



# Zynga Q4'13 Financial Results

January 30, 2014

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# Management Team

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**Don Matrick**  
Chief Executive Officer



**Clive Downie**  
Chief Operating Officer



**Mark Vranesh**  
Chief Financial Officer and  
Chief Accounting Officer

## Forward-Looking Statements

This presentation contains, and our call will contain, forward-looking statements relating to, among other things, our outlook for first quarter 2014 revenue, net loss, EPS, weighted average diluted share count, bookings, Adjusted EBITDA, non-GAAP net loss, non-GAAP EPS and non-GAAP weighted average diluted share count, stock based expense, capital expenditures, legal expenses and taxes; our outlook for full year 2014 bookings, Adjusted EBITDA and taxes; longer term tax rates; the financial and operational impact of our expected acquisition of NaturalMotion, including but not limited to the expected impact on our earnings, bookings and Adjusted EBITDA results in 2014 and our expected ability to expand our creative pipeline, accelerate our mobile growth and fast track our ability to deliver more hit games; the results of our announced reduction in force; our future operational and strategic plans; our ability to strengthen the core of our business and achieve future growth, profits and margins; our ability to successfully transition our business to take advantage of the market opportunity in our industry; our ability to remain profitable on an Adjusted EBITDA basis; our ability to develop, identify, market and launch hit games for mobile and web; our ability to monetize these games; our ability to deliver compelling entertainment experiences; our ability to grow and sustain our franchises on mobile and web; our ability to build and expand our network; our ability to grow our user base and increase customer satisfaction; our ability to reset our product pipeline and reduce the cost of operating live games; our ability to reduce costs while positioning the company for long-term growth; our ability to develop more efficient business processes and improve execution across the company; our ability to develop more efficient cost structures; our ability to efficiently deploy employees and leverage our teams and talent; our ability to embrace new practices to strengthen our game development, testing and marketing processes and our business generally; our ability to manage new IP costs; our ability to successfully defend our intellectual property; our ability to understand industry trends such as seasonality and position our business to take advantage of these trends; market opportunity in the social games market, including the mobile market and the advertising market and our ability to capitalize on and contribute to this market opportunity; and our future operational plans, use of cash, strategies and prospects. Forward-looking statements often include words such as "outlook," "projected," "intends," "will," "anticipate," "believe," "target," "expect," and statements in the future tense are generally forward-looking statements. 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. Factors that could cause or contribute to such differences include, but are not limited to, delays or other challenges in completion of the NaturalMotion acquisition, its integration and the success of its current and future games as part of Zynga, delays or challenges in implementing our reduction in force or other cost-cutting activities; our relationship with Facebook or changes in the Facebook platform, attrition and declines in our existing games, our relationship with and/or agreements with iOS and or Android platform providers and/or changes to the Android or iOS platforms, our ability to launch new games in a timely manner and monetize these games effectively on the web and on mobile, our ability to launch games that are successful across platforms, our ability to continue to maintain bookings for franchise games, despite increasing decay rates for games generally, our ability to control and reduce expenses, our ability to anticipate and address technical challenges that may arise, competition, changing interests of players, our exposure to illegitimate credit card activity and other security risks, sales or purchases of virtual goods used in Zynga Poker or our other games through unauthorized or illegitimate third-party websites, regulatory issues, intellectual property disputes or other litigation, asset impairment charges, our ability to retain key employees and attract new talent, acquisitions by us and changes in corporate strategy or management.

In addition, certain information provided in this presentation related to NaturalMotion's financial and operating results, including but not limited to bookings and Adjusted EBITDA, is based on unaudited estimated results provided by NaturalMotion that were originally reported on a net basis in accordance with UK GAAP. Accordingly, we have made adjustments to reflect gross results (adjusted for platform fees) for mobile online game bookings for comparison purposes. In addition, any expectations with respect to our expected bookings growth rates and EPS (GAAP and non-GAAP) as a result of the proposed acquisition are based on these adjustments and assumptions, some or all of which may ultimately prove inaccurate.

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 Quarterly Report on Form 10-Q for the three months ended September 30, 2013, in our Annual Report on Form 10-K for the year ended December 31, 2012, 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). 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. We assume no obligation to update such statements. The results we report in our Form 10-K for the year ended December 31, 2013 could differ from the preliminary results we have announced in this presentation.

## Non-GAAP Financial Measures:

We have provided in this release non-GAAP financial information including bookings, Adjusted EBITDA, free cash flow, non-GAAP net income and non-GAAP EPS, as a supplement to the consolidated financial statements, which are prepared in accordance with generally accepted accounting principles (“GAAP”). Management uses these non-GAAP financial measures internally in analyzing our financial results to assess operational performance and liquidity. The presentation of this financial information is not intended to be considered in isolation or as a substitute for the financial information prepared in accordance with GAAP. 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. We have provided reconciliations between our historical and first quarter 2014 outlook for non-GAAP financial measures to the most directly comparable GAAP financial measures. However, we have not provided reconciliation of full year 2014 bookings outlook to revenue, Adjusted EBITDA outlook to net income (loss), non-GAAP effective tax rate outlook to GAAP effective tax rate or non-GAAP EPS outlook to GAAP EPS because certain reconciling items necessary to accurately project revenue (including the projected mix of virtual goods sold in our games, and the projected estimated average lives of durable virtual goods for our games) for a full year are not in our control and cannot be reasonably projected due to variability from period to period caused by changes in player behavior and other factors. As revenue and/or net income (loss) for the applicable future period is a necessary input to determine all of these comparable GAAP figures, we are not able to provide these reconciliations for the full year 2014. For the same reason, we have also not provided a reconciliation of our outlook for the impact on bookings, Adjusted EBITDA and non-GAAP EPS related to the NaturalMotion acquisition in 2014 or 2015.

Some limitations of bookings, Adjusted EBITDA, non-GAAP net income (loss), non-GAAP EPS, free cash flow and Adjusted EBITDA margin are:

- Adjusted EBITDA and non-GAAP net income (loss) do not include the impact of stock-based expense, asset impairment charges, acquisition-related contingent consideration 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 virtual goods or as virtual goods are consumed;
- Adjusted EBITDA does not reflect income tax expense;
- Adjusted EBITDA does not include other income and expense, which includes foreign exchange gains and losses, interest income and the net gain associated with the termination of our lease and purchase of our corporate headquarters building;
- Adjusted EBITDA excludes both 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;
- Adjusted EBITDA and non-GAAP net income (loss) do not include gains and losses associated with significant legal settlements;
- Non-GAAP net income (loss) excludes the net gain associated with the termination of our lease and purchase of our corporate headquarters building;
- Non-GAAP EPS gives effect to all dilutive awards based on the treasury stock method that were excluded from the GAAP diluted earnings per share calculation;
- Free cash flow is derived from net cash provided by operating activities less cash spent on capital expenditures, including the purchase of our corporate headquarters building, and removing the excess income tax benefits or costs associated with stock-based awards; and
- Other companies, including companies in our industry, may calculate bookings, Adjusted EBITDA, non-GAAP net income (loss), non-GAAP EPS and free cash flow differently or not at all, which will reduce their usefulness as a comparative measure.

Because of these limitations, you should consider bookings, Adjusted EBITDA, non-GAAP net income, non-GAAP EPS, free cash flow and Adjusted EBITDA margin, along with other financial performance measures, including revenue, net income (loss), diluted net loss per share, cash flow from operations, GAAP operating margin and our other financial results presented in accordance with GAAP. See the GAAP to non-GAAP reconciliations below for further details.



