



# ZYNGA Q1 2019

## FINANCIAL RESULTS

May 1, 2019

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# MANAGEMENT TEAM

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**CHIEF EXECUTIVE OFFICER**  
Frank Gibeau



**CHIEF FINANCIAL OFFICER**  
Gerard Griffin

## FORWARD-LOOKING STATEMENTS

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This presentation contains forward-looking statements, including those statements relating to our outlook for the full year and second quarter of 2019 under the headings “Q2 and Raised FY 2019 Financial Guidance” and “Q2 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 mobile forever franchises, and confidence in our ability to grow our business in 2019 and beyond; our plans to launch new games featuring owned IP and titles based on strategic licenses and enhance existing games with new features and updates; the success of new product and feature launches and other special events, and the investments related to introductions of new games and features; our expectations regarding the advertising market, including anticipated trends in that market; our performance expectations regarding our legacy portfolio of web and older mobile games; and our ability and expectations to achieve financial projections, including revenue, deferred revenue, bookings, income, adjusted EBITDA, operating expenses, 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](http://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 March 31, 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 Q1 2019 PERFORMANCE**

# Q1 2019 PERFORMANCE OVERVIEW

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## Q1 FINANCIAL HIGHLIGHTS

- Revenue of \$265 million, up 27% year-over-year.
- Bookings of \$359 million, up 64% year-over-year.
- Outstanding Q1 performance was driven by our live service portfolio, in particular by strong revenue and record bookings quarters from *Empires & Puzzles*, *Merge Dragons!* and *CSR2*, while *Words With Friends* also delivered its best Q1 mobile revenue and bookings in franchise history.
- *Merge Dragons!* and *Empires & Puzzles* are performing ahead of expectations, resulting in an \$86 million increase in contingent consideration on the acquisitions. These titles were also the primary drivers of our largest ever increase in deferred revenue of \$94 million.
- Due primarily to the material increase in deferred revenue, coupled with the significant contingent consideration accrual in the quarter, GAAP operating expenses represented 108% of revenue in the quarter, up from 65% of revenue in Q1 2018
- Non-GAAP operating expenses accounted for 51% of bookings, down from 55% of bookings in Q1 2018.

## Q1 MOBILE HIGHLIGHTS

- Best mobile revenue and bookings performance in Zynga history
  - Mobile revenue of \$246 million, up 35% year-over-year
  - Mobile bookings of \$341 million, up 77% year-over-year
- Mobile accounts for 93% of total revenue and 95% of total bookings.
- Record mobile online game – or mobile user pay – revenue of \$183 million, up 31% year-over-year and mobile user pay bookings of \$278 million, up 85% year-over-year.
- Best Q1 mobile advertising quarter with mobile advertising revenue of \$63 million, up 48% year-over-year and mobile advertising bookings of \$63 million, up 46% year-over-year.

## Q1 ADVERTISING HIGHLIGHTS

- Delivered another solid advertising revenue and bookings quarter with advertising revenue of \$65 million, up 45% year-over-year and advertising bookings of \$65 million, up 44% year-over-year.
- Our strong results were driven by advertising network optimizations, as well as the year-over-year additions of Small Giant Games and Gram Games.

## Q1 2019 FINANCIAL GUIDANCE VS. ACTUALS

<b>GAAP</b>	<b>Guidance <sup>(2)</sup></b>	<b>Actuals</b>
Revenue	\$ 240,000	\$ 265,403
(B) Net increase in deferred revenue <sup>(1)</sup>	\$ (85,000)	\$ (94,082)
Net (loss) income	\$ (59,000)	\$ (128,828)
Basic and diluted share count	932,000	926,230
Basic and diluted net (loss) income per share	\$ (0.06)	\$ (0.14)
<b>Non-GAAP</b>		
Bookings	\$ 325,000	\$ 359,485
(A) Adjusted EBITDA	\$ (29,000)	\$ (18,553)

Management Reporting = (A) - (B)

Footnotes:

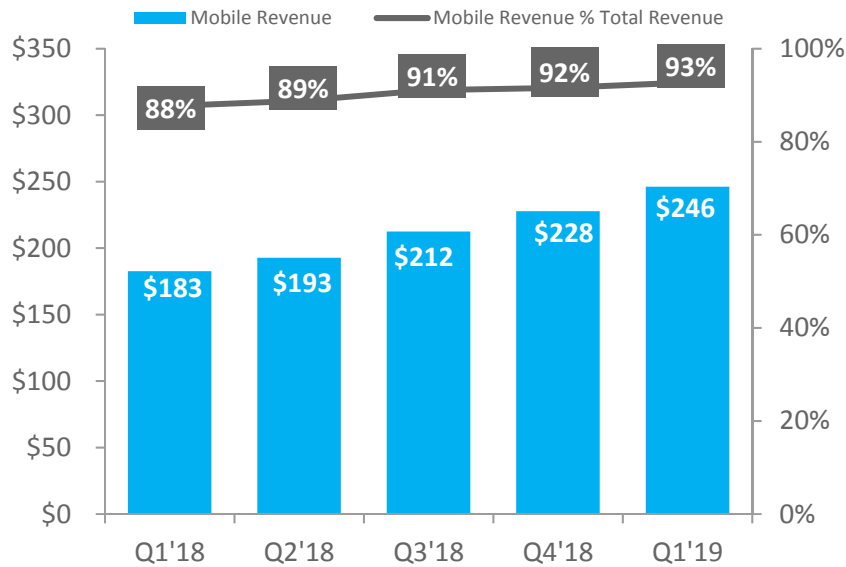
(1) For clarity, a net release of deferred revenue results in revenue being higher than bookings and is a positive impact to Adjusted EBITDA as reported; a net increase in deferred revenue results in revenue being lower than bookings and is a negative impact to Adjusted EBITDA as reported.

(2) Q1'19 guidance as communicated in Q4'18 earnings letter and slides.

# MOBILE HIGHLIGHTS

## MOBILE REVENUE

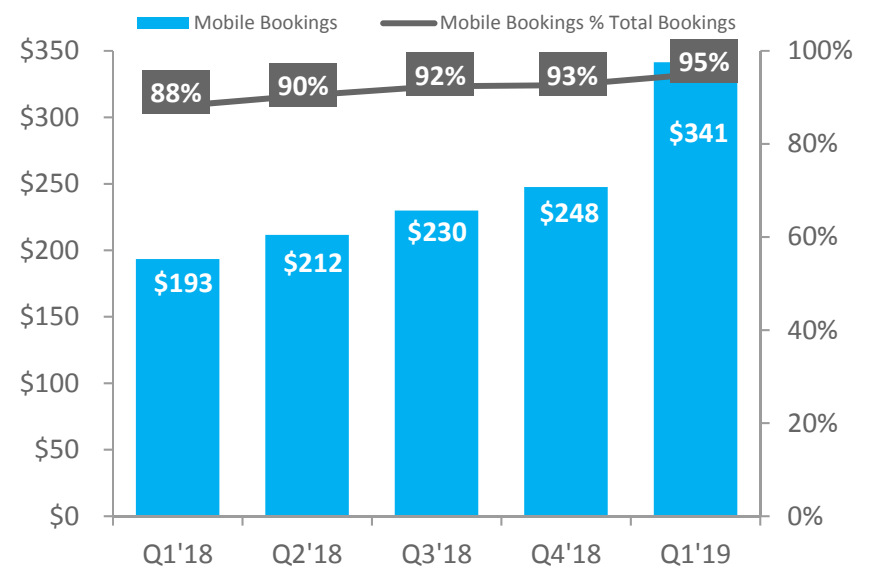
93% OF TOTAL IN Q1'19



## MOBILE BOOKINGS

IN MILLIONS

95% OF TOTAL IN Q1'19



Net Release of (Increase in) Deferred Revenue <sup>(1)</sup>	(\$11)	(\$19)	(\$17)	(\$20)	(\$95)
Mobile Bookings	\$193 <sup>(2)</sup>	\$212	230 <sup>(2)</sup>	\$248	\$341

