



ZYNGA Q3 2019

FINANCIAL RESULTS

October 30, 2019

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MANAGEMENT TEAM



CHIEF EXECUTIVE OFFICER
Frank Gibeau



CHIEF FINANCIAL OFFICER
Gerard Griffin

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements, including those statements relating to our outlook for the full year and fourth quarter of 2019 under the headings “Q4 and Raised FY 2019 Financial Guidance” and “Q4 and Raised FY 2019 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 and other titles, investments in our new game pipeline generally, and confidence in our ability to grow our business in 2019 and 2020; our expectation to launch new titles in 2020 and not launch any additional new titles in the fourth quarter of 2019; our potential to further scale the business through acquisitions; our performance expectations regarding our older mobile and web titles; expected fluctuations in player metrics; 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. 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, 2019. 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 2019 PERFORMANCE

Q3 2019 PERFORMANCE OVERVIEW

Q3 HIGHLIGHTS

- Highest quarterly revenue and bookings performances in Zynga history
- Revenue of \$345 million, up 48% Y/Y, and bookings of \$395 million, up 59% Y/Y
- Mobile revenue of \$328 million, up 54% Y/Y, and mobile bookings of \$378 million, up 64% Y/Y
- Record mobile online game – or mobile user pay – revenue of \$266 million, up 78% Y/Y, and mobile user pay bookings of \$316 million, up 90% Y/Y
- *Empires & Puzzles* and *Merge Dragons!* both achieved record revenue and bookings quarters
- *Game of Thrones® Slots Casino* became our fastest growing Slots title in its first full quarter post-launch
- *Merge Magic!* is off to a great start with positive player feedback and strong engagement and monetization metrics
- International revenue and bookings grew 67% and 89% Y/Y, respectively, and now represents 38% of total revenue and 41% of total bookings versus 34% of total revenue and bookings in Q3'18
- Gram Games and Small Giant Games continue to perform ahead of our expectations, resulting in an increase in contingent consideration expense of \$61 million in Q3'19
- Net income of \$230 million, including a one-time gain related to the sale of our San Francisco building
- Operating cash flow of \$69 million, up 67% Y/Y; cash and investments of approximately \$1.45 billion as of September 30, 2019

Q3 2019 FINANCIAL GUIDANCE VS. ACTUALS

(in thousands, except per share data)

GAAP	<u>Guidance ⁽²⁾</u>	<u>Actuals</u>
Revenue	\$ 325,000	\$ 345,293
(B) Net increase in deferred revenue ⁽¹⁾	\$ (55,000)	\$ (49,513)
Net income	\$ 250,000	\$ 230,083
Diluted share count	970,000	973,830
Diluted net income per share	\$ 0.26	\$ 0.24
Non-GAAP		
Bookings	\$ 380,000	\$ 394,806
(A) Adjusted EBITDA	\$ 7,000	\$ 27,509

