (49,513)	\$ (125,487)
Net income (loss)	\$ (160,000)	\$ 230,083 ⁽²⁾	\$ (390,083)
Basic net income (loss) per share	\$ (0.15)	\$ 0.24	\$ (0.39)
Diluted net income (loss) per share	\$ (0.15)	\$ 0.24	\$ (0.39)
Basic share count	1,080,000	943,350	136,650
Diluted share count	1,080,000	973,830	106,170
Non-GAAP			
Bookings	\$ 620,000	\$ 394,806	\$ 225,194
(A) Adjusted EBITDA	\$ (45,000)	\$ 27,509	\$ (72,509)

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 Q3'19 includes a one-time gain of \$314 million related to the sale of our San Francisco headquarters building.

Revised FY 2020 Financial Guidance

(in thousands, except per share data)

	Revised FY'20 Guidance	FY'19 Actual	Variance
GAAP			
Revenue	\$ 1,800,000	\$ 1,321,659	\$ 478,341
(B) Net increase in deferred revenue ⁽¹⁾	\$ (400,000)	\$ (242,402)	\$ (157,598)
Net income (loss)	\$ (550,000)	\$ 41,925 ⁽²⁾	\$ (591,925)
Basic net income (loss) per share	\$ (0.54)	\$ 0.04	\$ (0.58)
Diluted net income (loss) per share	\$ (0.54)	\$ 0.04	\$ (0.58)
Basic share count	1,020,000	938,709	81,291
Diluted share count	1,020,000	974,020	45,980
Non-GAAP			
Bookings	\$ 2,200,000	\$ 1,564,061	\$ 635,939
(A) Adjusted EBITDA	\$ 85,000	\$ 87,215	\$ (2,215)

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)

Reconciliation of Revenue to Bookings: Total

	3 months ended		6 months ended	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Revenue	\$ 451,688	\$ 306,500	\$ 855,455	\$ 571,903
Change in deferred revenue	66,445	69,873	87,553	163,955
Bookings: Total	<u>\$ 518,133</u>	<u>\$ 376,373</u>	<u>\$ 943,008</u>	<u>\$ 735,858</u>

Revenue To Bookings: Mobile

(in thousands, unaudited)

	3 months ended				
	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Reconciliation of Revenue to Bookings: Mobile					
Revenue	\$ 432,634	\$ 386,989	\$ 386,621	\$ 327,578	\$ 287,442
Change in deferred revenue	65,646	21,510	29,507	49,983	70,855
Bookings: Mobile	\$ 498,280	\$ 408,499	\$ 416,128	\$ 377,561	\$ 358,297

(in thousands, unaudited)

	6 months ended	
	6/30/2020	6/30/2019
Reconciliation of Revenue to Bookings: Mobile		
Revenue	\$ 819,623	\$ 533,535
Change in deferred revenue	87,156	166,160
Bookings: Mobile	\$ 906,779	\$ 699,695

Revenue To Bookings: Advertising

(in thousands, unaudited)

	3 months ended				
	6/30/2020	3/31/2020	12/31/2019	9/30/2019	6/30/2019
Reconciliation of Revenue to Bookings: Advertising					
Revenue	\$ 63,465	\$ 59,290	\$ 79,709	\$ 63,599	\$ 65,649
Change in deferred revenue	(495)	(30)	9	155	383
Bookings: Advertising	\$ 62,970	\$ 59,260	\$ 79,718	\$ 63,754	\$ 66,032

(in thousands, unaudited)

	6 months ended	
	6/30/2020	6/30/2019
Reconciliation of Revenue to Bookings: Advertising		
Revenue	\$ 122,755	\$ 130,844
Change in deferred revenue	(525)	117
Bookings: Advertising	\$ 122,230	\$ 130,961

Revenue To Bookings: By Platform (3 months)