# Discussion of Q4'13 Performance

# Q4'13 Outlook vs. Q4'13 Actuals



(in millions, except per share data)

## Non-GAAP

	<u>Outlook*</u>	<u>Actuals</u>
Bookings	\$ 130 - 140	\$ 147
Adjusted EBITDA	\$ (25) - (15)	\$ 3
Non-GAAP net loss	\$ (37) - (29)	\$ (21)
Non-GAAP EPS	\$ (0.05) - (0.04)	\$ (0.03)

## GAAP

Revenue	\$ 175 - 185	\$ 176
Stock-based expense	\$ 25	\$ 19
Net loss	\$ (31) - (21)	\$ (25)
EPS	\$ (0.04) - (0.03)	\$ (0.03)

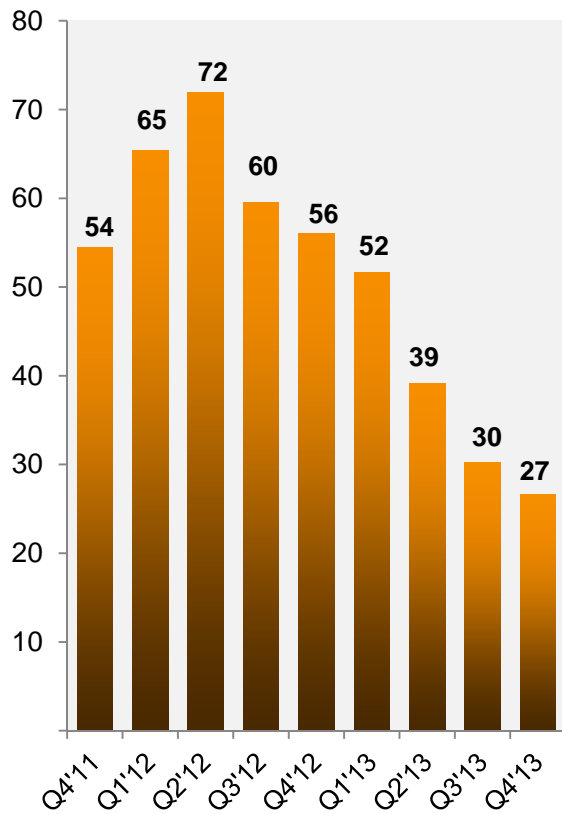
\* Q4'13 outlook as communicated on our October 24, 2013 third quarter earnings call