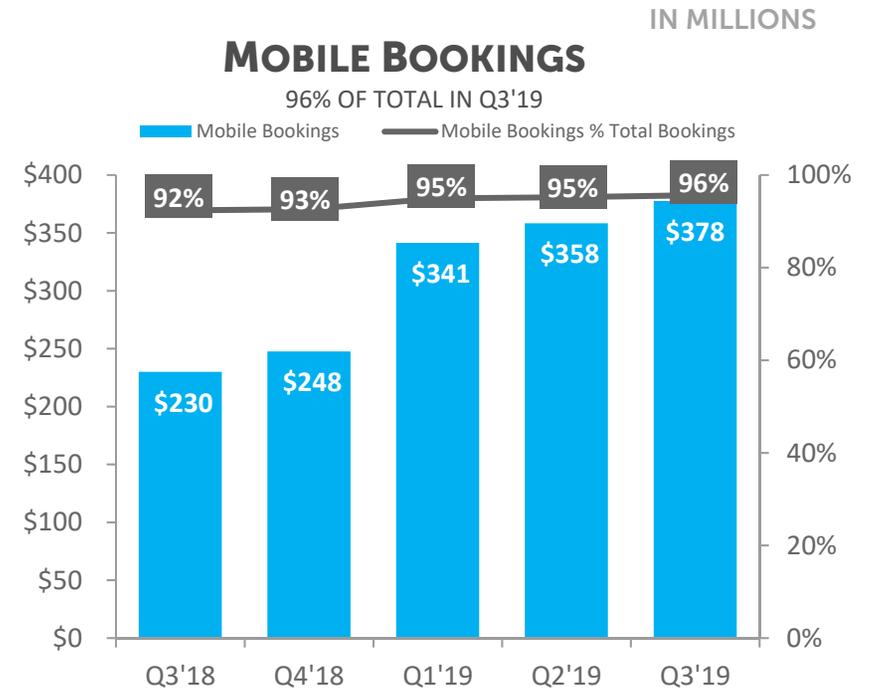
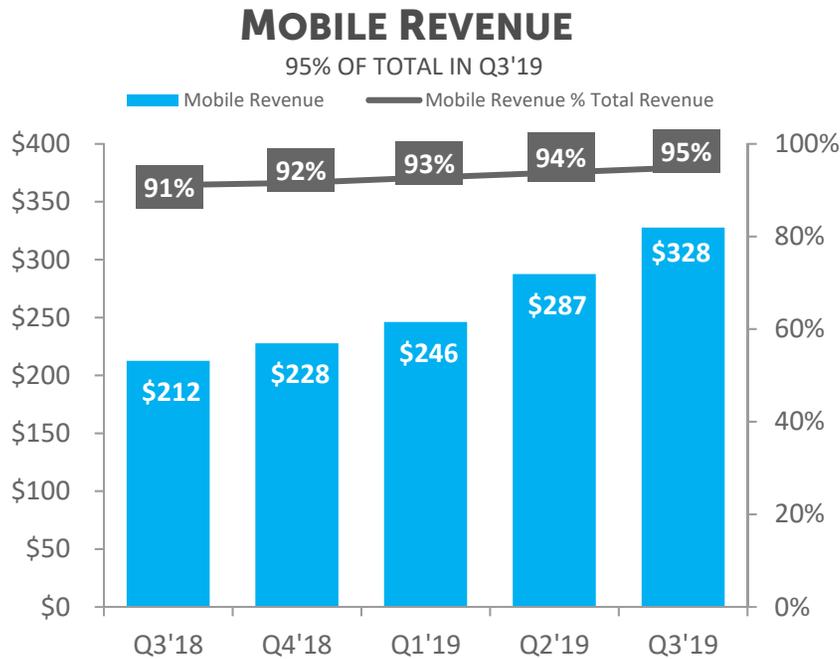
Management Reporting = (A) - (B)

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⁾ Q3'19 guidance as communicated in Q2'19 earnings letter and slides.

MOBILE HIGHLIGHTS



Increase in Deferred Revenue ⁽¹⁾	(\$17)	(\$20)	(\$95)	(\$71)	(\$50)
Mobile Bookings	\$230 ⁽²⁾	\$248	\$341	\$358	\$378

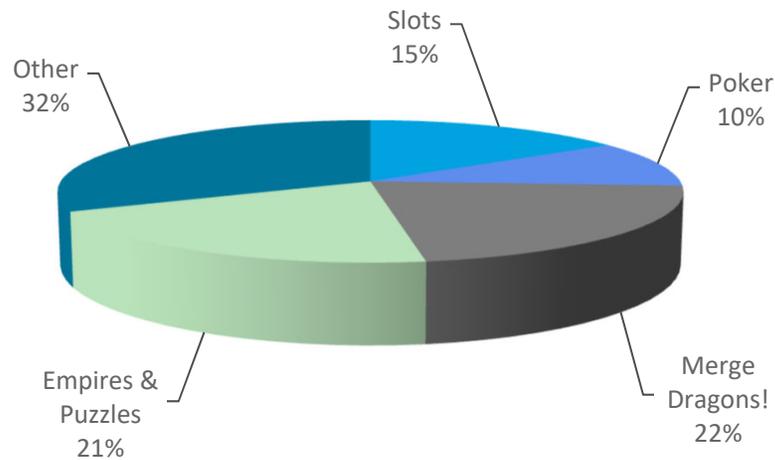
Footnotes:

- (1) Refer to footnote (1) on slide 7
- (2) This measure, as presented, differs due to the impact of rounding

