



ZYNGA Q2 2017

FINANCIAL RESULTS

August 2, 2017

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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 guidance for the third quarter of 2017 under the heading "Q3 2017 FINANCIAL GUIDANCE" and statements relating to, among other things:

our expectations regarding the advertising market; our ability to execute against a roadmap of innovative events and bold beats in *Zynga Poker*; our ability to explore new ways to connect *Words with Friends* to audiences around the world; our ability to introduce a series of bold beats in *Dawn of Titans*; our ability to transition *FarmVille: Tropic Escape* to our India studio in Q3 2017; our expectations regarding current and future products, features and platforms; and our ability to deliver product, financial and operating performance.

our ability to execute against a steady roadmap of new features in Zynga Poker; our ability to improve player engagement and monetization in Social Slots; our ability to increase the pace of new feature development; our ability to deliver product, financial and operating performance, and our expectations with respect to new products and features.

Forward-looking statements often include words such as "guidance," "projected," "intends," "will," "anticipate," "believe," "target," "expect," 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 presentation 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, 2017. We assume no obligation and do not intend to update these estimates prior to filing our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017.



OVERVIEW OF Q2 2017 PERFORMANCE

Q2 2017 PERFORMANCE OVERVIEW

Q2 FINANCIAL HIGHLIGHTS

- Revenue of \$209.2 million; above our guidance; up 15% Y/Y
- GAAP operating expenses of \$139.4 million; below our expectations and up 5% Y/Y
- Net income of \$5.1 million; above our guidance with an improvement of \$9.5 million Y/Y. This is primarily driven by our revenue beat and lower than expected operating expenses.
- Deferred revenue decreased by \$0.1 million; below our guidance of a net increase in deferred revenue of \$5.0 million
- Bookings of \$209.2 million; above our guidance; up 20% Y/Y
- Non-GAAP operating expenses of \$121.5 million; below our expectations and up 3% Y/Y
- Adjusted EBITDA, which includes the impact of changes in deferred revenue, of \$29.9 million; above our guidance by \$10.9 million; up 61% Y/Y. This is primarily due to our bookings beat, the net release in our deferred revenue and lower than expected operating expenses
- Operating cash flow of \$37.8 million; up \$23.3 million Y/Y

MOBILE HIGHLIGHTS

- Mobile revenue of \$179.9 million; up 30% Y/Y; 86% of total revenue as compared to 76% one year ago
- Mobile bookings of \$181.6 million; up 33% Y/Y; 87% of total bookings as compared to 78% one year ago
- Average mobile DAUs of 19 million; up 28% Y/Y
- Mobile user pay revenue was up 39% Y/Y, and mobile user pay bookings were up 45% Y/Y – both of which were the best in Zynga’s history
- Apple and Google continue to be our two largest platform partners for user pay revenue and bookings

ADVERTISING HIGHLIGHTS

- Advertising and other revenue of \$45.5 million; down 1% Y/Y. This represented 22% of total revenue compared to 25% one year ago
- Advertising and other bookings of \$44.5 million; down 2% Y/Y. This represented 21% of total bookings compared to 26% one year ago
- Given our performance to date and our assessment for the remainder of the year, we expect full year 2017 advertising to decline slightly Y/Y driven by web declines, as well as softness in the mobile gaming advertising market
- Today, we’re announcing a partnership with Unity, a global development platform, to leverage its tools and technology for our rewarded advertising, including our watch-to-earn videos, across our portfolio of mobile games

Q2 2017 FINANCIAL GUIDANCE VS. ACTUALS

* Q2'17 guidance as communicated in our Q1'17 shareholders' letter

(in thousands, except per share data)

GAAP	Guidance*	Actuals
Revenue	\$ 200,000	\$ 209,231
Net release of (increase in) deferred revenue ⁽¹⁾	\$ (5,000)	\$ 53
Net income (loss)	\$ (6,000)	\$ 5,093
Diluted share count	863,000	887,991
Net income (loss) per share	\$ (0.01)	\$ 0.01
 Non-GAAP		
Bookings	\$ 205,000	\$ 209,178
Adjusted EBITDA	\$ 19,000	\$ 29,937

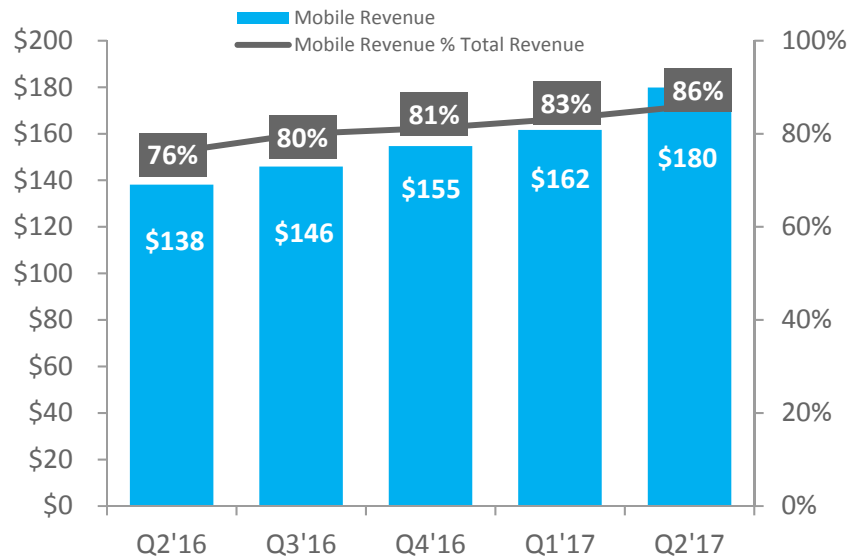
Footnote:

- (1) For clarity, a net increase in deferred revenue generally occurs in quarters when the Company is delivering sequential bookings growth. In these circumstances, bookings are higher than revenues recognized as the bookings deferred to future periods exceeds those recognized from prior period deferrals. This also results in a corresponding increase in deferred revenue on the consolidated balance sheet.

MOBILE HIGHLIGHTS

MOBILE REVENUE

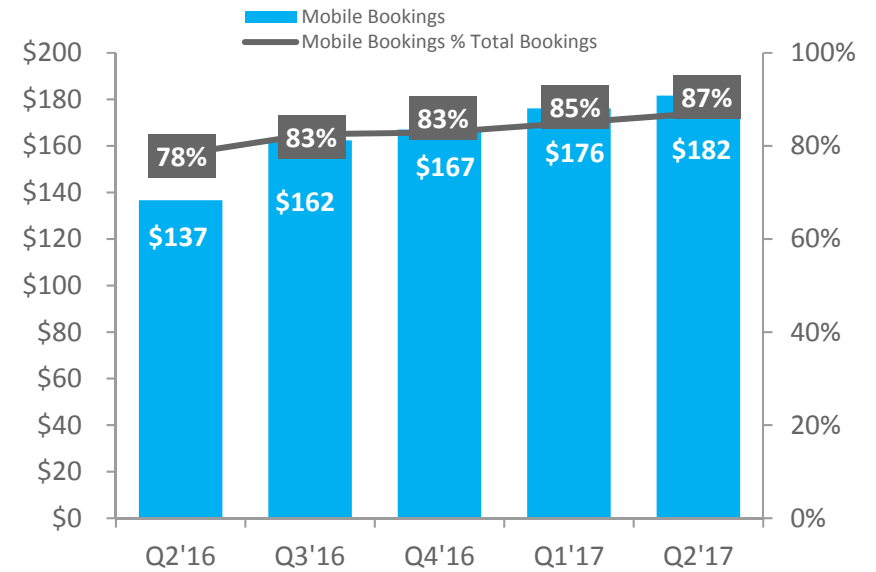
86% OF TOTAL IN Q2'17, UP 3% OF TOTAL Q/Q