<i>(in thousands, unaudited)</i>	3 months ended			3 months ended		
	6/30/2020			6/30/2019		
	Mobile	Other ⁽¹⁾	Total	Mobile	Other ⁽¹⁾	Total
Reconciliation of Revenue to Bookings: Online Game						
Revenue	\$ 370,223	\$ 17,958	\$ 388,181	\$ 223,779	\$ 16,929	\$ 240,708
Change in deferred revenue	66,140	839	66,979	70,472	(943)	69,529
Bookings: Online Game	\$ 436,363	\$ 18,797	\$ 455,160	\$ 294,251	\$ 15,986	\$ 310,237

<i>(in thousands, unaudited)</i>	3 months ended			3 months ended		
	6/30/2020			6/30/2019		
	Mobile	Other ⁽¹⁾	Total	Mobile	Other ⁽¹⁾	Total
Reconciliation of Revenue to Bookings: Advertising & Other						
Revenue	\$ 62,411	\$ 1,096	\$ 63,507	\$ 63,663	\$ 2,129	\$ 65,792
Change in deferred revenue	(494)	(40)	(534)	383	(39)	344
Bookings: Advertising & Other	\$ 61,917	\$ 1,056	\$ 62,973	\$ 64,046	\$ 2,090	\$ 66,136

Footnote:

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

Revenue To Bookings: By Platform (6 months)

	6 months ended			6 months ended		
	6/30/2020			6/30/2019		
	Mobile	Other ⁽¹⁾	Total	Mobile	Other ⁽¹⁾	Total
<i>(in thousands, unaudited)</i>						
Reconciliation of Revenue to Bookings: Online Game						
Revenue	\$ 698,894	\$ 33,647	\$ 732,541	\$ 406,612	\$ 34,260	\$ 440,872
Change in deferred revenue	87,680	476	88,156	166,043	(2,126)	163,917
Bookings: Online Game	<u>\$ 786,574</u>	<u>\$ 34,123</u>	<u>\$ 820,697</u>	<u>\$ 572,655</u>	<u>\$ 32,134</u>	<u>\$ 604,789</u>

	6 months ended			6 months ended		
	6/30/2020			6/30/2019		
	Mobile	Other ⁽¹⁾	Total	Mobile	Other ⁽¹⁾	Total
<i>(in thousands, unaudited)</i>						
Reconciliation of Revenue to Bookings: Advertising & Other						
Revenue	\$ 120,729	\$ 2,185	\$ 122,914	\$ 126,923	\$ 4,108	\$ 131,031
Change in deferred revenue	(524)	(79)	(603)	117	(79)	38
Bookings: Advertising & Other	<u>\$ 120,205</u>	<u>\$ 2,106</u>	<u>\$ 122,311</u>	<u>\$ 127,040</u>	<u>\$ 4,029</u>	<u>\$ 131,069</u>

Footnote:

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

Revenue To Bookings: By Geography

(in thousands, unaudited)

	3 months ended USA		3 months ended <i>International</i>	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Reconciliation of Revenue to Bookings: By Geography				
Revenue	\$ 276,153	\$ 194,309	\$ 175,535	\$ 112,191
Change in deferred revenue	41,066	32,155	25,379	37,718
Bookings: By Geography	\$ 317,219	\$ 226,464	\$ 200,914	\$ 149,909

Net Income (Loss) To Adjusted EBITDA

<i>(in thousands, unaudited)</i>	3 months ended		6 months ended	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Reconciliation of Net Income (Loss) to Adjusted EBITDA				
Net income (loss)	\$ (150,300)	\$ (55,830)	\$ (254,225)	\$ (184,658)
Provision for (benefit from) income taxes	18,189	(2,805)	26,700	(13,057)
Other expense (income), net	(571)	(3,877)	1,759	(7,252)
Interest income	(3,598)	(889)	(9,123)	(1,332)
Interest expense	6,961	2,167	13,916	3,430
Depreciation and amortization	19,033	19,669	37,895	40,749
Acquisition-related transaction expenses	5,741	232	6,528	7,588
Contingent consideration fair value adjustment	148,904	23,900	268,904	109,400
Gain on legal settlement and related legal expense	-	(1,037)	-	(10,664)
Stock-based compensation expense	25,673	21,355	46,138	40,128
Adjusted EBITDA	<u>\$ 70,032</u>	<u>\$ 2,885</u>	<u>\$ 138,492</u>	<u>\$ (15,668)</u>