**Footnotes:**

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

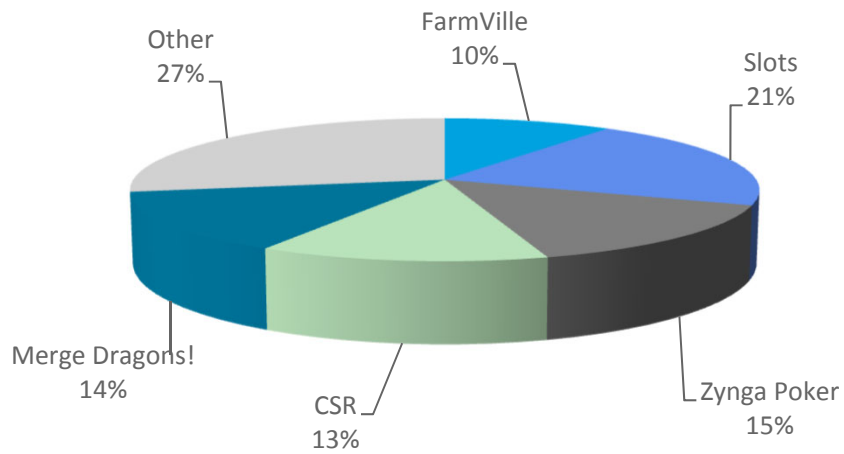




# Q1 2019 ONLINE GAME REVENUE AND BOOKINGS BY FRANCHISE

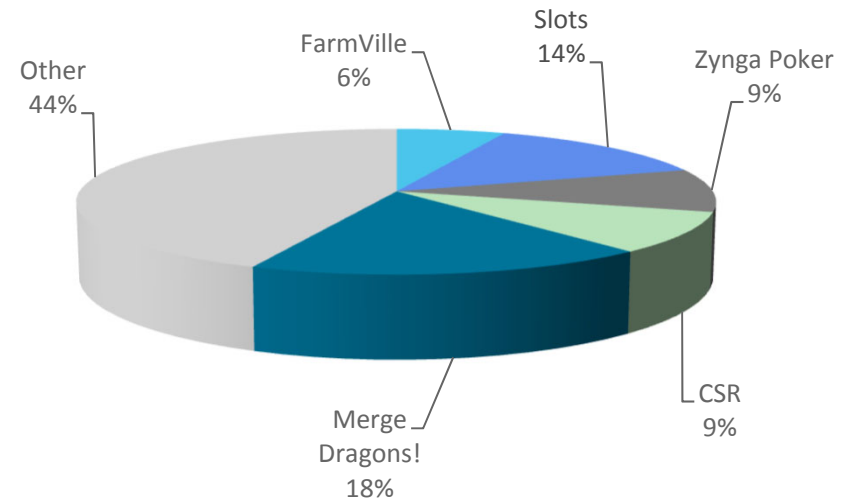
## Q1 2019 ONLINE GAME REVENUE

Total Amount: \$200 million



## Q1 2019 ONLINE GAME BOOKINGS

Total Amount: \$294 million <sup>(1)</sup>



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

Footnote:

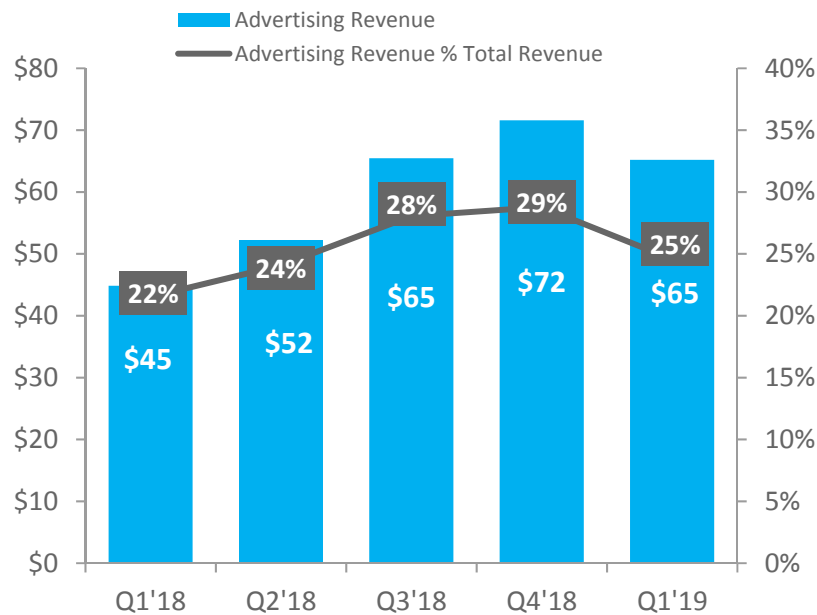
(1) Online game revenue of \$200 million, plus the change in deferred revenue of \$94 million, results in online game bookings of \$294 million.