ONLINE GAME: REVENUE AND BOOKINGS BY FRANCHISE

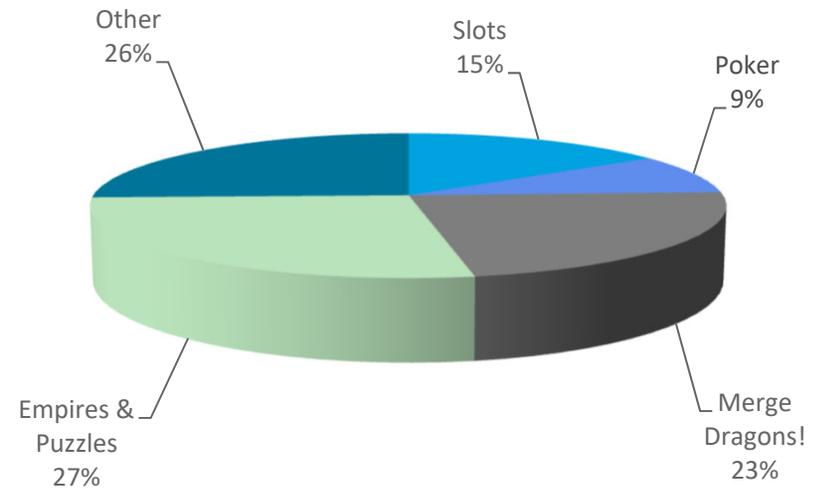
Q3 2019 ONLINE GAME REVENUE

Total Amount: \$282 million



Q3 2019 ONLINE GAME BOOKINGS

Total Amount: \$331 million ⁽¹⁾



Note: Franchises representing less than 10% of online game revenue are included in "Other".

Footnote:

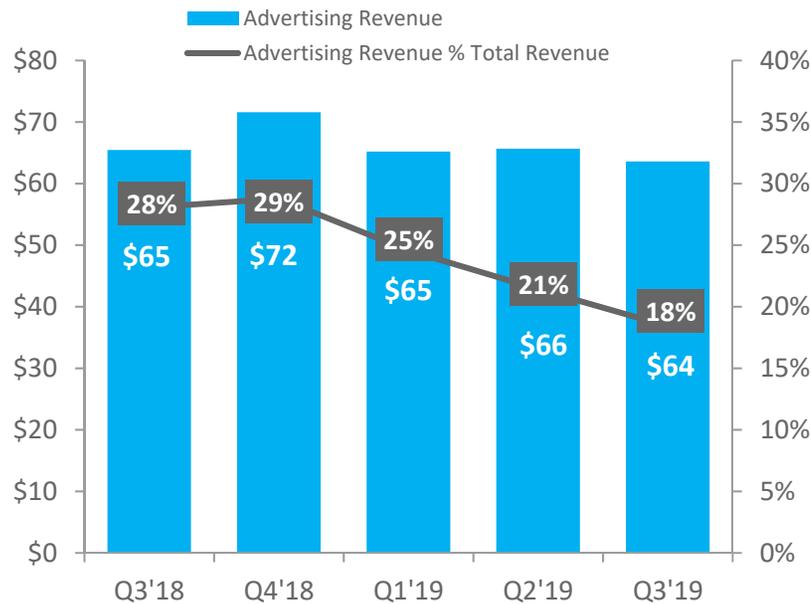
(1) Online game revenue of \$282 million, plus the change in deferred revenue of \$49 million, results in online game bookings of \$331 million.