MOBILE BOOKINGS

IN MILLIONS

87% OF TOTAL IN Q2'17, UP 2% OF TOTAL Q/Q



Net Release of (Increase in) Deferred Revenue ⁽¹⁾	\$1	(\$16)	(\$12)	(\$15)	(\$2)
Mobile Bookings	\$137	\$162	\$167	\$176 ⁽²⁾	\$182

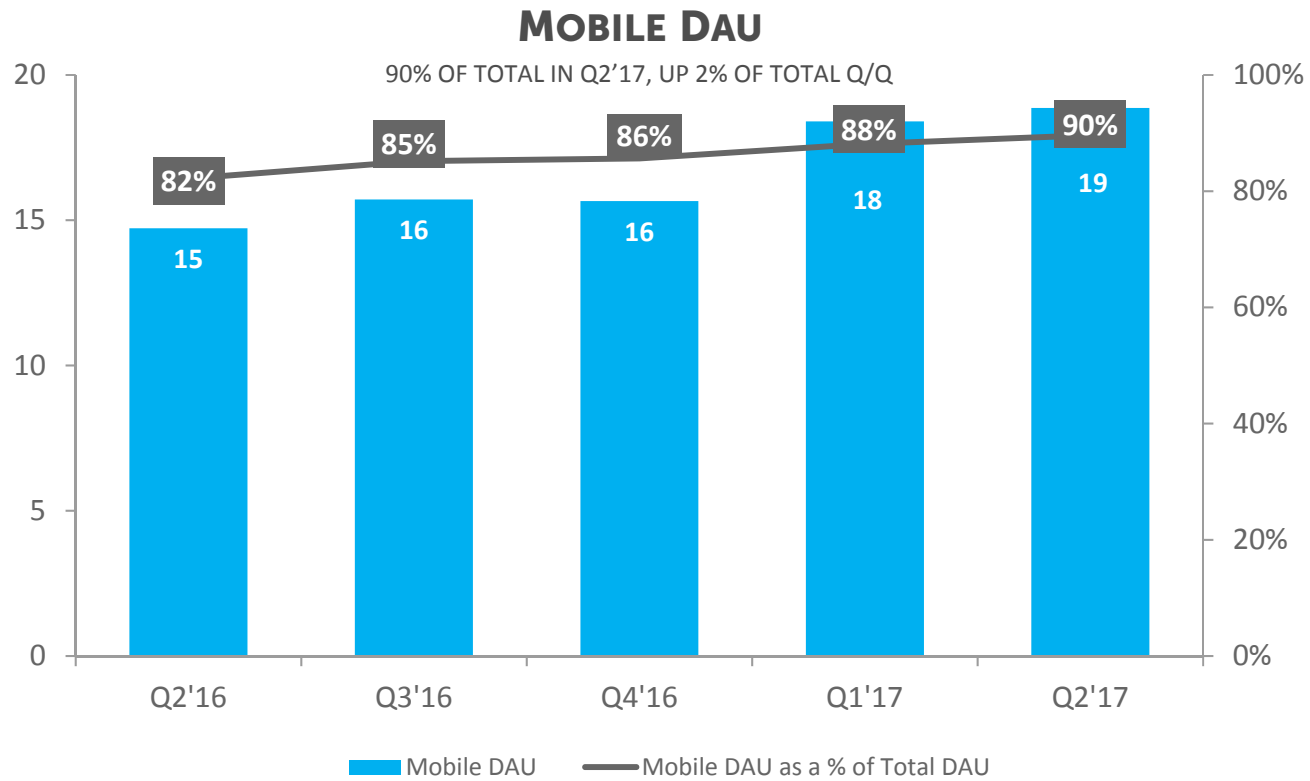
Footnotes:

