



# ZYNGA Q3'2015

## FINANCIAL RESULTS

November 3, 2015

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## MANAGEMENT TEAM

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**FOUNDER,  
CHIEF EXECUTIVE OFFICER  
AND CHAIRMAN OF THE BOARD**

Mark Pincus



**CHIEF FINANCIAL OFFICER**

David Lee

## FORWARD-LOOKING STATEMENTS

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This presentation contains forward-looking statements relating to, among other things, our outlook for the fourth quarter 2015 revenue, net loss, net loss per share, weighted average diluted share count, bookings, Adjusted EBITDA, non-GAAP net loss per share and non-GAAP weighted average diluted share count; certain other financial items necessary for GAAP to Non-GAAP reconciliation; our future operational plans, use of cash, strategies and prospects; our cost structure; the breadth and depth of our game slate for 2015 and the success of this slate, including the success of the recently launched *Empires & Allies* and *Black Diamond Casino*; our planned launch of mobile first games, including our planned launch of *Princess Bride Slots* in 2015 and *Dawn of Titans* and *CSR2* in 2016; our ability to sustain player engagement and monetization of our live games (including our Slots games, *Words With Friends* and *Empires & Allies*) and games in geo-lock testing (including *Dawn of Titans* and *CSR2*); our ability to grow our mobile bookings in 2015 and beyond; our ability to execute against our strategy and deliver long term value to our shareholders, employees and players and fulfill our mission to connect the world through games; our ability to attract and retain key employees in light of business challenges, including employees key to franchise games and planned launches and senior management; the impact of changes in management, new hires and other organizational changes and roles on our organization; the strength of our balance sheet and our ability to effectively manage our cost structure and investments; the timely launch and success of our games, including the moved launch of *Dawn of Titans* and *CSR2* to 2016; the success of our acquisition of Rising Tide Games; our ability to improve our execution against audience growth and product quality; our ability to effectively market our games; our ability to execute in mobile; our ability to sustain and expand key games to sustain and grow audiences, bookings, and engagement, including games within our Slots Franchise (*Hit It Rich! Slots*, *Wizard of Oz Slots* and *Black Diamond Casino*), *Words with Friends*, *Zynga Poker*, *FarmVille 2*, *FarmVille 2: Country Escape* and *Empires & Allies*); investment in new game development, marketing for live games (including *Wizard of Oz Slots*) and new game launches and core infrastructure in data and analytics; our ability to build on our social legacy in both our web games and our new mobile games and build a player network across mobile games; our ability to accurately forecast our upcoming game launches and bookings and revenue related to upcoming game launches and the performance of our existing games; our ability to operate in an entrepreneurial manner, innovate on game mechanics, and leverage data and analytics in our operations; our ability to utilize, protect, defend and enforce our intellectual property; market opportunity in the social gaming market, including the mobile market, the advertising market, the market for social game categories in which we invest, and our ability to capitalize on and contribute to this market opportunity; and the announced share repurchase program and any potential repurchases of our shares.

Forward-looking statements often include words such as “outlook,” “project,” “plan,” “intend,” “could,” “should,” “would,” “will,” “might,” “anticipate,” “estimate,” “continue,” “believe,” “may,” “target,” “expect,” or similar expressions, or the negative or plural of these words or expressions and statements in the future tense are generally forward-looking. The achievement or success of the matters covered by such forward-looking statements is subject to a number of risks, uncertainties, and assumptions. Moreover, we operate in a very competitive and rapidly changing environment and industry. New risks may also emerge from time to time. It is not possible for our management to predict all of the risks related to our business and operations, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make 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, the ability of key games, including our franchise games, to sustain or grow audiences, bookings and engagement; our relationship with Facebook, changes in the Facebook platform and/or changes in our agreement with Facebook; our relationship with Apple, Google and other Android platform providers, changes in the Android or iOS platforms and/or changes in our agreements with Apple, Google and/or other Android platform providers; our relationship and/or agreements with key licensing partners, additional platform providers or any key partners; the effectiveness of our cost-cutting activities and our ability to control and reduce expenses, including our estimated savings and charges associated with our restructuring efforts; our ability to efficiently deploy employees, leverage our teams and talent, including shifting resources when necessary to prioritize more important projects; our ability to retain and attract new talent; our ability to work as a team to execute against our strategy; our use of working capital in general; attrition or decline in existing games (including our web audiences on games such as *FarmVille1* and *Farmville2*), including franchise games; our ability to launch and monetize successfully new games and features for web and mobile in a timely manner (such as the *Leagues and Alliance War* features in *Empires & Allies* and the VIP program in *Wizard of Oz Slots*) and the success of these games and features, including planned features for our existing games; the process of integrating our operations into NaturalMotion Limited’s (“NaturalMotion’s”) and Rising Tide Games, Inc.’s (“Rising Tide Games”) operations and NaturalMotion’s and Rising Tide Games’s operations into our