ADVERTISING: REVENUE AND BOOKINGS

IN MILLIONS

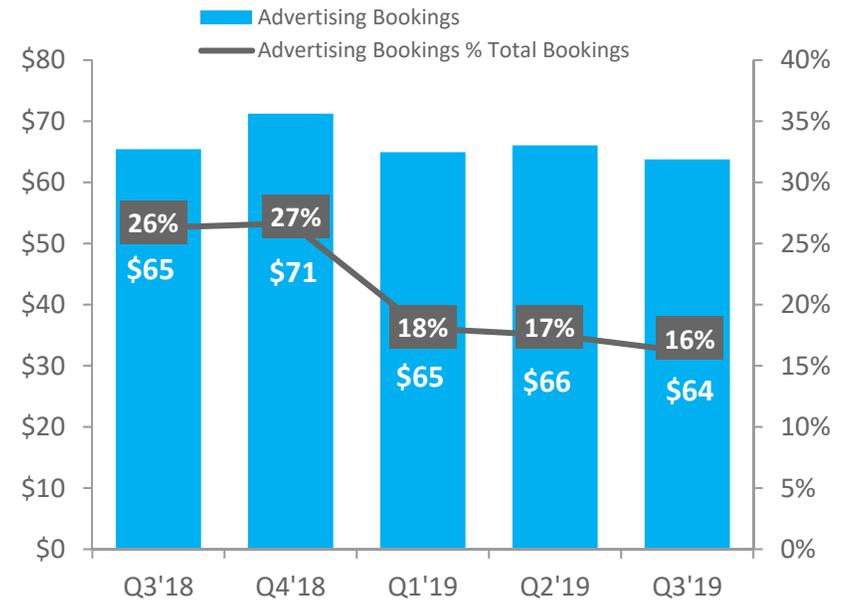
ADVERTISING REVENUE

18% OF TOTAL IN Q3'19



ADVERTISING BOOKINGS

16% OF TOTAL IN Q3'19



Net Release of Deferred Revenue ⁽¹⁾	\$0	\$0	\$0	\$0	\$0
Advertising Bookings	\$65	\$71 ⁽²⁾	\$65	\$66	\$64

Footnotes:

- 10 (1) Refer to footnote (1) on slide 7 for additional clarity on this financial measure
 (2) This measure, as presented, differs due to the impact of rounding

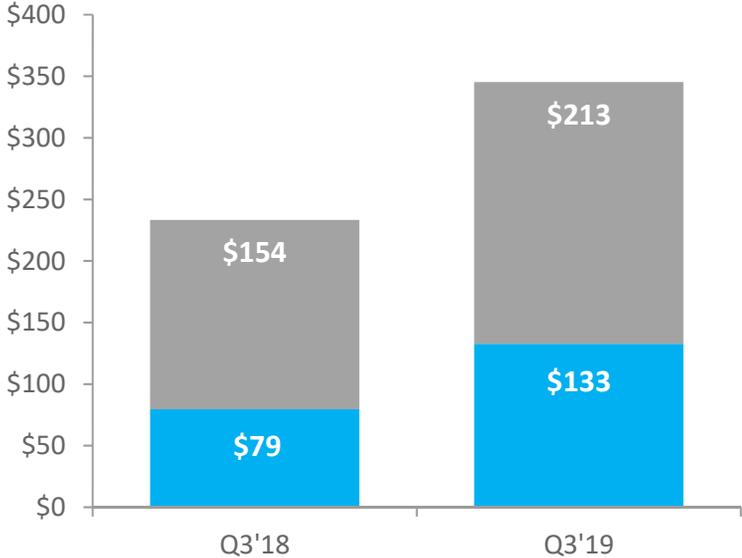


BY GEOGRAPHY: REVENUE AND BOOKINGS

IN MILLIONS

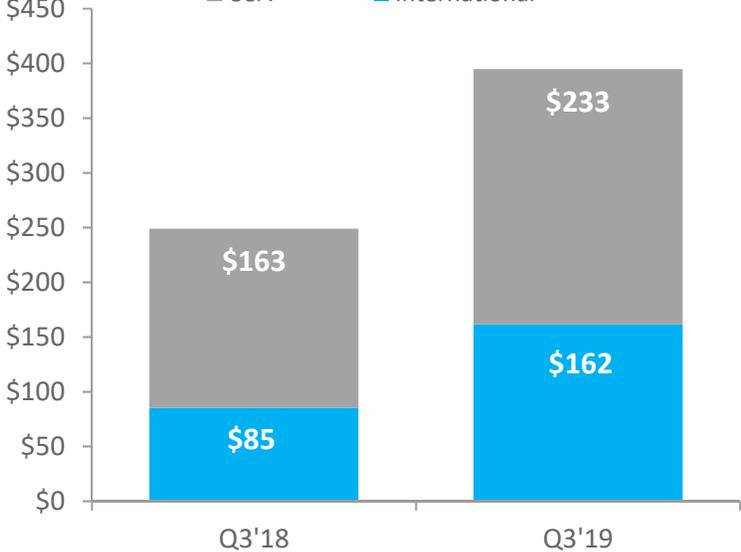
TOTAL REVENUE

USA UP 38% Y/Y
INTERNATIONAL UP 67% Y/Y



TOTAL BOOKINGS

USA UP 43% Y/Y
INTERNATIONAL UP 89% Y/Y



USA % of Total	66%	62%
International % of Total	34%	38%

USA % of Total	66%	59%
International % of Total	34%	41%



NET INCOME (LOSS) AND CASH FLOW

(in millions, except per share data)

	Q3'19	Q2'19	Q1'19	Q4'18	Q3'18
Net income (loss)	\$ 230	\$ (56)	\$ (129)	\$ 1	\$ 10
Diluted net income (loss) per share	\$ 0.24	\$ (0.06)	\$ (0.14)	\$ 0.00	\$ 0.01
Operating cash flow	\$ 69	\$ 99	\$ 2	\$ 90	\$ 41
Free cash flow (non-GAAP)	\$ 60	\$ 94	\$ (4)	\$ 86	\$ 37
Cash, cash equivalents and investments	\$ 1,446	\$ 831	\$ 252	\$ 581	\$ 420

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.