(1) Refer to footnote (1) on slide 7

(2) This measure, as presented, differs due to the impact of rounding

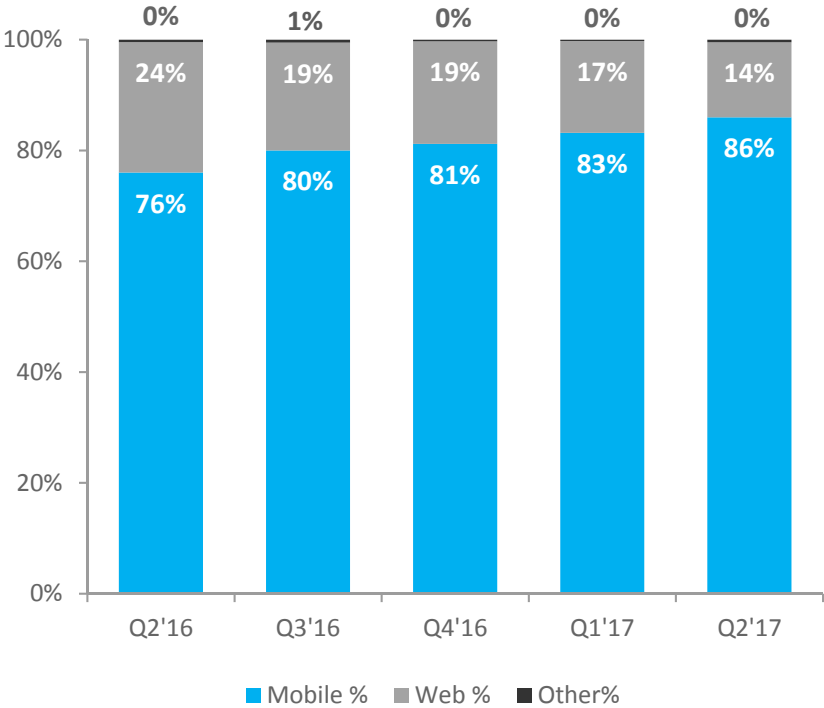
MOBILE HIGHLIGHTS

IN MILLIONS

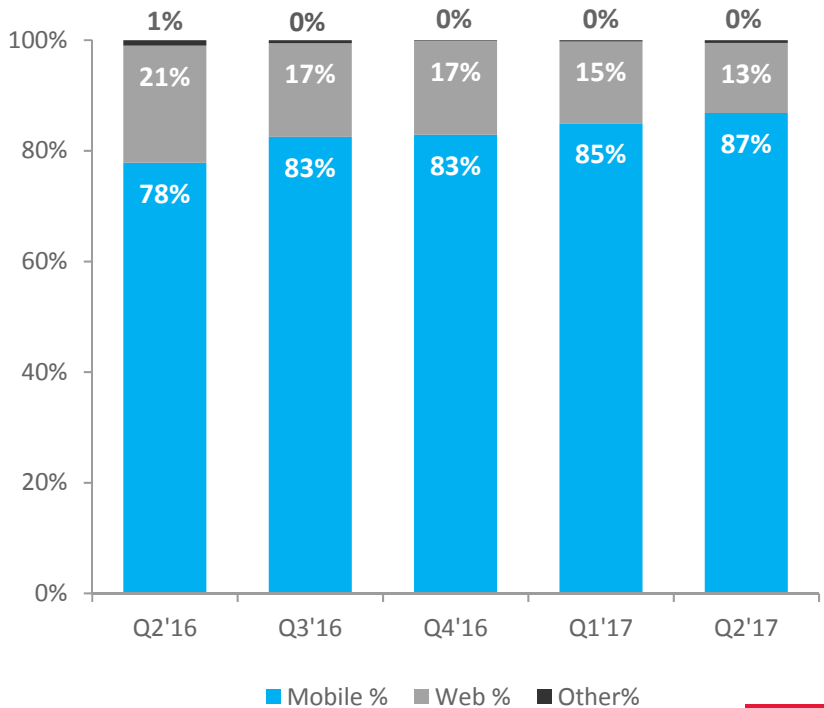


PLATFORM MIX: REVENUE AND BOOKINGS

PLATFORM REVENUE MIX



PLATFORM BOOKINGS MIX



OUR PRODUCTS

SOCIAL CASINO



- *Zynga Poker* continues to post promising year-over-year trends with mobile revenue up 61% Y/Y and mobile bookings up 58% Y/Y
 - The game's audience across mobile DAUs held flat Q/Q and was up 73% Y/Y
 - This past quarter, *Zynga Poker* launched a new bold beat for competitive league players – Weekly Playoff Tournaments – enabling players to compete for chips, trophies and status
 - Looking ahead, our team is executing against a roadmap of innovative events and bold beats, including a 10-year anniversary celebration and new ways to connect fans with the game



- Social Slots grew sequentially this quarter with mobile revenue up 6% and mobile bookings up 4%
 - In Q2, Social Slots drove the highest monetization levels in franchise history, based primarily on the performance of *Wizard of Oz Slots* which launched a new, social bold beat called Tournaments

CASUAL



- *Word With Friends* mobile revenue increased by 3% sequentially and declined by 15% Y/Y, while mobile bookings increased by 2% sequentially and declined by 16% Y/Y
 - In Q2, the team continued to test features like Hindsight, Radar and Tile Swap, enlisting player feedback as they add more depth and strategy to the game
 - We're continuing to explore new ways to connect *Words with Friends* to audiences around the world and last month, we announced a partnership with MGM TV to develop a primetime TV show based on *Words with Friends* and our collection of *With Friends* games



- We launched *Crosswords With Friends* in May 2017 in partnership with Time Inc.'s People Magazine. The game received strong partner support from Apple and Google, and was also featured on the TODAY Show three times since launch, a testament to the game's appeal to mass market audiences



- Since launching in May 2016, *Wizard of Oz: Magic Match* has steadily grown in mobile audience and monetization over the past four quarters

OUR PRODUCTS

ACTION STRATEGY



- CSR2 celebrated its 1-year anniversary at the end of June and delivered sequential growth with mobile revenue up 14% and mobile bookings up 18%
 - The game's average mobile DAUs were also up 9% Q/Q
 - Strong performance driven by a steady cadence of exclusive events and bold beats including licensing deals with Universal Brand Development's Fast & Furious and partnerships with iconic auto manufacturers such as Lamborghini
 - CSR2 has maintained its position as the #1 Top Grossing Racing Game in the U.S App Store since the day it launched and has more than 1.1 million 5-star player reviews in the App Store and Google Play combined
- In Q2, our team focused on developing features designed to deepen the social and event strategy for our elder players
 - In the back half of the year the team will introduce a series of bold beats including Alliance vs. Alliance that will enable players to compete with friends in new ways, upgrade their Titans and add more depth to their experience

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INVEST EXPRESS

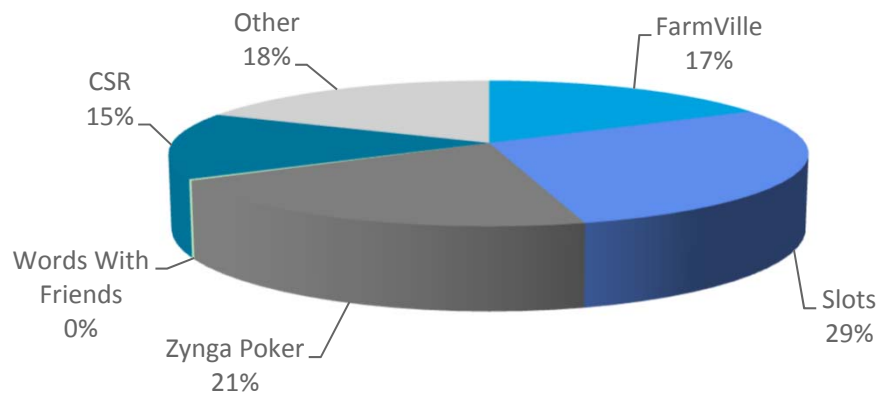


- FarmVille 2: Country Escape and FarmVille: Tropic Escape both delivered strong quarters in Q2 driven by our teams' focus on steady events and bold beats
 - Farmville 2: Country Escape launched a new bold beat – Show Pigs – along with new crafting and leaderboard events in Q2
 - Farmville: Tropic Escape introduced a Spring Event that resulted in prominent partner featuring from Apple and Google
 - In Q2, we completed the transition of Farmville 2: Country Escape to our studio in India and later this quarter we'll begin to transition FarmVille: Tropic Escape to the same studio