# Audience Metrics

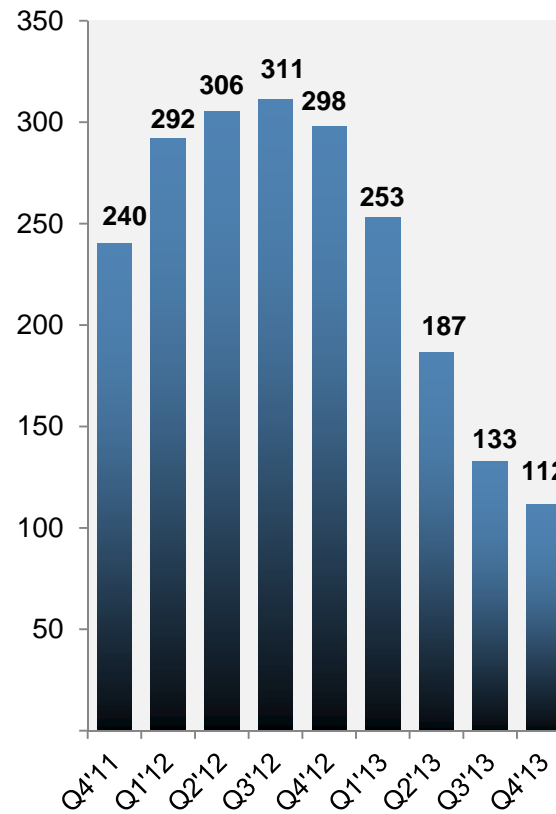


In millions

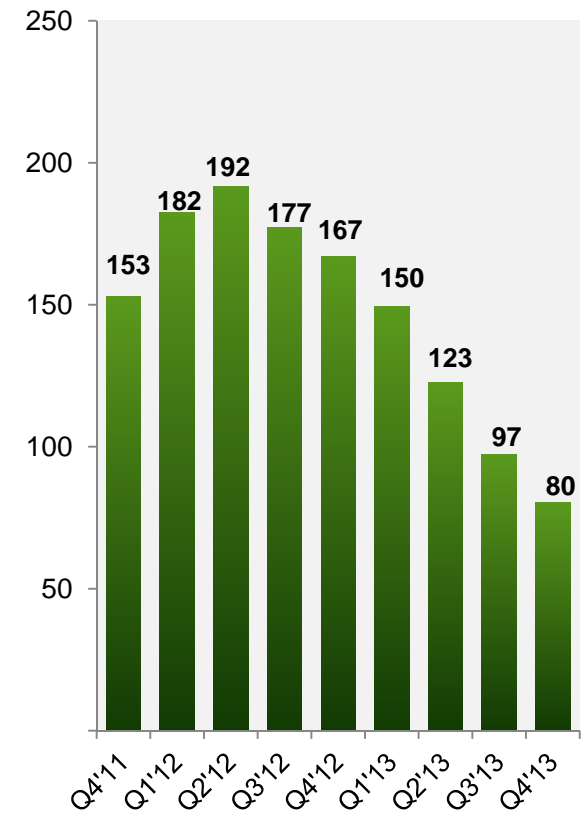
## DAU



## MAU



## MUU

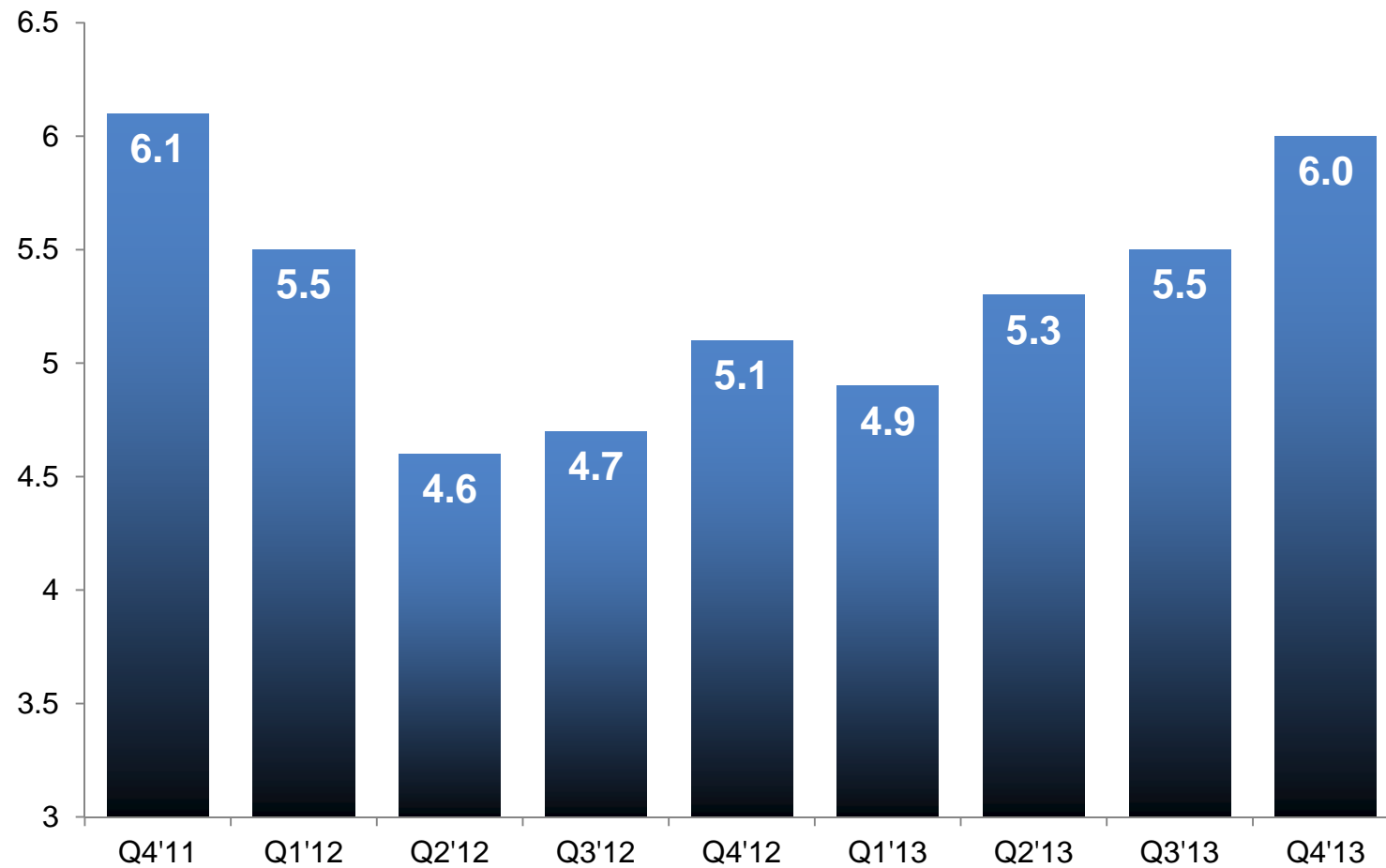




# Monetization



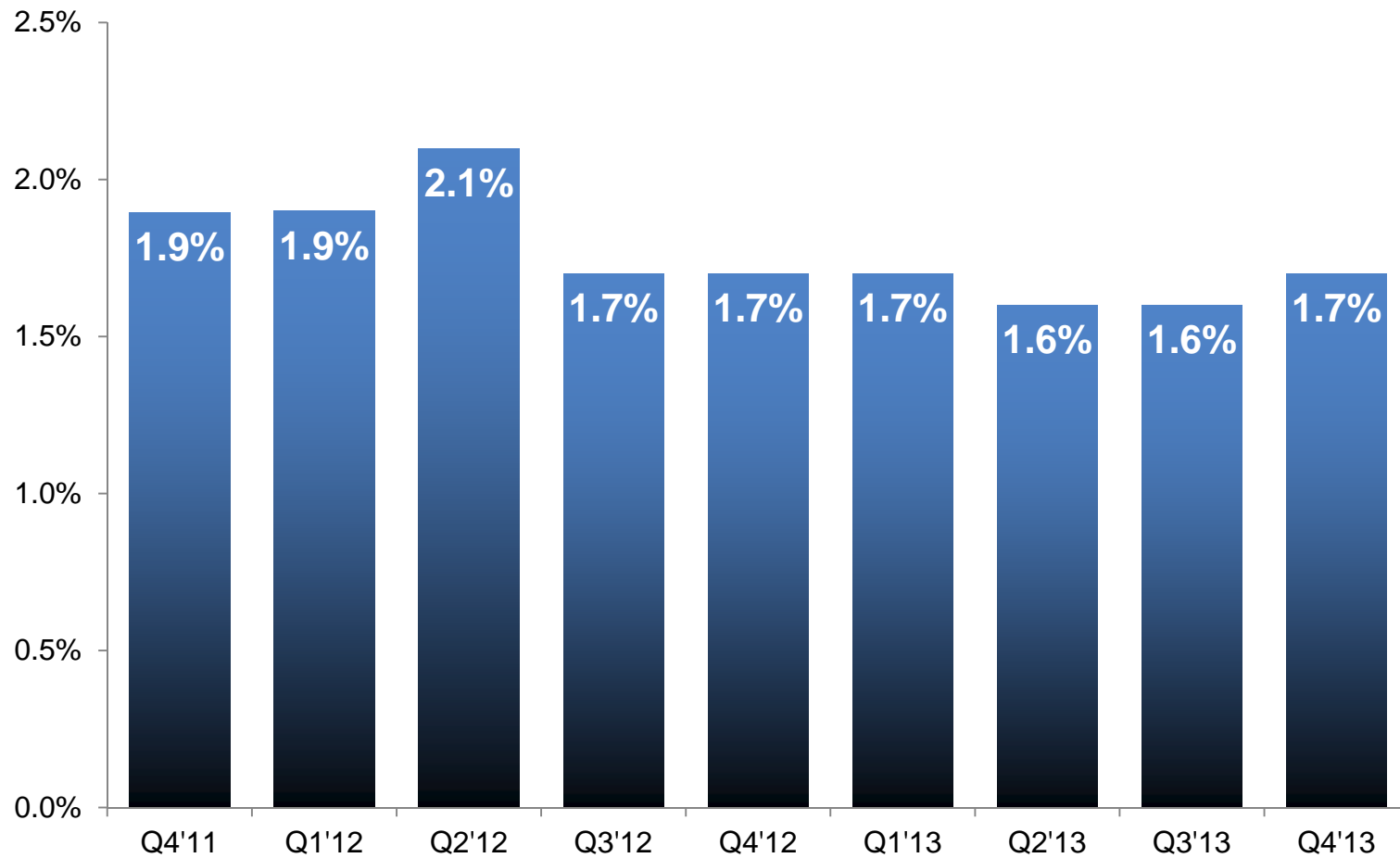
ABPU (US Cents)