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

(in thousands, unaudited)

	3 months ended		6 months ended	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Reconciliation of net cash provided by (used in) operating activities to free cash flow				
Net cash provided by (used in) operating activities	\$ 145,158	\$ 98,617	\$ 109,972	\$ 100,164
Acquisition of property and equipment	(2,955)	(4,900)	(11,501)	(9,958)
Free cash flow	\$ 142,203	\$ 93,717	\$ 98,471	\$ 90,206

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

3 months ended June 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	Gain from legal settlements and related expense	Stock-based compensation expense	
Cost of revenue	\$ 179,208	\$ (16,338)	\$ -	\$ -	\$ -	\$ (544)	\$ 162,326
Operating expenses							
Research and development	227,952	-	(148,904)	-	-	(12,511)	66,537
Sales and marketing	134,652	-	-	-	-	(3,940)	130,712
General and administrative	39,195	-	-	(5,741)	-	(8,678)	24,776
Total operating expenses	401,799	-	(148,904)	(5,741)	-	(25,129)	222,025
Total costs and expenses	\$ 581,007	\$ (16,338)	\$ (148,904)	\$ (5,741)	\$ -	\$ (25,673)	\$ 384,351

3 months ended June 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	Gain from legal settlements and related expense	Stock-based compensation expense	
Cost of revenue	\$ 126,872	\$ (16,524)	\$ -	\$ -	\$ -	\$ (397)	\$ 109,951
Operating expenses							
Research and development	102,094	-	(23,900)	-	-	(12,238)	65,956
Sales and marketing	113,529	-	-	-	-	(2,920)	110,609
General and administrative	25,239	-	-	(232)	1,037	(5,800)	20,244
Total operating expenses	240,862	-	(23,900)	(232)	1,037	(20,958)	196,809
Total costs and expenses	\$ 367,734	\$ (16,524)	\$ (23,900)	\$ (232)	\$ 1,037	\$ (21,355)	\$ 306,760

GAAP To Non-GAAP Costs & Expenses (6 months)

6 months ended June 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	Gain from legal settlements and related expense	Stock-based compensation expense	
Cost of revenue	\$ 325,410	\$ (32,718)	\$ -	\$ -	\$ -	\$ (982)	\$ 291,710
Operating expenses							
Research and development	425,797	-	(268,904)	-	-	(23,215)	133,678
Sales and marketing	257,823	-	-	-	-	(7,003)	250,820
General and administrative	67,398	-	-	(6,528)	-	(14,938)	45,932
Total operating expenses	751,018	-	(268,904)	(6,528)	-	(45,156)	430,430
Total costs and expenses	\$ 1,076,428	\$ (32,718)	\$ (268,904)	\$ (6,528)	\$ -	\$ (46,138)	\$ 722,140

6 months ended June 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	Gain from legal settlements and related expense	Stock-based compensation expense	
Cost of revenue	\$ 248,515	\$ (33,797)	\$ -	\$ -	\$ -	\$ (681)	\$ 214,037
Operating expenses							
Research and development	263,974	-	(109,400)	-	-	(23,953)	130,621
Sales and marketing	215,540	(291)	-	-	-	(5,407)	209,842
General and administrative	46,743	-	-	(7,588)	10,664	(10,087)	39,732
Total operating expenses	526,257	(291)	(109,400)	(7,588)	10,664	(39,447)	380,195
Total costs and expenses	\$ 774,772	\$ (34,088)	\$ (109,400)	\$ (7,588)	\$ 10,664	\$ (40,128)	\$ 594,232