# ADVERTISING: REVENUE AND BOOKINGS

IN MILLIONS

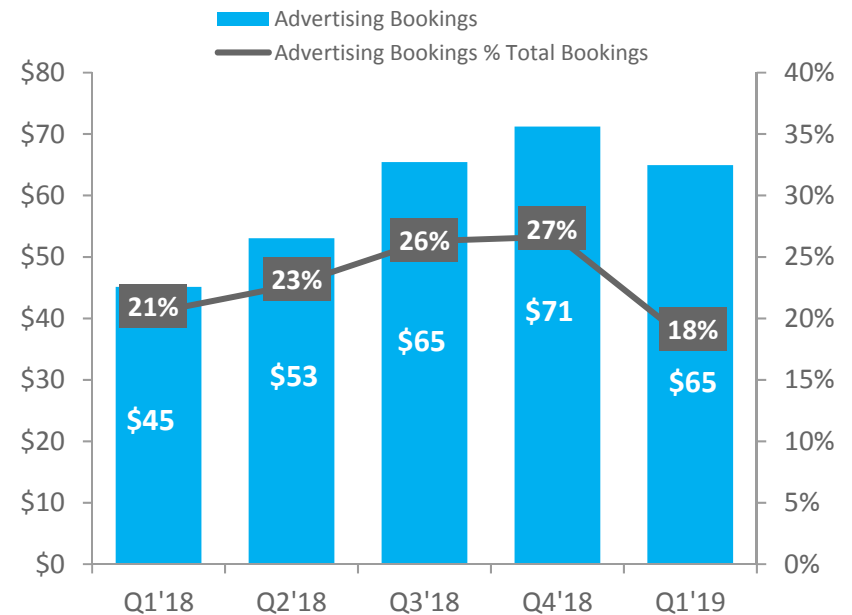
## ADVERTISING REVENUE

25% OF TOTAL IN Q1'19



## ADVERTISING BOOKINGS

18% OF TOTAL IN Q1'19



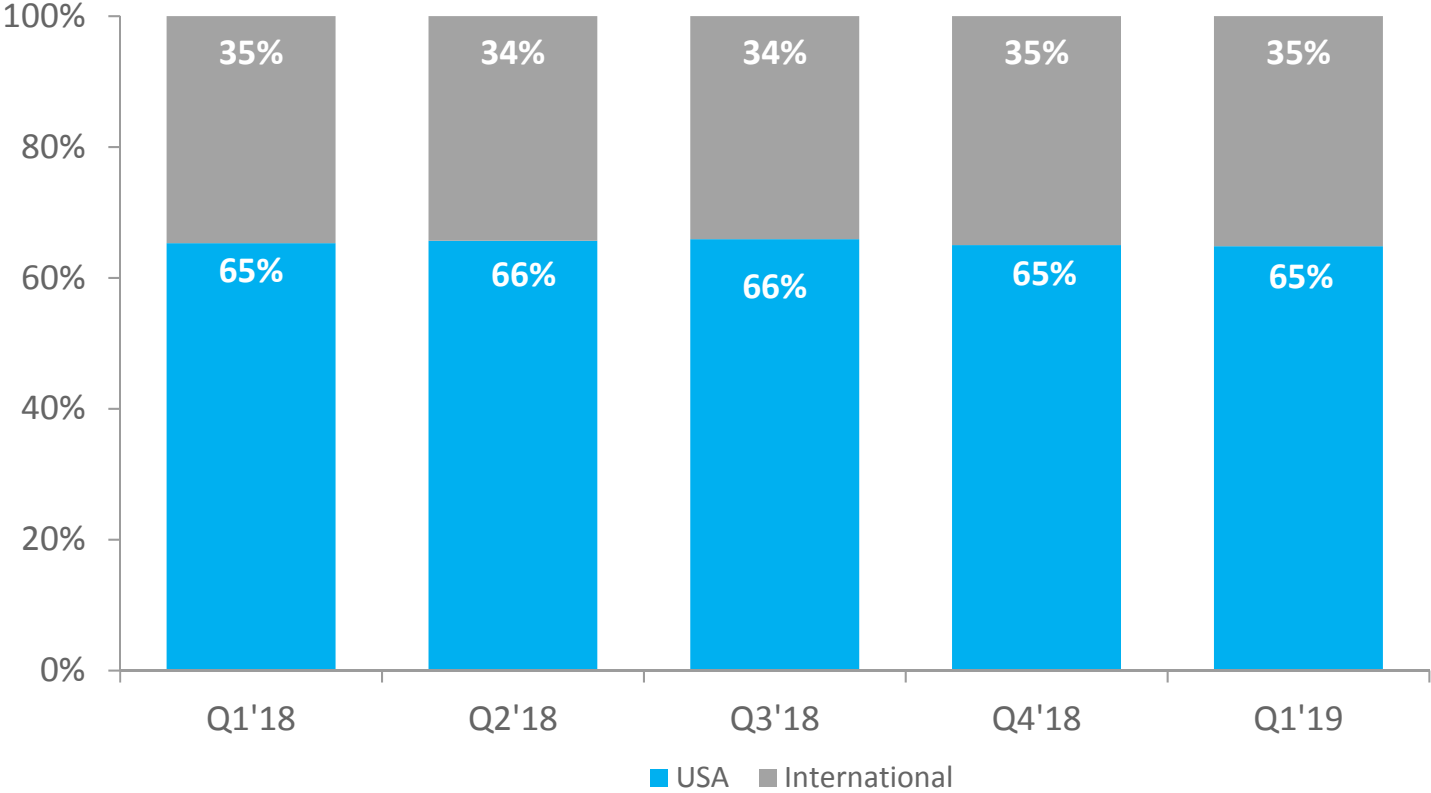
Net Release of (Increase in) Deferred Revenue <sup>(1)</sup>	\$0	(\$1)	\$0	\$0	\$0
Advertising Bookings	\$45	\$53	\$65	71 <sup>(2)</sup>	\$65