Q2'2017 ONLINE GAME REVENUE AND BOOKINGS BY FRANCHISE

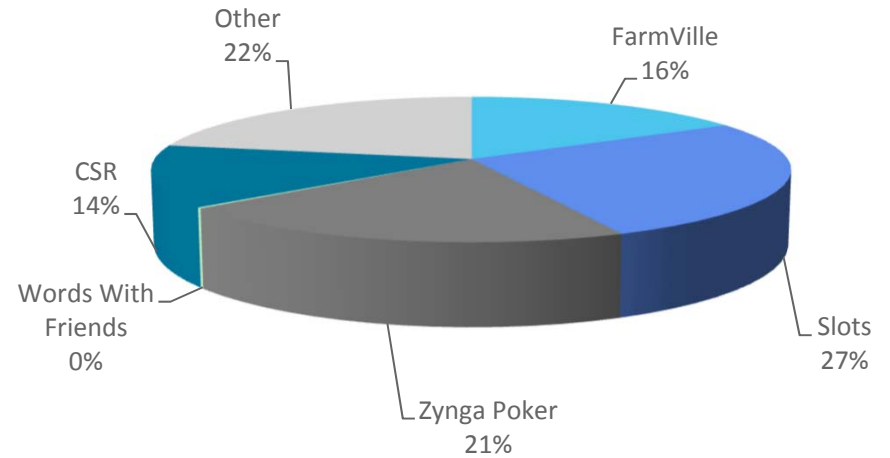
Q2'2017 ONLINE GAME REVENUE

Total Amount: \$164 million



Q2'2017 ONLINE GAME BOOKINGS

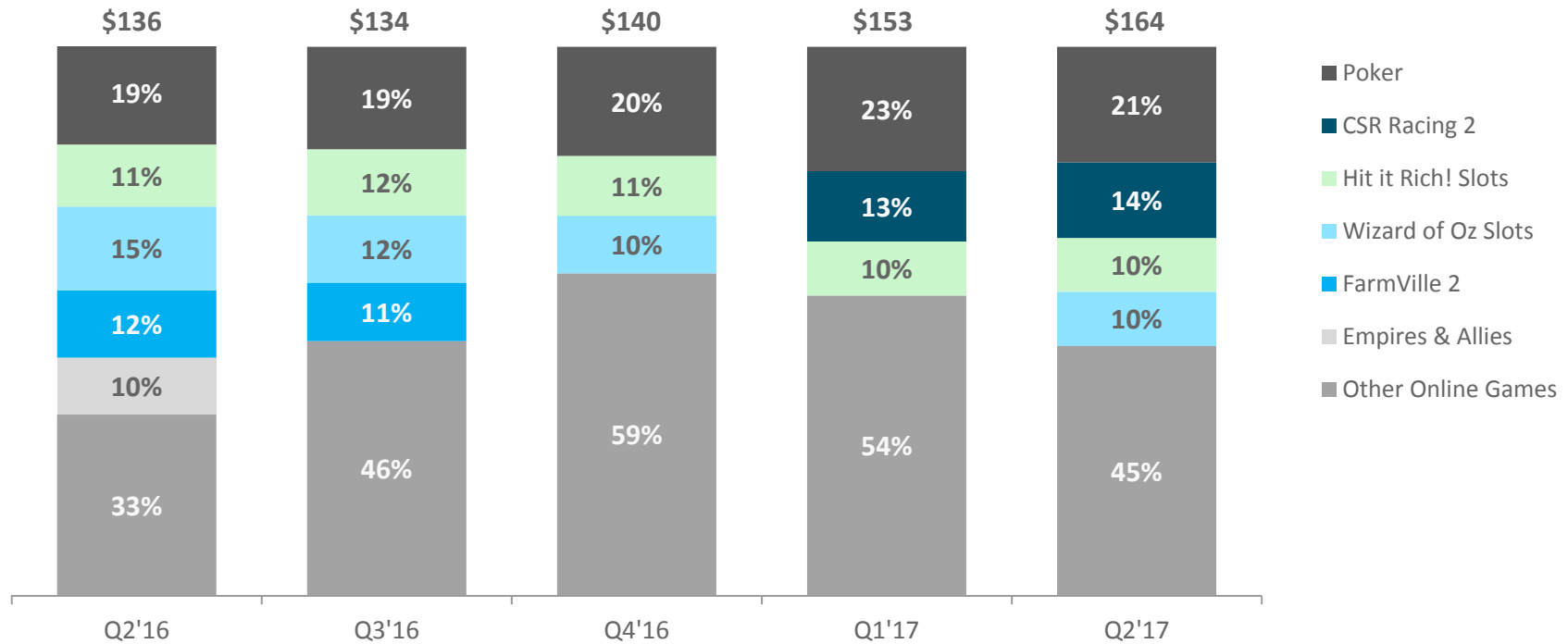
Total Amount: \$165 million



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

ONLINE GAME REVENUE CONCENTRATION

TOTAL REVENUE IN MILLIONS

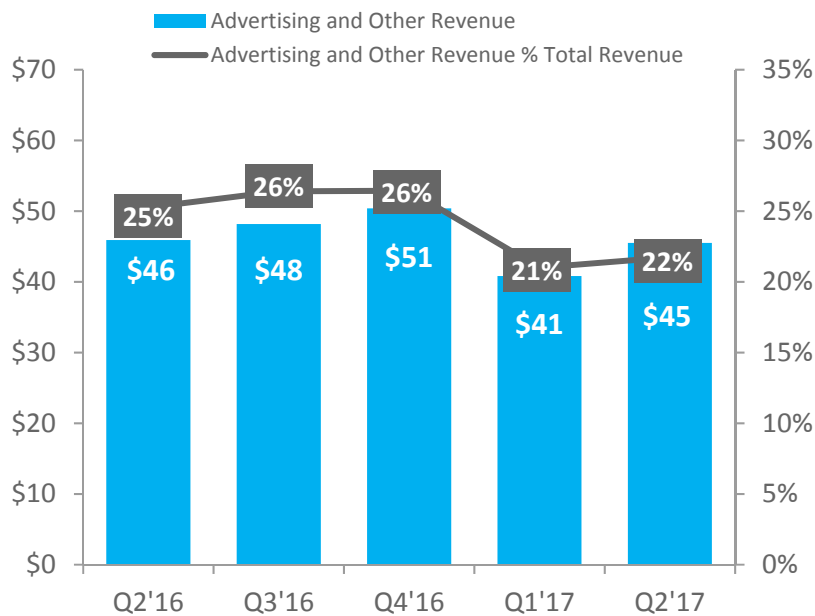


Note: Games representing less than 10% of online game revenue in any period are included in "Other Online Games"

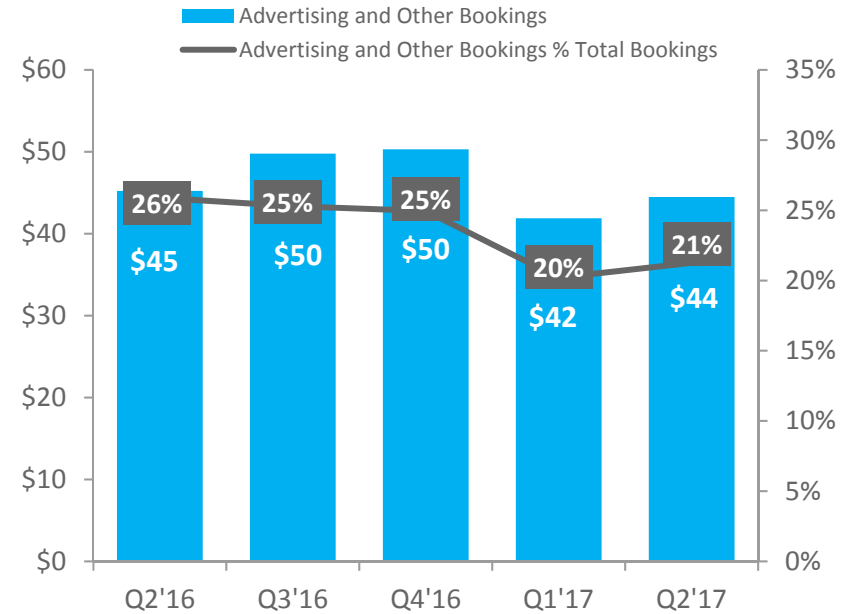
ADVERTISING AND OTHER: REVENUE AND BOOKINGS