Specifically, beginning with the first quarter of 2019, we updated our methodologies and approaches for identifying automated attempts to replicate legitimate player activity. Applying this new methodology, and assuming consistency in the player data profiles across periods, we estimate that the amounts previously reported during 2018 may reduce our average Mobile DAUs and average Mobile MAUs by approximately 5-10%. Our estimation of such invalid traffic can vary from period to period, and we have recorded periodic spikes in such activity (in particular, in December 2018, which resulted in our exclusion of audience data from that month).

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.

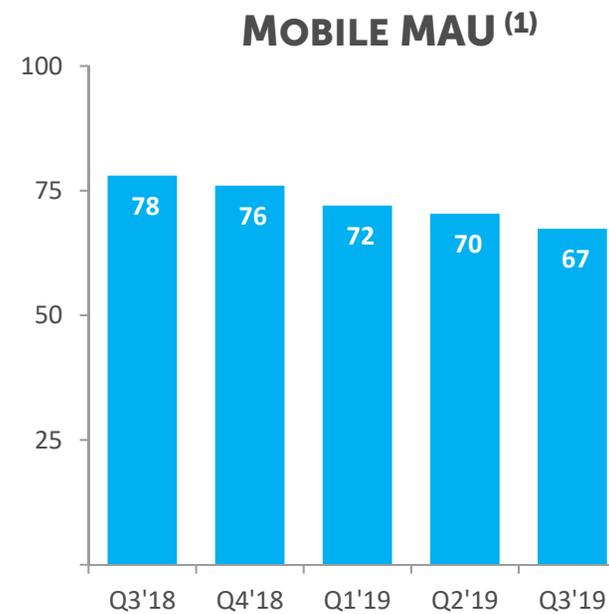
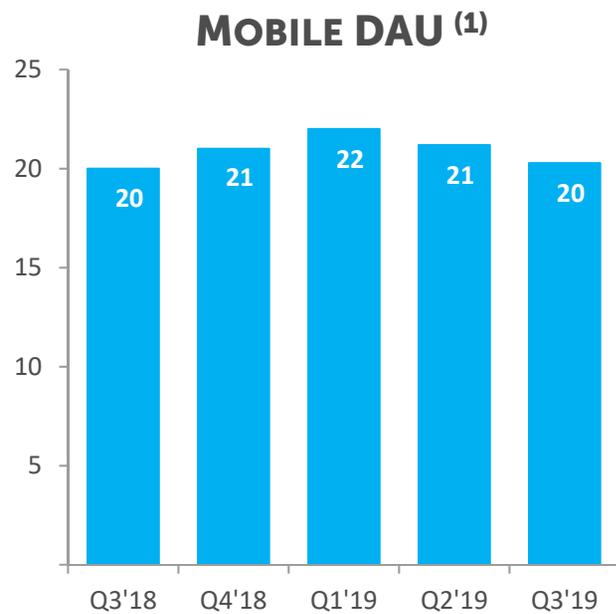
Mobile DAUs. We define Mobile Daily Active Users (DAUs) as the number of individuals who played one of our mobile games during a particular day. Under this metric, an individual who plays two different mobile games on the same day is counted as two Mobile DAUs. We use information provided by third parties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

IN MILLIONS



Footnote:

(1) We do not have the third party network login data to link an individual who has played under multiple user accounts and accordingly, actual Mobile DAU and Mobile MAU may be lower than reported due to the potential duplication of these individuals. Specifically, Mobile DAUs and Mobile MAUs incrementally include *Merge Magic!* and the games acquired from Gram Games in May 2018 and Small Giant Games in January 2019

Additionally, refer to Slide 13 – “Key Operating Metrics” for further discussion on the comparability of the 2018 figures presented.

MOBILE MONETIZATION

**MOBILE AVERAGE BOOKINGS PER
MOBILE DAU (ABPU)**



Please refer to Slide 13 – “Key Operating Metrics” for further discussion on the uses, limitations and comparability of the operating metrics presented.