## FORWARD-LOOKING STATEMENTS

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operations, including but not limited to our expected ability to expand our creative pipeline, accelerate our growth on mobile and deliver hit NaturalMotion games in 2016 and hit games from Rising Tide Games; planned launches from our franchises and planned launches in the content categories where we are focused; the ability of our games to generate revenue and bookings for a significant period of time after launch and the timing for market acceptance of new games; the effectiveness of our marketing program and initiatives and our ability to obtain game featuring from partners; our ability to understand industry trends, such as seasonality, and position our business to take advantage of these trends; our ability to successfully monitor and adapt to changes in gaming platform and consumer demand as the industry continues to evolve; our ability to run successful in game advertising campaigns; our exposure to illegitimate credit card activity and other security risks, including sales or purchases of virtual goods used in our games through unauthorized or illegitimate third-party websites; our ability to anticipate and address technical challenges that may arise; our ability to protect our players' information and adequately address privacy concerns; our ability to maintain technology infrastructure and employees that can efficiently and reliably handle increased player usage, changes in mobile devices and game platforms, fast load times and the rapid deployment of new features and products; our ability to maintain reliable security services and infrastructure to protect against security breaches, computer malware and hacking attacks; competition in our industry; changing interests of players; our exposure to intellectual property disputes and other litigation; asset impairment charges; our evaluation of new business opportunities and acquisitions by us, including integration of newly acquired businesses; our future spend, including spend on R&D and marketing and our future margins; our ability to renew our existing brand, technology and content licenses as they expire and secure new licenses for top brands; our ability to manage risks, costs and other challenges associated with international expansion; the impact of laws and regulations on our business; changes in corporate strategy or management; our search for a Chief Financial Officer; and risks related to our share repurchase program and any repurchases of our shares, including that the timing and amount of any stock repurchases that will be determined based on market conditions, share price and other factors, that the program does not require us to repurchase any specific number of shares of our Class A common stock, and may be modified, suspended or terminated at any time without notice, that the stock repurchase program will be funded from existing cash on hand, the fact that the Company may adopt one or more plans pursuant to the provisions of Rule 10b5-1 under the Securities Exchange Act of 1934 in connection with the repurchase program and any share repurchases may be made through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades, accelerated share repurchase transactions, or by any combination of such methods, and that repurchases of our Class A common stock in the open market could result in increased volatility in our stock price.

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 Annual Report on Form 10-K for the year ended December 31, 2014, our Quarterly report on Form 10-Q for three months ended March 31, 2015, our Quarterly report on Form 10-Q for the three months ended June 30, 2015, and, when filed, our Quarterly report on Form 10-Q for the three months ended September 30, 2015, 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 press release, 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. Except as required by law, we assume no obligation to update any forward-looking statements for any reason to conform these statements to actual results or to changes in our expectations. The results we report in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 could differ from the preliminary results we have announced in this press release.

# NON-GAAP FINANCIAL MEASURES

We have provided in this release non-GAAP financial information including Total Bookings, Advertising and Other Bookings, Advertising Bookings, mobile bookings, Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP net loss, non-GAAP operating expense, free cash flow, non-GAAP provision for (benefit from) income taxes, and non-GAAP net loss per share, as a supplement to the consolidated financial statements, which are prepared in accordance with United States 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. In line with our historical practice, the financial information presented herein is provided on a supplemental, non-GAAP basis unless otherwise indicated. We have provided reconciliations between our historical and fourth quarter 2015 outlook for non-GAAP financial measures to the most directly comparable GAAP financial measures. Reconciliations of non-GAAP financial measures to the most recent directly comparable GAAP financial measures for the third quarter 2015 may be found (1) in our press release announcing third quarter 2015 financial results which is included as Exhibit 99.1 to our current report on Form 8-K, filed with the Securities and Exchange Commission on November 3, 2015, and, when filed, in our Quarterly Report on Form 10-Q for the three months ended September 30, 2015, 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), and (2) in this presentation, dated November 3, 2015, a copy of which may be obtained by visiting our Investor Relations web site at <http://investor.zynga.com>.