IN MILLIONS

ADVERTISING AND OTHER REVENUE

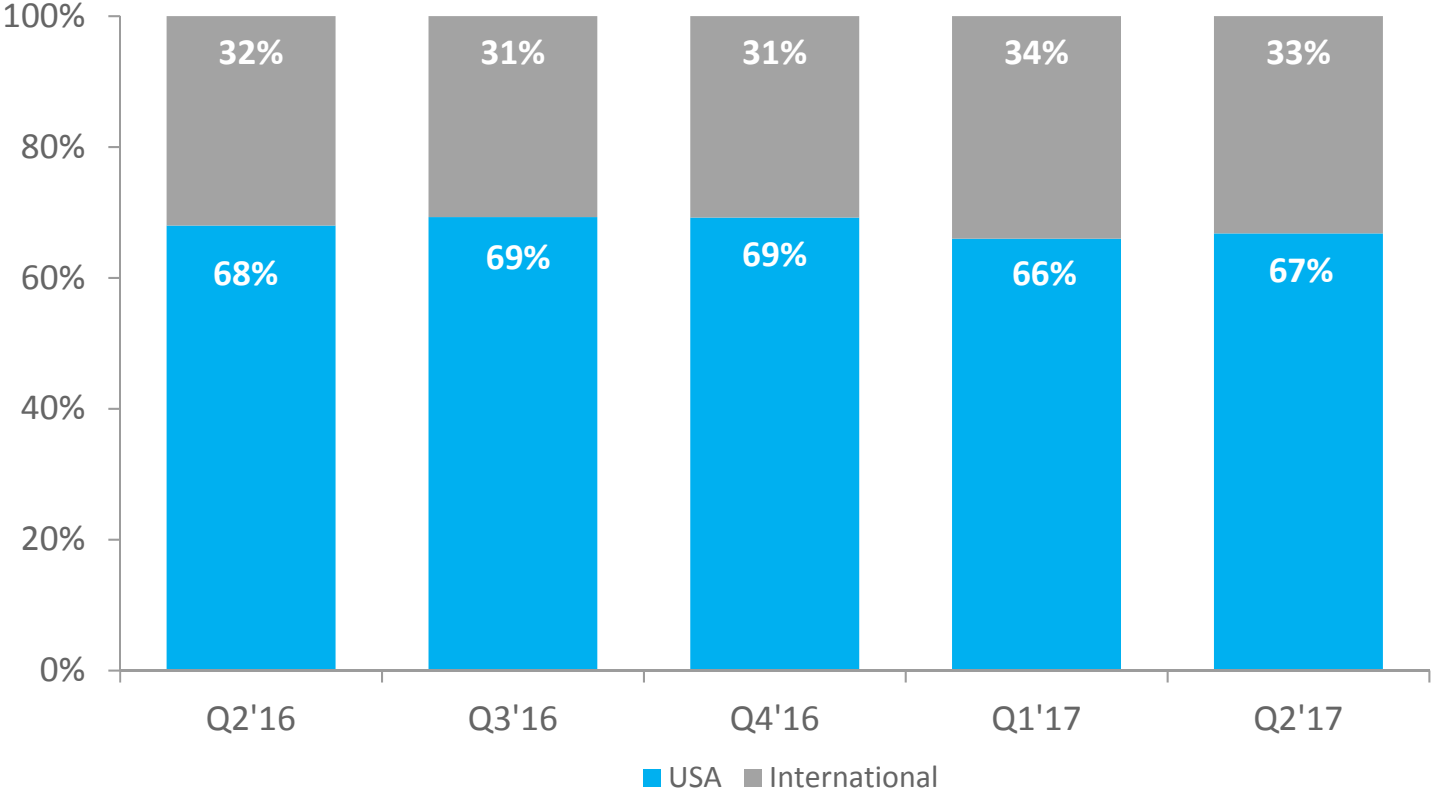


ADVERTISING AND OTHER BOOKINGS



Net Release of (Increase in) Deferred Revenue ⁽¹⁾	\$1	(\$2)	\$1	(\$1)	\$1
Ad & Other Bookings	\$45	\$50	\$50	\$42	\$44

REVENUE BY GEOGRAPHY



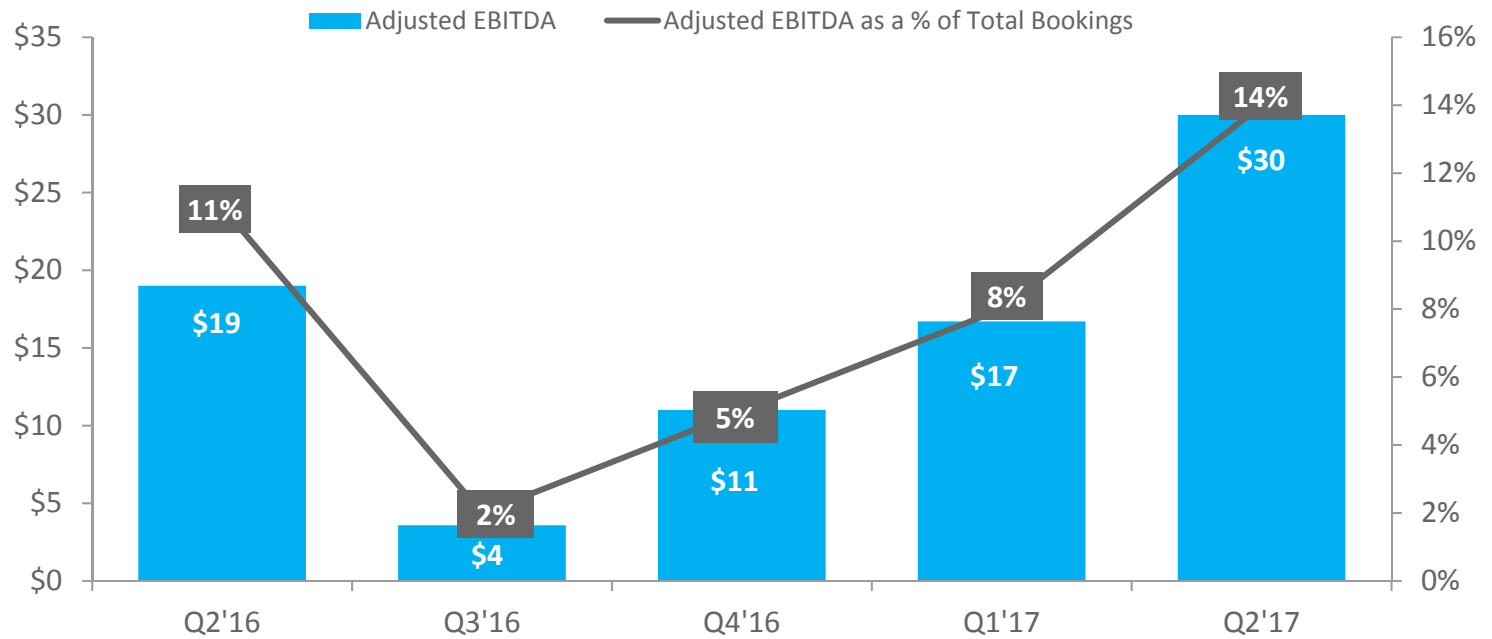
NET INCOME (LOSS) AND CASH FLOW

(in millions, except per share data)

	Q2'17	Q1'17	Q4'16	Q3'16	Q2'16
GAAP					
Net income (loss)	\$ 5.1	\$ (9.5)	\$ (35.4)	\$ (41.7)	\$ (4.4)
Diluted net income (loss) per share	\$ 0.01	\$ (0.01)	\$ (0.04)	\$ (0.05)	\$ (0.01)
Operating cash flow	\$ 37.8	\$ (4.7)	\$ 27.7	\$ 21.0	\$ 14.5
Free cash flow (non-GAAP)	\$ 36.0	\$ (7.0)	\$ 24.1	\$ 18.4	\$ 13.3
Cash, cash equivalents and marketable securities	\$ 739.0	\$ 720.4	\$ 852.4	\$ 870.8	\$ 868.4

ADJUSTED EBITDA

IN MILLIONS



Net Release of (Increase in) Deferred Revenue ⁽¹⁾	\$7	(\$14)	(\$11)	(\$13)	\$0
Change in Deferred Revenue as a % of Total Bookings	(4%)	7%	5%	6%	0%

KEY OPERATING METRICS

The company tracks operating metrics using internal systems which rely on internal company data and third party data. We rely on the veracity of data provided by individuals and reported by third parties to calculate our metrics and reduce duplication of data.