**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



# REVENUE BY GEOGRAPHY



## NET INCOME (LOSS) AND CASH FLOW

*(in millions, except per share data)*

	Q1'19	Q4'18	Q3'18	Q2'18	Q1'18
<b>Net income (loss)</b>	\$ (129)	\$ 1	\$ 10	\$ (1)	\$ 6
<b>Diluted net income (loss) per share</b>	\$ (0.14)	\$ 0.00	\$ 0.01	\$ (0.00)	\$ 0.01
<b>Operating cash flow</b>	\$ 2	\$ 90	\$ 41	\$ 41	\$ (4)
<b>Free cash flow (non-GAAP)</b>	\$ (4)	\$ 86	\$ 37	\$ 39	\$ (5)
<b>Cash, cash equivalents and investments</b>	\$ 252	\$ 581	\$ 420	\$ 392	\$ 635

## KEY OPERATING METRICS

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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, for Q1'19, 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.

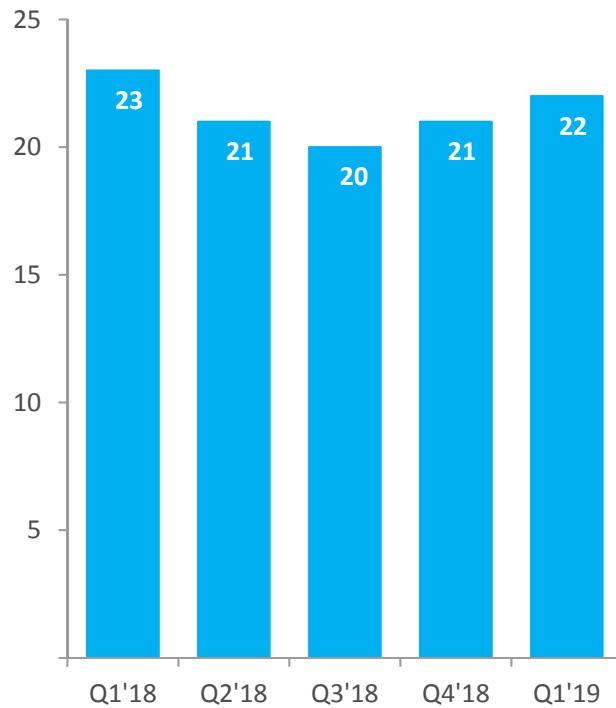
**Mobile DAUs.** We define Mobile Daily Active Users (DAUs) as the number of individuals who played one of our mobile games during a particular day. Under this metric, an individual who plays two different mobile games on the same day is counted as two Mobile DAUs. We use information provided by third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