# Monetization



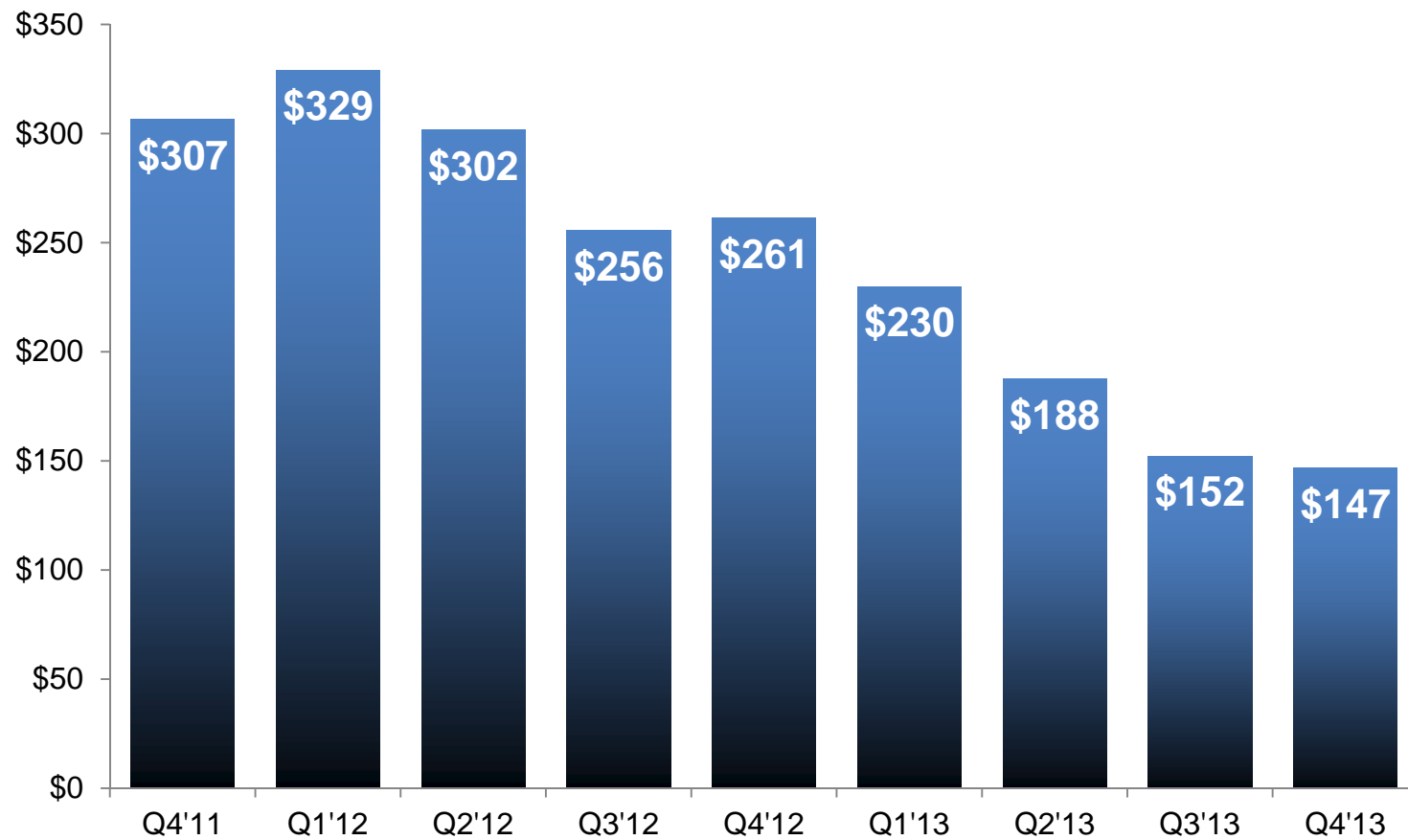
## Conversion



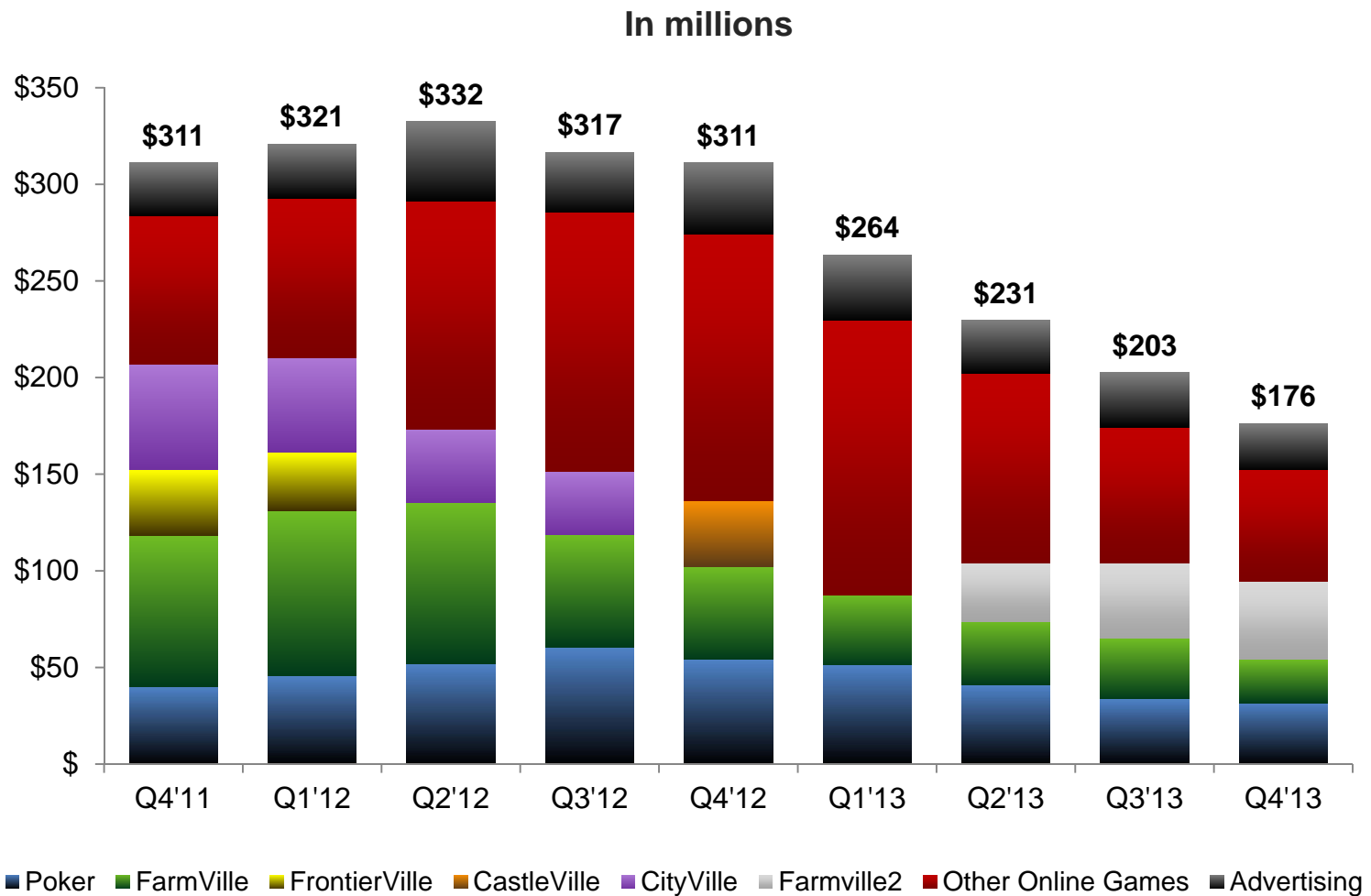
# Bookings



In millions

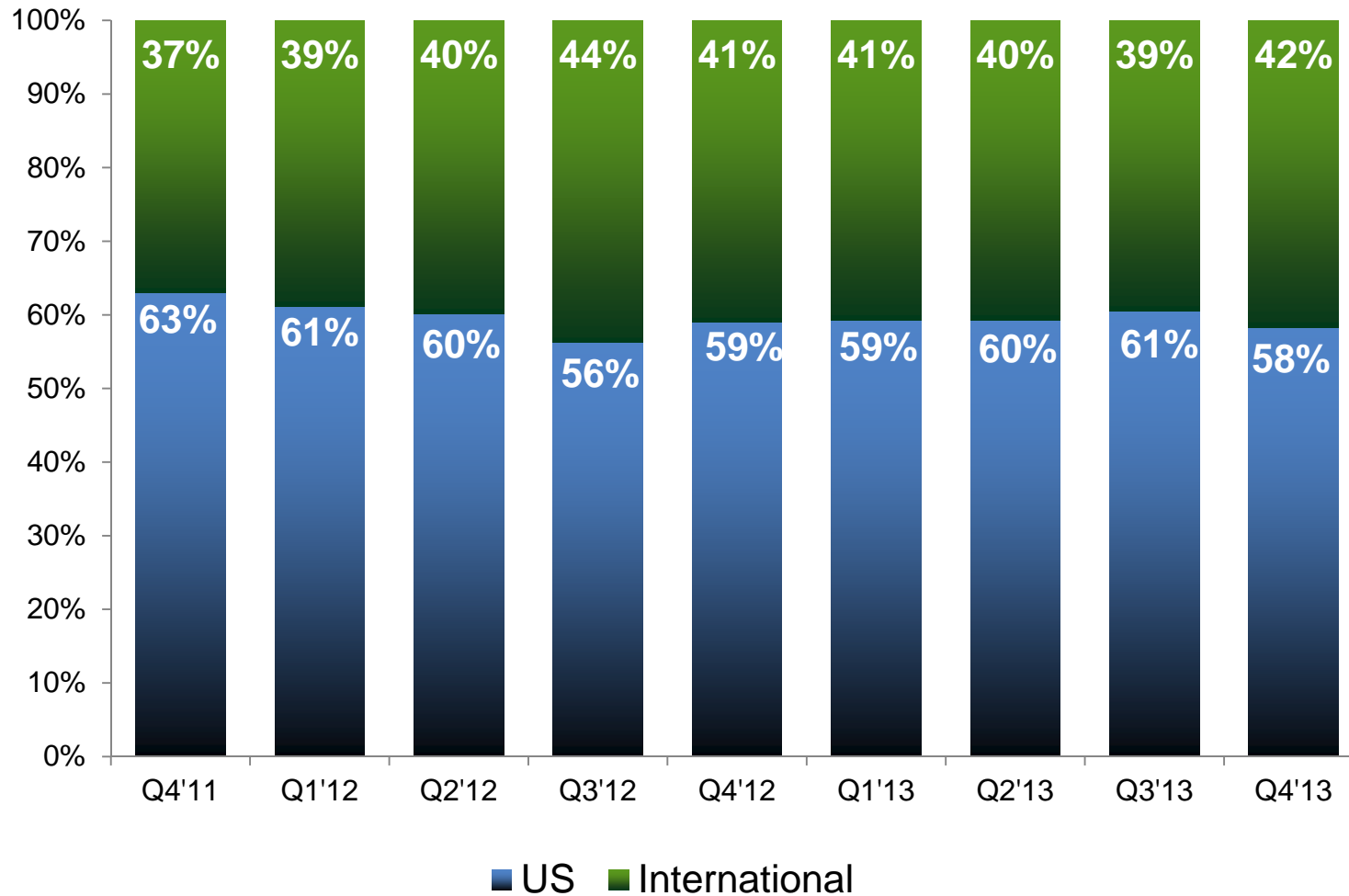


# Revenue



Note: Games representing less than 10% of online game revenue in any period are included in Other Online Games. 12

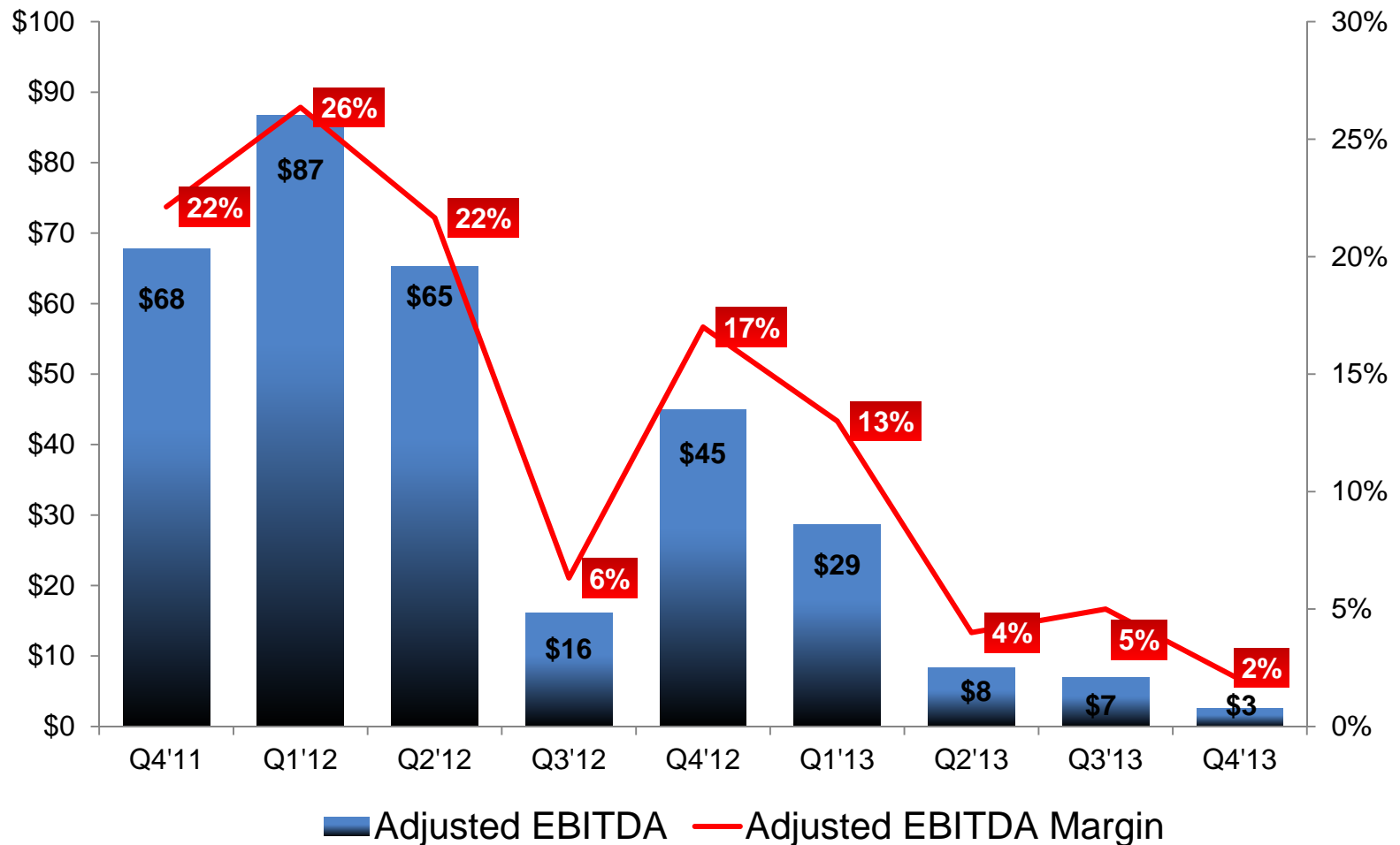
# Revenue by Geography



# Adjusted EBITDA and Margin



In Millions



\* Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of bookings

# Net Income (Loss) and Cash Flow



(in millions, except per share data)	Q4'12	Q3'13	Q4'13
<b>GAAP</b>			
<b>Net income (loss)</b>	\$ (48.6)	\$ (0.1)	\$ (25.2)
<b>Diluted earnings per share</b>	\$ (0.06)	\$ 0.00	\$ (0.03)
<b>Non-GAAP</b>			
<b>Net income (loss)</b>	\$ 6.9	\$ (16.2)	\$ (20.8)
<b>Diluted earnings per share</b>	\$ 0.01	\$ (0.02)	\$ (0.03)
<b>Operating cash flow</b>	\$ 19.8	\$ (4.9)	\$ 7.7
<b>Free cash flow</b>	\$ 29.5	\$ (6.1)	\$ 6.8
<b>Cash, cash equivalents and marketable securities</b>	\$ 1,652	\$ 1,524	\$ 1,542