DAUs. We define DAUs as the number of individuals who played one of our games during a particular day. Under this metric, an individual who plays two different games on the same day is counted as two DAUs. We use information provided by third parties to help us identify individuals who play the same game to reduce this duplication. However, because we do not always have the third party network login data to link an individual who has played under multiple user accounts, a player may be counted as multiple DAUs. Average DAUs for a particular period is the average of the DAUs for each day during that period. We use DAUs as a measure of audience engagement.

MAUs. We define MAUs as the number of individuals who played one of our games in the 30-day period ending with the measurement date. Under this metric, an individual who plays two different games in the same 30-day period is counted as two MAUs. We use information provided by third parties to help us identify individuals who play the same game to reduce this duplication. However, because we do not always have the third party network login data to link an individual who has played under multiple user accounts, a player may be counted as multiple MAUs. Average MAUs for a particular period is the average of the MAUs at each month-end during that period. We use MAUs as a measure of total game audience size.

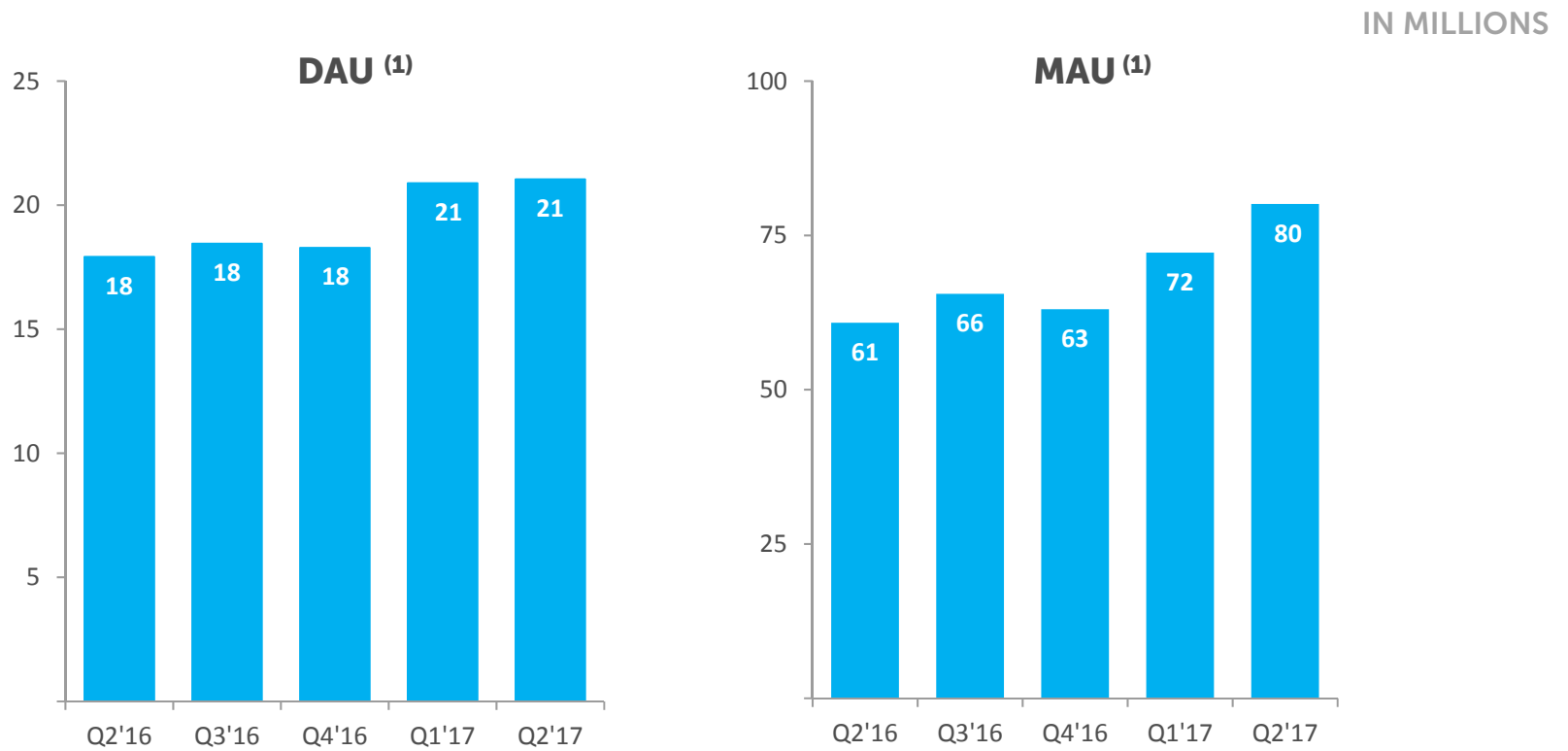
MUUs. We define MUUs as the number of individuals who played one or more of our games, which we were able to verify were played by the same individual in the 30-day period ending with the measurement date. An individual who plays more than one of our games in a given 30-day period would be counted as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

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

ABPU. We define ABPU as our total bookings in a given period, divided by the number of days in that period, divided by, the average DAUs during the period. We believe that ABPU provides useful information to investors and others in understanding and evaluating our results in the same manner as our management and board of directors. We use ABPU as a measure of overall monetization across all of our players through the sale of virtual goods and advertising.

Payer Conversion. We define payer conversion as MUPs divided by MUUs.