Q4 AND RAISED FY 2019 FINANCIAL GUIDANCE

Q4 AND RAISED FY 2019 FINANCIAL GUIDANCE

(in thousands, except per share data)

GAAP	Q4'19 Guidance	Q4'18 Actual	Variance
Revenue	\$ 365,000	\$ 248,688	\$ 116,312
(B) Net increase in deferred revenue ⁽¹⁾	\$ (50,000)	\$ (18,578)	\$ (31,422)
Net income (loss)	\$ (44,000)	\$ 559	\$ (44,559)
Basic share count	945,000	860,673	84,327
Diluted share count	945,000	882,769	62,231
Basic and diluted net income (loss) per share	\$ (0.05)	\$ 0.00	\$ (0.05)

Non-GAAP

Bookings	\$ 415,000	\$ 267,266	\$ 147,734
(A) Adjusted EBITDA	\$ 25,000	\$ 37,109	\$ (12,109)

GAAP	Raised FY'19 Guidance	FY'18 Actual	Variance
Revenue	\$ 1,282,196	\$ 907,208	\$ 374,988
Net increase in deferred revenue ⁽¹⁾	\$ (263,468)	\$ (62,334)	\$ (201,134)

Non-GAAP

Bookings	\$ 1,545,664	\$ 969,542	\$ 576,122
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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.



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, as applicable, the impact of stock-based compensation expense, acquisition-related transaction expenses, contingent consideration fair value adjustments, legal settlements and related legal expense and/or restructuring 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; and
- Free cash flow is derived from net cash provided by operating activities less cash spent on capital expenditures.

REVENUE TO BOOKINGS: TOTAL

<i>(in thousands, unaudited)</i>	3 months ended		9 months ended	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Reconciliation of Revenue to Bookings: Total				
Revenue	\$ 345,293	\$ 233,243	\$ 917,196	\$ 658,520
Change in deferred revenue	49,513	15,632	213,468	43,756
Bookings: Total	<u>\$ 394,806</u>	<u>\$ 248,875</u>	<u>\$ 1,130,664</u>	<u>\$ 702,276</u>

REVENUE TO BOOKINGS: MOBILE

<i>(in thousands, unaudited)</i>	3 months ended		9 months ended	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Reconciliation of Revenue to Bookings: Mobile				
Revenue	\$ 327,578	\$ 212,466	\$ 861,114	\$ 587,812
Change in deferred revenue	49,983	17,422	216,143	47,102
Bookings: Mobile	<u>\$ 377,561</u>	<u>\$ 229,888</u>	<u>\$ 1,077,257</u>	<u>\$ 634,914</u>

REVENUE TO BOOKINGS: ADVERTISING

<i>(in thousands, unaudited)</i>	3 months ended		9 months ended	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Reconciliation of Revenue to Bookings: Advertising				
Revenue	\$ 63,599	\$ 65,446	\$ 194,443	\$ 162,517
Change in deferred revenue	155	(23)	272	1,065
Bookings: Advertising	<u>\$ 63,754</u>	<u>\$ 65,423</u>	<u>\$ 194,715</u>	<u>\$ 163,582</u>

REVENUE TO BOOKINGS: BY GEOGRAPHY

	3 months ended <i>US</i>		3 months ended <i>International</i>	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
<i>(in thousands, unaudited)</i>				
Reconciliation of Revenue to Bookings: By Geography				
Revenue	\$ 212,567	\$ 153,752	\$ 132,726	\$ 79,491
Change in deferred revenue	20,595	9,717	28,918	5,915
Bookings: By Geography	<u>\$ 233,162</u>	<u>\$ 163,468</u>	<u>\$ 161,644</u>	<u>\$ 85,406</u>

REVENUE TO BOOKINGS: BY PLATFORM (3 MONTHS ENDED)

(in thousands, unaudited)

	3 months ended			3 months ended		
	9/30/2019			9/30/2018		
Reconciliation of Revenue to Bookings: Online Game	Mobile	Other ⁽¹⁾	Total	Mobile	Other ⁽¹⁾	Total
Revenue	\$ 265,836	\$ 15,815	\$ 281,651	\$ 149,095	\$ 18,621	\$ 167,716
Change in deferred revenue	49,828	(431)	49,397	17,445	(1,731)	15,714
Bookings: Online Game	\$ 315,664	\$ 15,384	\$ 331,048	\$ 166,540	\$ 16,890	\$ 183,430