# NaturalMotion Acquisition



# Accelerating Zynga's Mobile Strategy



## **Zynga agrees to acquire one of the leading mobile game developers**

- NaturalMotion is one of the leading mobile game developers on iOS & Android
- Strong portfolio of chart-topping IP including *CSR Racing*, *CSR Classics*, *Clumsy Ninja*
- 2013 total bookings\* of approximately \$62M

## **NaturalMotion accelerates Zynga's mobile strategy**

- Scales up Zynga's mobile presence, the fastest growing segment of gaming
- Delivers proprietary animation technology that is difficult to replicate
- Expands Zynga's presence in two evergreen categories – Racing and People
- Brings on strong mobile leadership team
- Adds approximately 260 headcount; primarily focused on mobile

\* Unaudited estimated bookings

**NaturalMotion positions Zynga for next-gen game development**

# Transaction Summary



## **Preliminary Purchase Consideration**

- \$391M in cash & approximately 39.8M Zynga shares including 11.6M shares that are subject to vesting
- Implied valuation of approximately 6x FY2014E Bookings

## **FY2014 Outlook: Additive to FY2014 Adjusted EBITDA**

- Approximately 33%Y/Y growth in bookings
- Partial year contribution from close date – Bookings \$70-80M
- Adjusted EBITDA of \$15-25M excluding transaction related expenses
- Accretive to non-GAAP EPS by \$0.01

## **Maintaining Zynga's Strong Balance Sheet**

- \$1.2 billion in cash and marketable securities after paying purchase consideration
- No debt

**Expected to close in February 2014, subject to customary conditions**

**Expected to contribute bookings of \$70-80M in FY2014**

# NaturalMotion

Leading Mobile Game Developer



## Company History

**Founded:** 2001

**Locations:** Oxford (HQ), London, Brighton, San Francisco

**Employees:** approximately 260

## Management Team

**Torsten Reil:** Founder & CEO

**Barclay Deeming:** VP Games

**Simon Mack:** CTO

**Adam Whittaker:** CFO

**Kevin Allington:** VP Production & Operations

**Strong management team that deepens Zynga's creative and tech talent**

# NaturalMotion

## Leading Mobile Game Developer



- **Proven animation technology, Euphoria:** used by some of the biggest AAA console games and blockbuster movies
- **Hit mobile games with evergreen franchise potential in Racing and People categories**
- **Market leading visuals leading to more immersive game play**



CSR Racing



Clumsy Ninja



CSR Classics

# Proven Mobile Assets

## Blockbuster Franchise Potential in Evergreen Categories



### CSR Racing



#### *“Race Your Dream Car in a Drag Race Along City Streets”*

- Launched Jun-12 on iOS and Apr-13 on Android
- Reached #1 Top Free Game on Apple AppStore
- Lifetime bookings of \$79M
- 4.5 star rating from 638K reviews on Apple AppStore and 4.5 star rating from 655K reviews on Google Play

### CSR Classics



#### *“Race the Greatest Cars Ever Made in Drag Races on the Streets of Las Vegas”*

- Launched Oct-13 on iOS
- Reached #3 Top Free Game on Apple AppStore
- 4.5 star rating from 18K reviews

### Clumsy Ninja



#### *“Transform Your Klutzy Ninja into a Capable Combatant”*

- Launched Nov-13 on iOS
- 10 million downloads during the first week of launch, more than any other game on Apple AppStore
- Reached #1 Top Free Game on Apple AppStore
- 4.5 star rating from 63K reviews

**Proven track record of chart-topping mobile titles for mainstream audiences**

# Complementary Strengths



	Zynga	+	NaturalMotion		Combination
<b>Content</b>	Ability to develop breakthrough social features		Market leading visual create immersive consumer experience		Potential to deliver #1 games in the most popular categories
	A leader in Farm, Casino and Words categories		Leadership in Racing and People categories	➔	Expertise and leadership across multiple evergreen categories – Farm, Casino, Words, Racing and People
<b>Distribution</b>	One of the largest mobile audiences, as measured by DAU		High production value that drives best-in-class organic installs	➔	Improve engagement on Zynga network and grow audience through organic installs
					Cross-promote NaturalMotion games within Zynga network to leverage scale
<b>Talent &amp; Technology</b>	Expertise of operating games as live services: sustain hit games for years		Strong tech-centric leadership		Accelerates Zynga's mobile growth strategy
			Approximately 260 employees, primarily focused on mobile	➔	Exclusive rights to Euphoria on mobile
	Strong backend analytics and technology stack		Euphoria, cutting edge technology powering breakthrough consumer experiences		High fidelity visuals use artificial intelligence & physics to deliver personalized player experiences

**Combination will be an accelerant to both businesses**



# Q1'14 and FY2014 Financial Outlook

# Q1'14 Financial Outlook



(in millions, except per share data)

## GAAP

	Q1'14 Outlook	
	Low	High
Revenue	\$ 155	\$ 165
Stock-based expense	\$ 25	\$ 25
Net loss	\$ (56)	\$ (49)
Diluted share count	860	860
EPS	\$ (0.07)	\$ (0.06)

## Non-GAAP

Bookings	\$ 138	\$ 148
Adjusted EBITDA	\$ 5	\$ 10
Non-GAAP net loss	\$ (10)	\$ (6)
Diluted share count	860	860
Non-GAAP EPS	\$ (0.01)	\$ (0.01)



# FY2014 Financial Outlook



	FY2014 Outlook	
	<u>Low</u>	<u>High</u>
(in millions, except per share data)		
<b>Non-GAAP</b>		
Bookings	\$ 760	\$ 810
Adjusted EBITDA	\$ 65	\$ 100
Non-GAAP net income	\$ 10	\$ 32
Diluted share count	985	985
Non-GAAP EPS	\$ 0.01	\$ 0.03

# Financial Outlook Breakdown

Q1'14 and FY2014



## Q1'14

	Zynga Organic	NaturalMotion*	Outlook
Bookings	\$130-140M	\$8M	\$138-148M
Adjusted EBITDA	\$5-10M	\$0M	\$5-10M

## FY2014

	Zynga Organic	NaturalMotion*	Outlook
Bookings	\$690-730M	\$70-80M	\$760-810M
Adjusted EBITDA	\$50-75M	\$15-25M	\$65-100M

\* NaturalMotion's partial contribution for Q1'14 and FY2014, assumes acquisition closes in mid-February 2014



# GAAP to Non-GAAP Reconciliations

# Revenue to Bookings



(in thousands, unaudited)	3 months ended		12 months ended	
	12/31/13	12/31/12	12/31/13	12/31/12
<b>Reconciliation of Revenue to Bookings</b>				
Revenue	\$ 176,362	\$ 311,165	\$ 873,266	\$ 1,281,267
Change in deferred revenue	(29,685)	(49,896)	(157,090)	(133,640)
<b>Bookings</b>	<b>\$ 146,677</b>	<b>\$ 261,269</b>	<b>\$ 716,176</b>	<b>\$ 1,147,627</b>