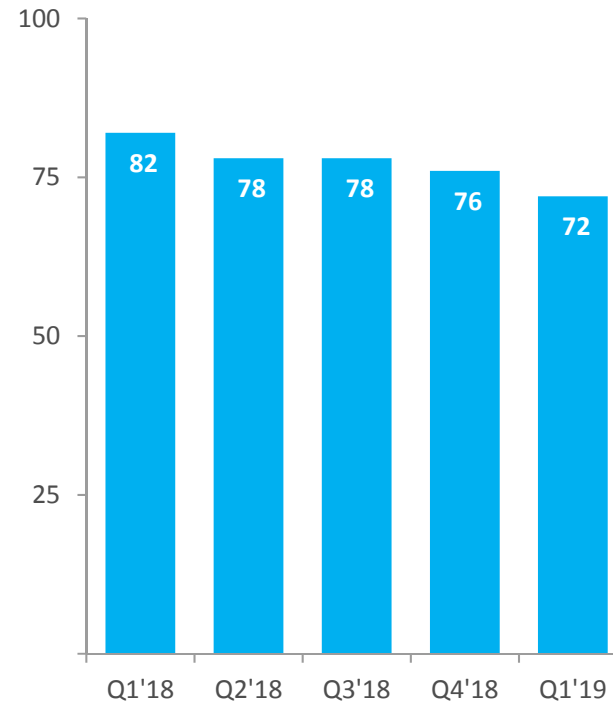
# MOBILE AUDIENCE METRICS

**Mobile DAU (1)**



**Mobile MAU (1)**

IN MILLIONS



**Footnote:**

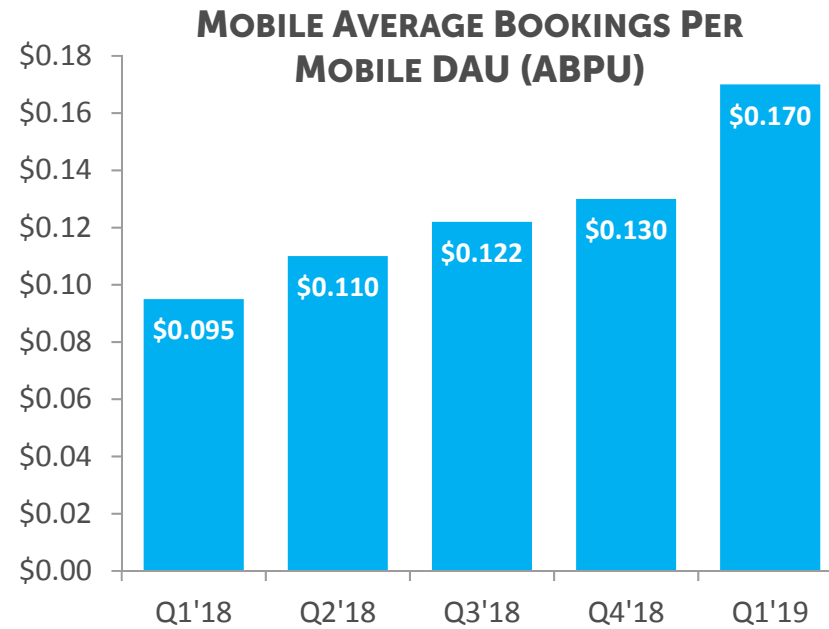
(1) We do not have the third party network login data to link an individual who has played under multiple user accounts and accordingly, actual Mobile DAU and Mobile MAU may be lower than reported due to the potential duplication of these individuals. Specifically, for the first quarter of 2019, Mobile DAUs and Mobile MAUs incrementally include *Solitaire*, our Facebook Instant Games, the games acquired from Gram Games in May 2018 and the game acquired from Small Giant Games in January 2019; for the fourth and third quarters of 2018, Mobile DAUs and Mobile MAUs incrementally include *Solitaire*, our Facebook Instant Games, the casual card games acquired in December 2017 and games acquired from Gram Games in May 2018; for the second quarter of 2018, Mobile DAUs and Mobile MAUs incrementally include *Daily Celebrity Crossword*, *Solitaire*, our Facebook Instant Games, the casual card games acquired in December 2017 and games acquired from Gram Games in May 2018; for the first quarter of 2018, Mobile DAUs and Mobile MAUs incrementally include *Daily Celebrity Crossword*, *Solitaire*, our Facebook Instant Games and the casual card games acquired in December 2017.

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



# MOBILE MONETIZATION

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



## **Q2 AND RAISED FY 2019 FINANCIAL GUIDANCE**



## Q2 AND RAISED FY 2019 FINANCIAL GUIDANCE

(in thousands, except per share data)

<b>GAAP</b>	<u>Q2'19 Guidance</u>	<u>Q2'18 Actual</u>	<u>Variance</u>
Revenue	\$ 280,000	\$ 217,045	\$ 62,955
(B) Net increase in deferred revenue <sup>(1)</sup>	\$ (80,000)	\$ (16,884)	\$ (63,116)
Net (loss) income	\$ (70,000)	\$ (911)	\$ (69,089)
Diluted share count	935,000	858,666	76,334
Diluted net (loss) income per share	\$ (0.07)	\$ (0.00)	\$ (0.07)
<b>Non-GAAP</b>			
Bookings	\$ 360,000	\$ 233,929	\$ 126,071
(A) Adjusted EBITDA	\$ (18,000)	\$ 26,744	\$ (44,744)
<b>GAAP</b>			
	<u>Raised FY'19 Guidance</u>	<u>FY'18 Actual</u>	<u>Variance</u>
Revenue	\$ 1,200,000	\$ 907,208	\$ 292,792
Net increase in deferred revenue <sup>(1)</sup>	\$ (250,000)	\$ (62,334)	\$ (187,666)
<b>Non-GAAP</b>			
Bookings	\$ 1,450,000	\$ 969,542	\$ 480,458