AUDIENCE METRICS

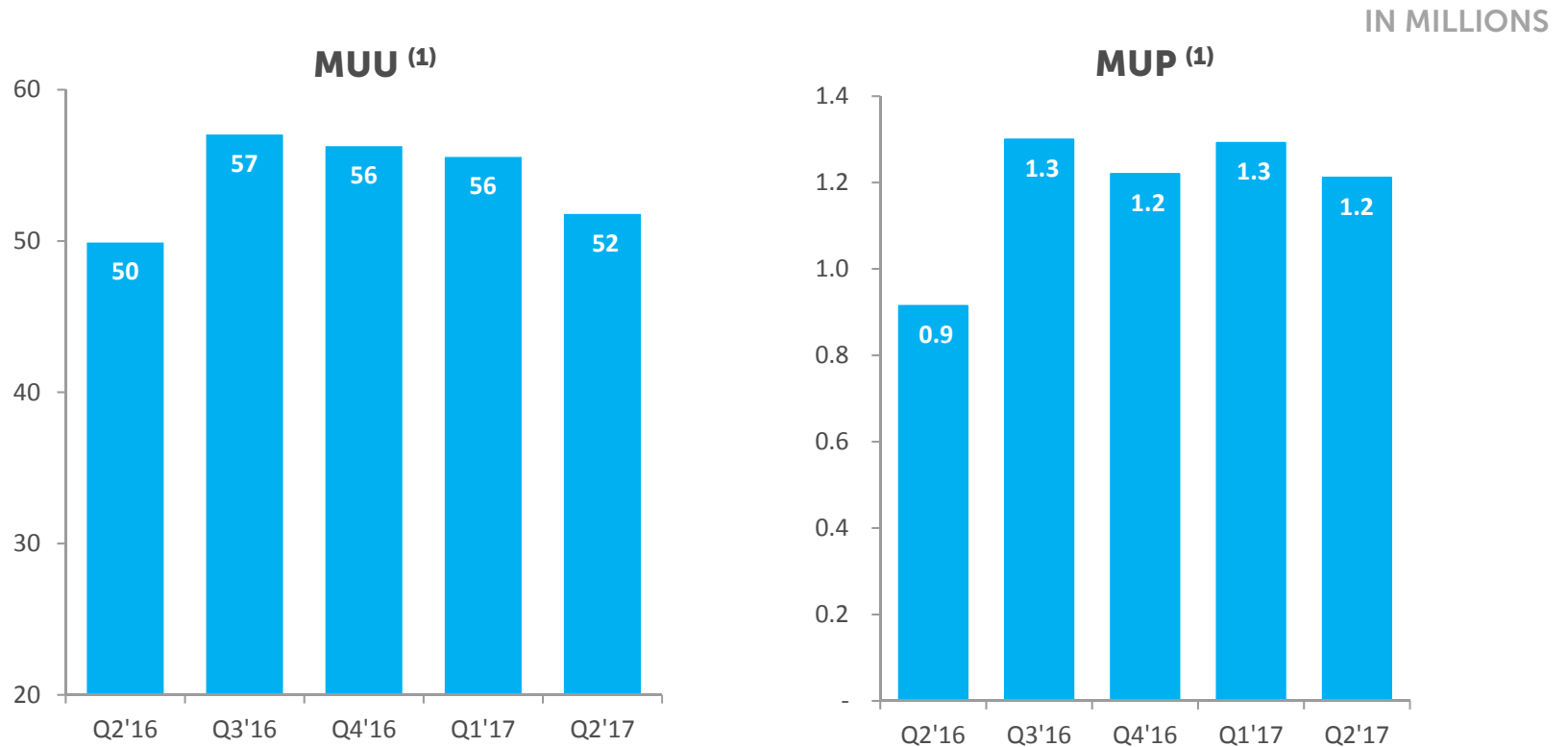


Footnote:

(1) *Daily Celebrity Crossword*, our Solitaire games and our Facebook Messenger games are included incrementally in DAU and MAU because we do not have the third party network login data to link an individual who has played under multiple user accounts. As such, actual DAU and MAU may be lower than reported due to the potential duplication of these individuals.



AUDIENCE METRICS

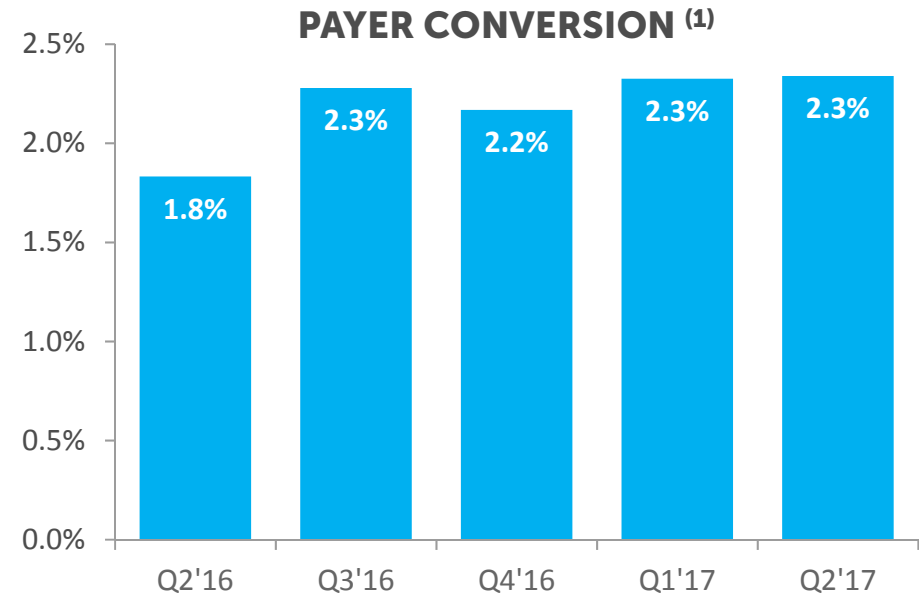
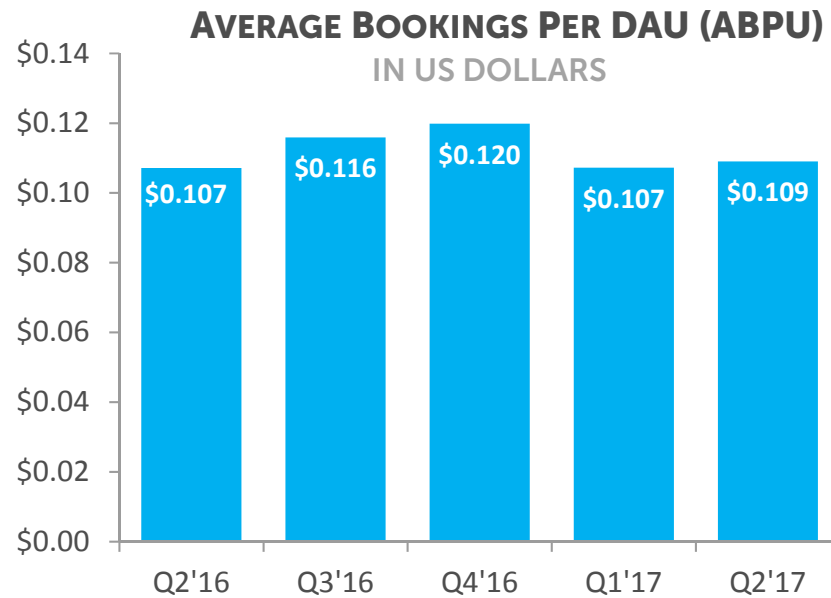


Footnote:

(1) For the first and second quarters of 2017, MUUs and MUPs exclude *Daily Celebrity Crossword*, our Solitaire games and our Facebook Messenger games. For the third and fourth quarters of 2016, MUPs exclude *Daily Celebrity Crossword* and *Vegas Diamond Slots*. For the second quarter of 2016, MUPs exclude *Black Diamond Casino*, *Vegas Diamond Slots*, *Yummy Gummy* and *Crazy Kitchen*.



MONETIZATION



Footnote:

(1) For the first and second quarters of 2017, payer conversion excludes *Daily Celebrity Crossword*, our Solitaire games and our Facebook Messenger games. For the third and fourth quarters of 2016, payer conversion excludes *Daily Celebrity Crossword* and *Vegas Diamond Slots*. For the second quarter of 2016, payer conversion excludes *Black Diamond Casino*, *Vegas Diamond Slots*, *Yummy Gummy* and *Crazy Kitchen*.



Q3 2017
FINANCIAL GUIDANCE

Q3 2017 FINANCIAL GUIDANCE

(in thousands, except per share data)

GAAP	Q3'17 Guidance
Revenue	\$ 210,000
Net release of (increase in) deferred revenue ⁽¹⁾	\$ 5,000
Net income (loss)	\$ 7,000
Diluted share count	894,000
Net income (loss) per share	\$ 0.01
Non-GAAP	
Bookings	\$ 205,000
Adjusted EBITDA	\$ 30,000

Footnote:

- (1) For clarity, a net increase in deferred revenue generally occurs in quarters when the Company is delivering sequential bookings growth. In these circumstances, bookings are higher than revenues recognized as the bookings deferred to future periods exceeds those recognized from prior period deferrals. This also results in a corresponding increase in deferred revenue on the consolidated balance sheet.