# Net Loss to Adjusted EBITDA



(in thousands, unaudited)	3 months ended		12 months ended	
	12/31/13	12/31/12	12/31/13	12/31/12
<b>Reconciliation of Net loss to Adjusted EBITDA</b>				
Net loss	\$ (25,242)	\$ (48,561)	\$ (36,982)	\$ (209,448)
Provision for (benefit from) income taxes	(241)	86,290	(27,887)	49,873
Other income (expense), net	(1,079)	1,111	3,386	(18,647)
Interest income	(915)	(1,230)	(4,148)	(4,749)
Restructuring expense	7,366	7,862	44,683	7,862
Legal settlements	-	1,150	-	3,024
Depreciation and amortization	32,142	33,430	129,047	141,479
Impairment of intangible assets	-	-	10,217	95,493
Acquisition-related contingent consideration	930	-	930	-
Stock-based expense	19,327	14,862	84,393	281,986
Change in deferred revenue	(29,685)	(49,896)	(157,090)	(133,640)
<b>Adjusted EBITDA</b>	<b>\$ 2,603</b>	<b>\$ 45,018</b>	<b>\$ 46,549</b>	<b>\$ 213,233</b>

# Net Loss to Non-GAAP Net Income (Loss)



(in thousands, unaudited)	3 months ended		12 months ended	
	12/31/13	12/31/12	12/31/13	12/31/12
<b>Reconciliation of Net loss to Non-GAAP net income (loss)</b>				
Net loss	\$ (25,242)	\$ (48,561)	\$ (36,982)	\$ (209,448)
Stock-based expense	19,327	14,862	84,393	281,986
Amortization of intangible assets from acquisitions	726	4,845	10,341	39,843
Acquisition-related contingent consideration	930	-	930	-
Impairment of intangible assets	-	-	10,217	95,493
Change in deferred revenue	(29,685)	(49,896)	(157,090)	(133,640)
Restructuring expense	7,366	7,862	44,683	7,862
Legal settlements	-	1,150	-	3,024
Net gain on termination of lease and purchase of building	-	-	-	(19,886)
Tax effect of non-GAAP adjustments to net loss	5,744	76,673	9,435	(7,056)
<b>Non-GAAP net income (loss)</b>	<b>\$ (20,834)</b>	<b>\$ 6,935</b>	<b>\$ (34,073)</b>	<b>\$ 58,178</b>

# Diluted Share Count



(in thousands, except per share data, unaudited)

	3 months ended		12 months ended	
	12/31/13	12/31/12	12/31/13	12/31/12
<b>Reconciliation of GAAP diluted shares to Non-GAAP diluted shares</b>				
GAAP diluted shares	820,435	771,533	799,794	741,177
Other dilutive equity awards <sup>(1)</sup>	-	49,964	-	88,155
<b>Non-GAAP diluted shares</b>	<b>820,435</b>	<b>821,497</b>	<b>799,794</b>	<b>829,332</b>
<b>Non-GAAP earnings per share</b>	<b>\$ (0.03)</b>	<b>\$ 0.01</b>	<b>\$ (0.04)</b>	<b>\$ 0.07</b>

1) Gives effect to all dilutive awards based on the treasury stock method.

# Net Cash Provided by Operating Activities to Free Cash Flow



(in thousands, unaudited)

	3 months ended		12 months ended	
	12/31/13	12/31/12	12/31/13	12/31/12
<b>Reconciliation of Net cash provided by operating activities to Free cash flow</b>				
Net cash provided by operating activities	\$ 7,732	\$ 19,779	\$ 28,674	\$ 195,767
Acquisition of property and equipment	(469)	(6,250)	(7,813)	(98,054)
Purchase of building	-	-	-	(233,700)
Excess tax benefits (costs) from stock-based awards	(452)	15,972	(11,244)	21,652
<b>Free cash flow</b>	<b>\$ 6,811</b>	<b>\$ 29,501</b>	<b>\$ 9,617</b>	<b>\$ (114,335)</b>



# Provision for (Benefit from) Income Taxes



(in thousands, unaudited)	3 months ended		12 months ended	
	12/31/13	12/31/12	12/31/13	12/31/12
<b>Reconciliation of GAAP to Non-GAAP provision for (benefit from) income taxes</b>				
GAAP Provision for (benefit from) income taxes	\$ (241)	\$ 86,290	\$ (27,887)	\$ 49,873
Gain on termination of lease and purchase of building	-	-	-	(10,679)
Stock-based expense	(798)	22,274	2,768	104,196
Amortization of intangible assets from acquisitions	5	4,955	539	18,938
Acquisition-related contingent consideration	345	-	345	-
Impairment of intangible assets	-	-	2,043	37,867
Change in deferred revenue	(5,318)	(51,042)	(17,634)	(90,901)
Restructuring expense	22	972	2,504	972
Legal settlements	-	1,176	-	1,671
Other	-	(55,008)	-	(55,008)
<b>Non-GAAP provision for (benefit from) income taxes</b>	<b>\$ (5,985)</b>	<b>\$ 9,617</b>	<b>\$ (37,322)</b>	<b>\$ 56,929</b>

# Q4'13 Statement of Operations



Three Months Ended December 31, 2013

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

	GAAP statement of operations	Stock-based expense	Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense	Acquisition- related contingent consideration	Non-GAAP measure
Total revenue	\$ 176,362	\$ -	\$ -	\$ (29,685)	\$ -	\$ -	\$ 146,677 <sup>(1)</sup>
Cost of revenue	58,876	(819)	(726)	-	(246)	-	57,085
Research and development	78,475	(15,024)	-	-	(91)	(930)	62,430
Sales and marketing	24,763	248	-	-	-	-	25,011
General and administrative	41,725	(3,732)	-	-	(7,029)	-	30,964
Total costs and expenses	203,839	(19,327)	(726)	-	(7,366)	(930)	175,490
Income (loss) from operations	(27,477)	19,327	726	(29,685)	7,366	930	(28,813)
Interest income (expense)	915	-	-	-	-	-	915
Other income (expense), net	1,079	-	-	-	-	-	1,079
Income (loss) before income taxes	(25,483)	19,327	726	(29,685)	7,366	930	(26,819)
Provision for (benefit from) income taxes	(241)	(798)	5	(5,318)	22	345	(5,985)
Net Income (loss)	\$ (25,242)	\$ 20,125	\$ 721	\$ (24,367)	\$ 7,344	\$ 585	\$ (20,834) <sup>(2)</sup>
<b>WASO</b>							
Diluted	<u>820,435</u>						<u>820,435</u>
<b>EPS</b>							
Diluted	<u>\$ (0.03)</u>						<u>\$ (0.03)</u>

(1) Non-GAAP measure represents bookings

(2) Non-GAAP measure represents Non-GAAP Net Income (Loss)