Management Reporting = (A) - (B)

Footnote:

<sup>(1)</sup> 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

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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 gains and losses, 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

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<i>(in thousands, unaudited)</i>	3 months ended	
	3/31/19	3/31/18
<b>Reconciliation of Revenue to Bookings: Total</b>		
Revenue	\$ 265,403	\$ 208,232
Change in deferred revenue	94,082	11,240
Bookings: Total	<u>\$ 359,485</u>	<u>\$ 219,472</u>

## REVENUE TO BOOKINGS: MOBILE

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<i>(in thousands, unaudited)</i>	3 months ended	
	3/31/19	3/31/18
<b>Reconciliation of Revenue to Bookings: Mobile</b>		
Revenue	\$ 246,093	\$ 182,601
Change in deferred revenue	95,305	10,822
Bookings: Mobile	<u>\$ 341,398</u>	<u>\$ 193,423</u>

## REVENUE TO BOOKINGS: ADVERTISING

<i>(in thousands, unaudited)</i>	3 months ended	
	3/31/19	3/31/18
<b>Reconciliation of Revenue to Bookings: Advertising</b>		
Revenue	\$ 65,195	\$ 44,826
Change in deferred revenue	(266)	296
Bookings: Advertising	\$ 64,929	\$ 45,122

## REVENUE TO BOOKINGS: BY PLATFORM

	3 months ended		
	3/31/19		
<i>(in thousands, unaudited)</i>			
<b>Reconciliation of Revenue to Bookings: Online Game</b>	<b>Mobile</b>	<b>Other<sup>(1)</sup></b>	<b>Total</b>
Revenue	\$ 182,833	\$ 17,331	\$ 200,164
Change in deferred revenue	95,571	(1,183)	94,388
Bookings: Online Game	\$ 278,404	\$ 16,148	\$ 294,552
<b>Reconciliation of Revenue to Bookings: Advertising and Other</b>	<b>Mobile</b>	<b>Other<sup>(1)</sup></b>	<b>Total</b>
Revenue	\$ 63,260	\$ 1,979	\$ 65,239
Change in deferred revenue	(266)	(40)	(306)
Bookings: Advertising and Other	\$ 62,994	\$ 1,939	\$ 64,933

Footnote:

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

## REVENUE TO BOOKINGS: BY PLATFORM

	3 months ended		
	3/31/18		
<i>(in thousands, unaudited)</i>			
<b>Reconciliation of Revenue to Bookings: Online Game</b>	<b>Mobile</b>	<b>Other<sup>(1)</sup></b>	<b>Total</b>
Revenue	\$ 139,830	\$ 21,723	\$ 161,553
Change in deferred revenue	10,526	652	11,178
Bookings: Online Game	\$ 150,356	\$ 22,375	\$ 172,731
<b>Reconciliation of Revenue to Bookings: Advertising and Other</b>	<b>Mobile</b>	<b>Other<sup>(1)</sup></b>	<b>Total</b>
Revenue	\$ 42,771	\$ 3,908	\$ 46,679
Change in deferred revenue	296	(234)	62
Bookings: Advertising and Other	\$ 43,067	\$ 3,674	\$ 46,741

Footnote:

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



## NET INCOME (LOSS) TO ADJUSTED EBITDA

	3 months ended	
	3/31/19	3/31/18
<i>(in thousands, unaudited)</i>		
<b>Reconciliation of Net Income (Loss) to Adjusted EBITDA</b>		
Net income (loss)	\$ (128,828)	\$ 5,609
(Benefit from) provision for income taxes	(10,252)	3,859
Other income, net	(2,112)	(3,401)
Interest income	(443)	(1,810)
Restructuring expense, net	–	471
Depreciation and amortization	21,080	7,731
Acquisition-related transaction expenses	7,356	–
Contingent consideration fair value adjustment	85,500	–
(Gain) Loss on legal settlement and related legal expense	(9,627)	–
Stock-based compensation expense	18,773	14,113
Adjusted EBITDA	\$ (18,553)	\$ 26,572

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

	3 months ended	
	3/31/19	3/31/18
<i>(in thousands, unaudited)</i>		
<b>Reconciliation of net cash provided by (used in) operating activities to free cash flow</b>		
Net cash provided by (used in) operating activities	\$ 1,547	(3,947)
Acquisition of property and equipment	(5,058)	(1,424)
Free cash flow	\$ (3,511)	\$ (5,371)

# GAAP TO NON-GAAP COSTS AND EXPENSES

## Adjustments to GAAP to arrive at non-GAAP measures

Three months ended March 31, 2019

(in thousands, unaudited)