(in thousands, unaudited)

	3 months ended			3 months ended		
	9/30/2019			9/30/2018		
Reconciliation of Revenue to Bookings: Advertising & Other	Mobile	Other ⁽¹⁾	Total	Mobile	Other ⁽¹⁾	Total
Revenue	\$ 61,742	\$ 1,900	\$ 63,642	\$ 63,371	\$ 2,156	\$ 65,527
Change in deferred revenue	155	(39)	116	(23)	(59)	(82)
Bookings: Advertising & Other	\$ 61,897	\$ 1,861	\$ 63,758	\$ 63,348	\$ 2,097	\$ 65,445

Footnote:

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

REVENUE TO BOOKINGS: BY PLATFORM (9 MONTHS ENDED)

(in thousands, unaudited)

	9 months ended			9 months ended		
	9/30/2019			9/30/2018		
Reconciliation of Revenue to Bookings: Online Game	Mobile	Other ⁽¹⁾	Total	Mobile	Other ⁽¹⁾	Total
Revenue	\$ 672,449	\$ 50,074	\$ 722,523	\$ 431,952	\$ 61,997	\$ 493,949
Change in deferred revenue	215,871	(2,557)	213,314	46,037	(2,944)	43,093
Bookings: Online Game	\$ 888,320	\$ 47,517	\$ 935,837	\$ 477,989	\$ 59,053	\$ 537,042

(in thousands, unaudited)

	9 months ended			9 months ended		
	9/30/2019			9/30/2018		
Reconciliation of Revenue to Bookings: Advertising & Other	Mobile	Other ⁽¹⁾	Total	Mobile	Other ⁽¹⁾	Total
Revenue	\$ 188,665	\$ 6,008	\$ 194,673	\$ 155,860	\$ 8,711	\$ 164,571
Change in deferred revenue	272	(118)	154	1,065	(402)	663
Bookings: Advertising & Other	\$ 188,937	\$ 5,890	\$ 194,827	\$ 156,925	\$ 8,309	\$ 165,234

Footnote:

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

NET INCOME (LOSS) TO ADJUSTED EBITDA

<i>(in thousands, unaudited)</i>	3 months ended		9 months ended	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
Reconciliation of Net Income (Loss) to Adjusted EBITDA				
Net income (loss)	\$ 230,083	\$ 10,200	\$ 45,425	\$ 14,898
Provision for (benefit from) income taxes	9,880	5	(3,177)	6,194
Other (income) expense, net	490	(4,147)	(6,762)	(10,167)
Interest income	(6,597)	(1,421)	(7,929)	(5,031)
Interest expense	6,728	133	10,158	147
Restructuring expense, net	-	124	-	995
Depreciation and amortization	19,069	12,454	59,818	29,363
Acquisition-related transaction expenses	-	426	7,588	1,709
Contingent consideration fair value adjustment	60,764	1,500	170,164	3,000
(Gain) loss 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	21,339	18,754	61,467	50,236
Adjusted EBITDA	<u>\$ 27,509</u>	<u>\$ 38,028</u>	<u>\$ 11,841</u>	<u>\$ 91,344</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

	3 months ended		9 months ended	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
<i>(in thousands, unaudited)</i>				
Reconciliation of net cash provided by (used in) operating activities to free cash flow				
Net cash provided by (used in) operating activities	\$ 68,618	\$ 41,118	\$ 168,779	\$ 78,312
Acquisition of property and equipment	(8,841)	(3,826)	(18,799)	(7,505)
Free cash flow	\$ 59,777	\$ 37,292	\$ 149,980	\$ 70,807

GAAP TO NON-GAAP COSTS AND EXPENSES (3 MONTHS ENDED)

	Adjustments to GAAP to arrive at non-GAAP measures						Non-GAAP measure
	GAAP measure	Restructuring Expense	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition-related expenses	Stock-based compensation expense	
Three months ended September 30, 2019							
	<i>(in thousands, unaudited)</i>						
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
Three months ended September 30, 2018							
	<i>(in thousands, unaudited)</i>						
Cost of revenue	\$ 78,592	\$ -	\$ (8,808)	\$ -	\$ -	\$ (242)	\$ 69,542
Operating expenses							
Research and development	71,124	-	-	(1,500)	-	(12,039)	57,585
Sales and marketing	55,613	-	(442)	-	-	(2,232)	52,939
General and administrative	23,144	(124)	-	-	(426)	(4,241)	18,353
Total operating expenses	149,881	(124)	(442)	(1,500)	(426)	(18,512)	128,877
Total costs and expenses	\$ 228,473	\$ (124)	\$ (9,250)	\$ (1,500)	\$ (426)	\$ (18,754)	\$ 198,419