Q3 2020 Financial Guidance: GAAP To Non-GAAP Reconciliation

(in thousands, except per share data)

	Q3'20 Guidance	Q3'19 Actual	Variance
Reconciliation of Revenue to Bookings			
Revenue	\$ 445,000	\$ 345,293	\$ 99,707
Change in deferred revenue	175,000	49,513	125,487
Bookings	<u>\$ 620,000</u>	<u>\$ 394,806</u>	<u>\$ 225,194</u>
Reconciliation of Net (Loss) Income to Adjusted EBITDA			
Net (loss) income	\$ (160,000)	\$ 230,083	\$ (390,083)
Provision for (benefit from) income taxes	(10,000)	9,880	(19,880)
Other expense, net	-	490	(490)
Interest income	(1,000)	(6,597)	5,597
Interest expense	8,000	6,728	1,272
Depreciation and amortization	48,000	19,069	28,931
Acquisition-related transaction expenses	5,000	-	5,000
Contingent consideration fair value adjustment	25,000	60,764	(35,764)
Gain on sale of building, net of transfer tax ⁽¹⁾	-	(314,247)	314,247
Stock-based compensation expense	40,000	21,339	18,661
Adjusted EBITDA	<u>\$ (45,000)</u>	<u>\$ 27,509</u>	<u>\$ (72,509)</u>
Basic net (loss) income per share	\$ (0.15)	\$ 0.24	\$ (0.39)
Diluted net (loss) income per share	\$ (0.15)	\$ 0.24	\$ (0.39)
GAAP basic shares	1,080,000	943,350	136,650
GAAP diluted shares	1,080,000	973,830	106,170

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 months ended September 30, 2019.

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

(in thousands, except per share data)

	Revised FY'20 Guidance	FY'19 Actual	Variance
Reconciliation of Revenue to Bookings			
Revenue	\$ 1,800,000	\$ 1,321,659	\$ 478,341
Change in deferred revenue	400,000	242,402	157,598
Bookings	<u>\$ 2,200,000</u>	<u>\$ 1,564,061</u>	<u>\$ 635,939</u>
Reconciliation of Net (Loss) Income to Adjusted EBITDA			
Net (loss) income	\$ (550,000)	\$ 41,925	\$ (591,925)
Provision for income taxes	5,000	5,410	(410)
Other expense (income), net	2,000	(8,220)	10,220
Interest income	(10,000)	(14,039)	4,039
Interest expense	30,000	16,971	13,029
Depreciation and amortization	140,000	79,445	60,555
Acquisition-related transaction expenses	13,000	7,588	5,412
Contingent consideration fair value adjustment	325,000	201,564	123,436
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	130,000	81,482	48,518
Adjusted EBITDA	<u>\$ 85,000</u>	<u>\$ 87,215</u>	<u>\$ (2,215)</u>
Basic net (loss) income per share	\$ (0.54)	\$ 0.04	\$ (0.58)
Diluted net (loss) income per share	\$ (0.54)	\$ 0.04	\$ (0.58)
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?



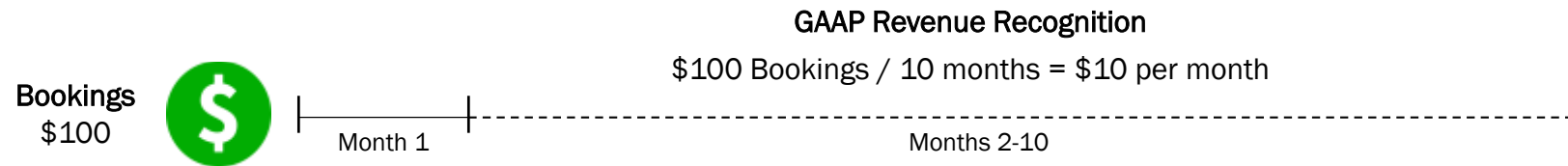
APPENDIX - REVENUE TO BOOKINGS ILLUSTRATION

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)

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



Q2
2020