	GAAP measure	Restructuring Expense	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition- related transaction expenses	Gain (loss) from legal settlements and related expense	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 121,643	\$ -	\$ (17,273)	\$ -	\$ -	\$ -	\$ (284)	\$ 104,086
Operating expenses								
Research and development	161,880	-	-	(85,500)	-	-	(11,715)	64,665
Sales and marketing	102,011	-	(291)	-	-	-	(2,487)	99,233
General and administrative	21,504	-	-	-	(7,356)	9,627	(4,287)	19,488
Total operating expenses	285,395	-	(291)	(85,500)	(7,356)	9,627	(18,489)	183,386
Total costs and expenses	\$ 407,038	\$ -	\$ (17,564)	\$ (85,500)	\$ (7,356)	\$ 9,627	\$ (18,773)	\$ 287,472

Three months ended March 31, 2018

	GAAP measure	Restructuring expense	Amortization of intangible assets from acquisitions	Contingent consideration fair value adjustment	Acquisition- related transaction expenses	Gain (loss) from legal settlements and related expense	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 69,042	\$ (27)	\$ (4,009)	\$ -	\$ -	\$ -	\$ (431)	\$ 64,575
Operating expenses								
Research and development	60,825	(186)	-	-	-	-	(8,625)	52,014
Sales and marketing	50,855	-	(534)	-	-	-	(1,836)	48,485
General and administrative	23,253	(258)	-	-	-	-	(3,221)	19,774
Total operating expenses	134,933	(444)	(534)	-	-	-	(13,682)	120,273
Total costs and expenses	\$ 203,975	\$ (471)	\$ (4,543)	\$ -	\$ -	\$ -	\$ (14,113)	\$ 184,848

## Q2 AND RAISED FY 2019 FINANCIAL GUIDANCE: GAAP TO NON-GAAP RECONCILIATION

(in thousands, except per share data)

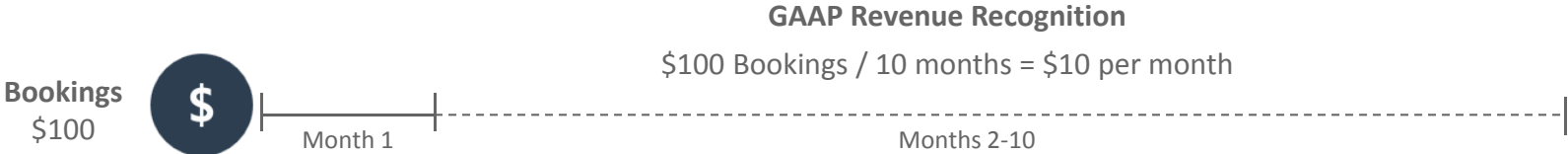
<b>Reconciliation of Revenue to Bookings</b>	<b>Q2'19 Guidance</b>	<b>Q2'18 Actual</b>	<b>Variance</b>
Revenue	\$ 280,000	\$ 217,045	\$ 62,955
Change in deferred revenue	80,000	16,884	63,116
Bookings	<u>\$ 360,000</u>	<u>\$ 233,929</u>	<u>\$ 126,071</u>
<b>Reconciliation of Net (Loss) Income to Adjusted EBITDA</b>			
Net (loss) income	\$ (70,000)	\$ (911)	\$ (69,089)
(Benefit from) provision for income taxes	(4,000)	2,330	(6,330)
Other income, net	(1,000)	(2,605)	1,605
Interest income	–	(1,800)	1,800
Restructuring expense, net	–	400	(400)
Depreciation and amortization	21,000	9,178	11,822
Acquisition-related transaction expenses	–	1,283	(1,283)
Contingent consideration fair value adjustment	15,000	1,500	13,500
Stock-based compensation expense	21,000	17,369	3,631
Adjusted EBITDA	<u>\$ (18,000)</u>	<u>\$ 26,744</u>	<u>\$ (44,744)</u>
<b>GAAP diluted shares</b>	935,000	858,666	76,334
<b>Diluted net (loss) income per share</b>	\$ (0.07)	\$ (0.00)	\$ (0.07)
<b>Reconciliation of Revenue to Bookings</b>			
	<b>Raised FY'19 Guidance</b>	<b>FY'18 Actual</b>	<b>Variance</b>
Revenue	\$ 1,200,000	\$ 907,208	\$ 292,792
Change in deferred revenue	250,000	62,334	187,666
Bookings	<u>\$ 1,450,000</u>	<u>\$ 969,542</u>	<u>\$ 480,458</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)*