GAAP TO NON-GAAP COSTS AND EXPENSES (9 MONTHS ENDED)

Adjustments to GAAP to arrive at non-GAAP measures
(in thousands, unaudited)

Nine months ended September 30, 2019

	GAAP measure	Restructuring Expense	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition- related expenses	Gain (loss) from legal settlements and related expense	Stock-based compensation expense	Non-GAAP measure
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

Adjustments to GAAP to arrive at non-GAAP measures
(in thousands, unaudited)

Nine months ended September 30, 2018

	GAAP measure	Restructuring Expense	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition- related expenses	Gain (loss) from legal settlements and related expense	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 221,816	\$ (27)	\$ (18,359)	\$ -	\$ -	\$ -	\$ (1,237)	\$ 202,193
Operating expenses								
Research and development	199,340	(78)	-	(3,000)	-	-	(31,027)	165,235
Sales and marketing	159,346	-	(1,443)	-	-	-	(6,282)	151,621
General and administrative	71,977	(890)	-	-	(1,709)	-	(11,690)	57,688
Total operating expenses	430,663	(968)	(1,443)	(3,000)	(1,709)	-	(48,999)	374,544
Total costs and expenses	\$ 652,479	\$ (995)	\$ (19,802)	\$ (3,000)	\$ (1,709)	\$ -	\$ (50,236)	\$ 576,737

Q4 AND RAISED FY 2019 FINANCIAL GUIDANCE: GAAP TO NON-GAAP RECONCILIATION

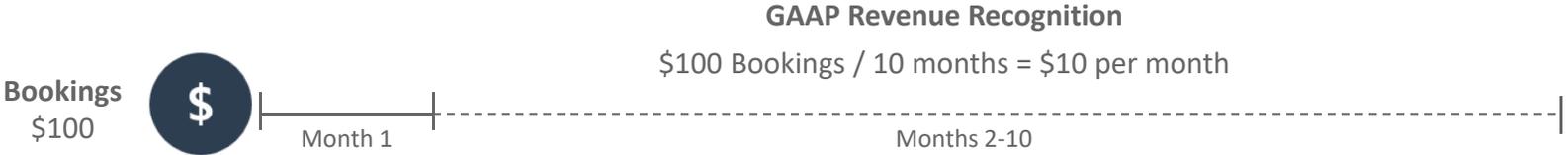
	Q4'19 Guidance	Q4'18 Actual	Variance
Reconciliation of Revenue to Bookings			
Revenue	\$ 365,000	\$ 248,688	\$ 116,312
Change in deferred revenue	50,000	18,578	31,422
Bookings	<u>\$ 415,000</u>	<u>\$ 267,266</u>	<u>\$ 147,734</u>
Reconciliation of Net (Loss) Income to Adjusted EBITDA			
Net (loss) income	\$ (44,000)	\$ 559	\$ (44,559)
(Benefit from) provision for income taxes	5,000	4,812	188
Other (income) expense, net	-	(3,239)	3,239
Interest income	(5,000)	(1,518)	(3,482)
Interest expense	8,000	107	7,893
Restructuring expense, net	-	13	(13)
Depreciation and amortization	20,000	12,695	7,305
Acquisition-related transaction expenses	-	844	(844)
Contingent consideration fair value adjustment	20,000	2,500	17,500
Loss on legal settlement and related expense	-	2,333	(2,333)
Stock-based compensation expense	21,000	18,003	2,997
Adjusted EBITDA	<u>\$ 25,000</u>	<u>\$ 37,109</u>	<u>\$ (12,109)</u>
GAAP basic shares	945,000	\$ 860,673	84,327
GAAP diluted shares	945,000	882,769	62,231
Basic and diluted net income per share	\$ (0.05)	\$ 0.00	\$ (0.05)
Raised FY'19			
	Guidance	FY'18 Actual	Variance
Revenue	\$ 1,282,196	\$ 907,208	\$ 374,988
Change in deferred revenue	263,468	62,334	201,134
Bookings	<u>\$ 1,545,664</u>	<u>\$ 969,542</u>	<u>\$ 576,122</u>



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)

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