# Q4'12 Statement of Operations



Three months ended December 31, 2012

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

	GAAP statement of operations	Stock-based expense	Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense	Legal settlements	Other	Non-GAAP measure
Total revenue	\$ 311,165	\$ -	\$ -	\$ (49,896)	\$ -	\$ -	\$ -	\$ 261,269 <sup>(1)</sup>
Cost of revenue	77,056	(1,018)	(4,632)	-	-	-	-	71,406
Research and development	131,847	(15,395)	-	-	(5,725)	-	-	110,727
Sales and marketing	32,446	(3,528)	(213)	-	(729)	-	-	27,976
General and administrative	32,206	5,079	-	-	(1,408)	(1,150)	-	34,727
Total costs and expenses	273,555	(14,862)	(4,845)	-	(7,862)	(1,150)	-	244,836
Income (loss) from operations	37,610	14,862	4,845	(49,896)	7,862	1,150	-	16,433
Interest income (expense)	1,230	-	-	-	-	-	-	1,230
Other income (expense), net	(1,111)	-	-	-	-	-	-	(1,111)
Income (loss) before income taxes	37,729	14,862	4,845	(49,896)	7,862	1,150	-	16,552
Provision for (benefit from) income taxes	86,290	22,274	4,955	(51,042)	972	1,176	(55,008) <sup>(3)</sup>	9,617
Net Income (loss)	<u>\$ (48,561)</u>	<u>\$ (7,412)</u>	<u>\$ (110)</u>	<u>\$ 1,146</u>	<u>\$ 6,890</u>	<u>\$ (26)</u>	<u>\$ 55,008</u>	<u>\$ 6,935 <sup>(2)</sup></u>
<b>WASO</b>								
Diluted	<u>771,533</u>							<u>821,497</u>
<b>EPS</b>								
Diluted	<u>\$ (0.06)</u>							<u>\$ 0.01</u>

(1) Non-GAAP measure represents bookings

(2) Non-GAAP measure represents Non-GAAP Net Income (Loss)

(3) Relates to tax effect of buy-in prepayment which impacted our Q4'2012 GAAP income tax provision only

# FY2013 Statement of Operations



12 months ended December 31, 2013

	Adjustments to GAAP to arrive at Non-GAAP net income (loss)							Non-GAAP measure
	GAAP statement of operations	Impairment of intangible assets	Stock-based expense	Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense	Acquisition-related contingent consideration	
Total revenue	\$ 873,266	\$ -	\$ -	\$ -	\$ (157,090)	\$ -	\$ -	\$ 716,176 <sup>(1)</sup>
Cost of revenue	248,358	-	(468)	(9,704)	-	(1,227)	-	236,959
Research and development	413,001	-	(61,931)	-	-	(23,246)	(930)	326,894
Sales and marketing	104,403	-	(8,079)	(637)	-	(1,037)	-	94,650
General and administrative	162,918	-	(13,915)	-	-	(19,173)	-	129,830
Impairment of intangible assets	10,217	(10,217)	-	-	-	-	-	-
Total costs and expenses	938,897	(10,217)	(84,393)	(10,341)	-	(44,683)	(930)	788,333
Income (loss) from operations	(65,631)	10,217	84,393	10,341	(157,090)	44,683	930	(72,157)
Interest income (expense)	4,148	-	-	-	-	-	-	4,148
Other income (expense), net	(3,386)	-	-	-	-	-	-	(3,386)
Income (loss) before income taxes	(64,869)	10,217	84,393	10,341	(157,090)	44,683	930	(71,395)
Provision for (benefit from) income taxes	(27,887)	2,043	2,768	539	(17,634)	2,504	345	(37,322) <sup>(2)</sup>
Net Income (loss)	\$ (36,982)	\$ 8,174	\$ 81,625	\$ 9,802	\$ (139,456)	\$ 42,179	\$ 585	\$ (34,073) <sup>(2)</sup>
<b>WASO</b>								
Diluted	<u>799,794</u>							<u>799,794</u>
<b>EPS</b>								
Diluted	<u>(\$0.05)</u>							<u>(\$0.04)</u>

(1) Non-GAAP measure represents bookings

(2) Non-GAAP measure represents Non-GAAP Net Income (Loss)

# FY2012 Statement of Operations



12 months ended December 31, 2012

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

	GAAP statement of operations	Impairment of intangible assets	Stock-based expense	Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense	Legal settlements	Gain on termination of lease and purchase of building	Other	Non-GAAP measure
Total revenue	\$ 1,281,267	\$ -	\$ -	\$ -	\$ (133,640)	\$ -	\$ -	\$ -	\$ -	\$ 1,147,627 <sup>(1)</sup>
Cost of revenue	352,169	-	(12,116)	(37,235)	-	-	-	-	-	302,818
Research and development	645,648	-	(200,640)	-	-	(5,725)	-	-	-	439,283
Sales and marketing	181,924	-	(24,684)	(2,608)	-	(729)	-	-	-	153,903
General and administrative	189,004	-	(44,546)	-	-	(1,408)	(3,024)	-	-	140,026
Impairment of intangible assets	95,493	(95,493)	-	-	-	-	-	-	-	-
Total costs and expenses	1,464,238	(95,493)	(281,986)	(39,843)	-	(7,862)	(3,024)	-	-	1,036,030
Income (loss) from operations	(182,971)	95,493	281,986	39,843	(133,640)	7,862	3,024	-	-	111,597
Interest income (expense)	4,749	-	-	-	-	-	-	-	-	4,749
Other income (expense), net	18,647	-	-	-	-	-	-	(19,886)	-	(1,239)
Income (loss) before income taxes	(159,575)	95,493	281,986	39,843	(133,640)	7,862	3,024	(19,886)	-	115,107
Provision for (benefit from) income taxes	49,873	37,867	104,196	18,938	(90,901)	972	1,671	(10,679)	(55,008) <sup>(3)</sup>	56,929
Net Income (loss)	\$ (209,448)	\$ 57,626	\$ 177,790	\$ 20,905	\$ (42,739)	\$ 6,890	\$ 1,353	\$ (9,207)	\$ 55,008	\$ 58,178 <sup>(2)</sup>
<b>WASO</b>										
Diluted		741,177								829,332
<b>EPS</b>										
Diluted		(\$0.28)								\$0.07

(1) Non-GAAP measure represents bookings

(2) Non-GAAP measure represents Non-GAAP Net Income (Loss)

(3) Relates to tax effect of buy-in prepayment which impacted our Q4'2012 GAAP income tax provision only

# Q1'14 Outlook



(in thousands, except per share data)

	<b>Q1'14</b>
<b>Reconciliation of Revenue to Bookings</b>	
Revenue range	\$ 155,000 - 165,000
Change in deferred revenue	(17,000)
<b>Bookings range</b>	<b>\$ 138,000 - 148,000</b>
<b>Reconciliation of Net loss to Adjusted EBITDA</b>	
Net loss range	\$ (56,000) - (49,000)
Provision for (benefit from) income taxes	1,000
Other expense, net	(1,000)
Interest income	(1,000)
Restructuring expense	17,000 - 15,000
Depreciation and amortization	30,000
Stock-based expense	25,000
Acquisition-related transaction expenses	7,000
Change in deferred revenue	(17,000)
<b>Adjusted EBITDA range</b>	<b>\$ 5,000 - 10,000</b>
<b>Reconciliation of Net loss to Non-GAAP net loss</b>	
Net loss range	\$ (56,000) - (49,000)
Stock-based expense	25,000
Amortization of intangible assets from acquisitions	8,000
Restructuring expense	17,000 - 15,000
Acquisition-related transaction expenses	7,000
Change in deferred revenue	(17,000)
Tax effect of non-GAAP adjustments to net loss	6,000 - 5,000
<b>Non-GAAP net loss range</b>	<b>\$ (10,000) - (6,000)</b>
<b>GAAP and Non-GAAP diluted shares</b>	<b>860,000</b>
<b>Net loss per share range</b>	<b>\$ (0.07) - (0.06)</b>
<b>Non-GAAP net loss per share range</b>	<b>\$ (0.01)</b>





**Thank you!**