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 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 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 life of durable virtual goods or as virtual goods are consumed;
- Adjusted EBITDA does not include the impact of stock-based compensation expense, acquisition-related transaction expenses, contingent consideration fair value adjustments and restructuring expense;
- Adjusted EBITDA does not reflect income tax expense and does not include other income (expense) net, which includes foreign exchange gains and losses and interest income;
- Adjusted EBITDA excludes depreciation and amortization of intangible assets. Although depreciation and amortization are non-cash charges, the assets being depreciated and 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

	3 months ended		6 months ended	
	6/30/17	6/30/16	6/30/17	6/30/16
<i>(in thousands, unaudited)</i>				
Reconciliation of Revenue to Bookings				
Revenue	\$ 209,231	\$ 181,735	\$ 403,515	\$ 368,456
Change in deferred revenue	(53)	(7,082)	13,021	(12,178)
Bookings	\$ 209,178	\$ 174,653	\$ 416,536	\$ 356,278

REVENUE TO BOOKINGS: MOBILE

	3 months ended		6 months ended	
	6/30/17	6/30/16	6/30/17	6/30/16
<i>(in thousands, unaudited)</i>				
Reconciliation of Revenue to Bookings: Mobile				
Revenue	\$ 179,868	\$ 138,125	\$ 341,481	\$ 273,791
Change in deferred revenue	1,755	(1,492)	16,263	1,604
Bookings: Mobile	\$ 181,623	\$ 136,633	\$ 357,744	\$ 275,395

REVENUE TO BOOKINGS: ADVERTISING AND OTHER; ADVERTISING

	3 months ended		6 months ended	
	6/30/17	6/30/16	6/30/17	6/30/16
<i>(in thousands, unaudited)</i>				
Reconciliation of Revenue to Bookings: Advertising & Other				
Revenue	\$ 45,485	\$ 45,912	\$ 86,287	\$ 95,576
Change in deferred revenue	(1,015)	(695)	67	(3,750)
Bookings: Advertising & Other	\$ 44,470	\$ 45,217	\$ 86,354	\$ 91,826
Less Bookings: Other	\$ (1,046)	\$ (1,990)	\$ (1,823)	\$ (3,223)
Bookings: Advertising	\$ 43,424	\$ 43,227	\$ 84,531	\$ 88,603

NET INCOME (LOSS) TO ADJUSTED EBITDA

	3 months ended		6 months ended	
	6/30/17	6/30/16	6/30/17	6/30/16
<i>(in thousands, unaudited)</i>				
Reconciliation of Net income (loss) to Adjusted EBITDA				
Net income (loss)	\$ 5,093	\$ (4,446)	\$ (4,381)	\$ (31,004)
Provision for (benefit from) income taxes	3,322	506	6,189	2,986
Other income (expense), net	(1,614)	(1,905)	(3,050)	(4,005)
Interest income	(1,109)	(761)	(2,046)	(1,466)
Restructuring expense, net	1,422	1,710	577	2,178
Depreciation and amortization	7,398	10,835	16,279	21,647
Acquisition-related transaction expenses	-	199	187	199
Contingent consideration fair value adjustment	(807)	(14,390)	(901)	(12,360)
Stock-based compensation expense	16,232	26,899	33,758	56,507
Adjusted EBITDA	\$ 29,937	\$ 18,647	\$ 46,612	\$ 34,682

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

	3 months ended		6 months ended	
	6/30/17	6/30/16	6/30/17	6/30/16
<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	\$ 37,830	\$ 14,546	\$ 33,111	\$ 11,241
Acquisition of property and equipment	(1,856)	(1,293)	(4,141)	(3,947)
Free cash flow	\$ 35,974	\$ 13,253	\$ 28,970	\$ 7,294

GAAP TO NON-GAAP COSTS AND EXPENSES

Adjustments to GAAP to arrive at non-GAAP measure
(In thousands, unaudited)

Three months ended June 30, 2017

	GAAP measure	Restructuring expense, net	Amortization of intangible assets from acquisitions	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 64,172	\$ -	\$ (2,654)	\$ -	\$ -	\$ (371)	\$ 61,147
Research and development	64,615	(1,265)	-	-	807	(10,483)	53,674
Sales and marketing	51,201	-	(1,397)	-	-	(1,751)	48,053
General and administrative	23,551	(157)	-	-	-	(3,627)	19,767
Total costs and expenses	<u>\$ 203,539</u>	<u>\$ (1,422)</u>	<u>\$ (4,051)</u>	<u>\$ -</u>	<u>\$ 807</u>	<u>\$ (16,232)</u>	<u>\$ 182,641</u>

Adjustments to GAAP to arrive at non-GAAP measure
(In thousands, unaudited)

Six months ended June 30, 2017

	GAAP measure	Restructuring expense, net	Amortization of intangible assets from acquisitions	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 129,049	\$ -	\$ (6,949)	\$ -	\$ -	\$ (990)	\$ 121,110
Research and development	133,817	(333)	-	-	901	(22,196)	112,189
Sales and marketing	97,821	-	(2,450)	(201)	-	(3,538)	91,632
General and administrative	46,116	(244)	-	14	-	(7,034)	38,852
Total costs and expenses	<u>\$ 406,803</u>	<u>\$ (577)</u>	<u>\$ (9,399)</u>	<u>\$ (187)</u>	<u>\$ 901</u>	<u>\$ (33,758)</u>	<u>\$ 363,783</u>

GAAP TO NON-GAAP COSTS AND EXPENSES

Adjustments to GAAP to arrive at non-GAAP measure
(In thousands, unaudited)

Three months ended June 30, 2016

	GAAP measure	Restructuring expense, net	Amortization of intangible assets from acquisitions	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 56,103	\$ -	\$ (6,722)	\$ -	\$ -	\$ (1,127)	\$ 48,254
Research and development	66,233	1	-	-	14,390	(20,213)	60,411
Sales and marketing	40,631	-	(743)	(179)	-	(2,206)	37,503
General and administrative	25,374	(1,711)	-	(20)	-	(3,353)	20,290
Total costs and expenses	<u>\$ 188,341</u>	<u>\$ (1,710)</u>	<u>\$ (7,465)</u>	<u>\$ (199)</u>	<u>\$ 14,390</u>	<u>\$ (26,899)</u>	<u>\$ 166,458</u>

Adjustments to GAAP to arrive at non-GAAP measure
(In thousands, unaudited)

Six months ended June 30, 2016

	GAAP measure	Restructuring expense, net	Amortization of intangible assets from acquisitions	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 113,242	\$ -	\$ (13,364)	\$ -	\$ -	\$ (1,776)	\$ 98,102
Research and development	153,970	(124)	-	-	12,360	(44,416)	121,790
Sales and marketing	86,975	-	(1,480)	(179)	-	(4,197)	81,119
General and administrative	47,758	(2,054)	-	(20)	-	(6,118)	39,566
Total costs and expenses	<u>\$ 401,945</u>	<u>\$ (2,178)</u>	<u>\$ (14,844)</u>	<u>\$ (199)</u>	<u>\$ 12,360</u>	<u>\$ (56,507)</u>	<u>\$ 340,577</u>

Q3 2017 FINANCIAL GUIDANCE: GAAP TO NON-GAAP RECONCILIATION

(in thousands, except per share data)

	Q3'17
Reconciliation of Revenue to Bookings	
Revenue	\$ 210,000
Change in deferred revenue	(5,000)
Bookings	<u>\$ 205,000</u>
Reconciliation of Net income (loss) to Adjusted EBITDA	
Net income (loss)	\$ 7,000
Provision for (benefit from) income taxes	4,000
Other income (expense), net	(2,000)
Interest income	(1,000)
Depreciation and amortization	7,000
Stock-based compensation expense	15,000
Adjusted EBITDA	<u>\$ 30,000</u>
GAAP diluted shares	894,000
Net income (loss) per share	\$ 0.01