Some limitations of Total Bookings, Advertising and Other Bookings, Advertising Bookings, mobile bookings, Adjusted EBITDA, non-GAAP net loss, non-GAAP operating expense, free cash flow, non-GAAP provision for (benefit from) income taxes, and non-GAAP net loss per share:

- Adjusted EBITDA, non-GAAP operating expense, non-GAAP net loss and non-GAAP provision for (benefit from) expense do not include the impact of stock-based expense, impairment of intangible assets previously acquired, acquisition-related transaction expenses, contingent consideration fair value adjustments and restructuring expense;
- Total Bookings, Adjusted EBITDA, non-GAAP net loss and non-GAAP provision for (benefit from) expense do 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 reflect income tax expense and does not include other income (expense) net, which includes foreign exchange gains and losses and interest income;
- Adjusted EBITDA and non-GAAP operating expense excludes depreciation and amortization of intangible assets, while non-GAAP net 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;
- Non-GAAP net loss per share gives effect to all dilutive awards based on the treasury stock method that were excluded from the GAAP diluted earnings per share calculation in periods when non-GAAP net income (loss) is positive and GAAP net income (loss) is negative;
- Free cash flow is derived from net cash provided by operating activities less cash spent on capital expenditures and acquisitions, 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 loss, non-GAAP operating expense, free cash flow, non-GAAP provision for (benefit from) income taxes, and non-GAAP net loss per share differently or not at all, which will reduce their usefulness as a comparative measure.

Because of these limitations, you should consider Total Bookings, Advertising and Other Bookings, Advertising Bookings, mobile bookings, Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP net loss, non-GAAP operating expense, free cash flow, non-GAAP provision for (benefit from) income taxes, and non-GAAP net loss per share, along with other financial performance measures, including revenue, net income (loss), net loss per share, cash flow from operations, GAAP operating expense, GAAP operating margin and our other financial results presented in accordance with GAAP. See the GAAP to non-GAAP reconciliations below and the places listed above for further details.



## **DISCUSSION OF Q3'2015 PERFORMANCE**

# Q3'2015 PERFORMANCE METRICS

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## FINANCIAL HIGHLIGHTS

- Bookings of \$176 million; above the high end of the guidance range, flat Y/Y and up 1% Q/Q
- Mobile bookings are \$121 million or 69% of overall bookings, up 26% Y/Y and up 6% Q/Q
- Adjusted EBITDA of \$12 million; above the high end of the guidance range
- Advertising and other bookings up 39% Y/Y and 17% Q/Q
- Non-GAAP operating expenses decreased to \$114 million, a 9% Q/Q decrease
- \$1.1 billion in cash, cash equivalents and marketable securities
- Announcing \$200 million share repurchase program

## PLAYER METRICS

- ABPU: \$0.10; up 27% Y/Y and up 10% Q/Q
- DAU: 19 million; down 21% Y/Y and down 9% Q/Q
- MAU: 75 million; down 27% Y/Y and down 9% Q/Q
- Payer conversion (excluding NaturalMotion): 1.7%; down 2% Y/Y and up 6% Q/Q

## PRODUCT UPDATES

- Slots – Recently acquired Rising Tide Games and launched *Black Diamond Casino* worldwide; *Princess Bride Slots* to launch worldwide in Q4
- *Words With Friends* – Grew bookings by 28% Q/Q and 34% Y/Y despite audience decline
- *Empires & Allies* – Overall performance has been below our expectations but monetization remains strong
- *Dawn of Titans* – Launch moved into 2016; continue to see great potential with an average Apple App Store rating of 4.5 stars. Encouraging initial monetization with multiple players hitting five figures of spending.
- *CSR2* – Launched moved to next year; entered into geo-lock testing in 7 markets with an average Apple App Store rating of 4.6 stars. Monetization has been promising during early, initial phases of testing.



## Q3'2015 OUTLOOK VS. ACTUALS

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(in millions, except per share data)

<b>Non-GAAP</b>	<b>Outlook*</b>	<b>Actuals</b>
Bookings	\$ 155 - 170	\$ 176
Adjusted EBITDA	\$ (17) - (7)	\$ 12
Non-GAAP net income (loss) per share	\$ (0.02) - (0.01)	\$ 0.00
<b>GAAP</b>		
Revenue	\$ 175 - 190	\$ 196
Net income (loss)	\$ (31) - (23)	\$ 3
Net income (loss) per share	\$ (0.03)	\$ 0.00

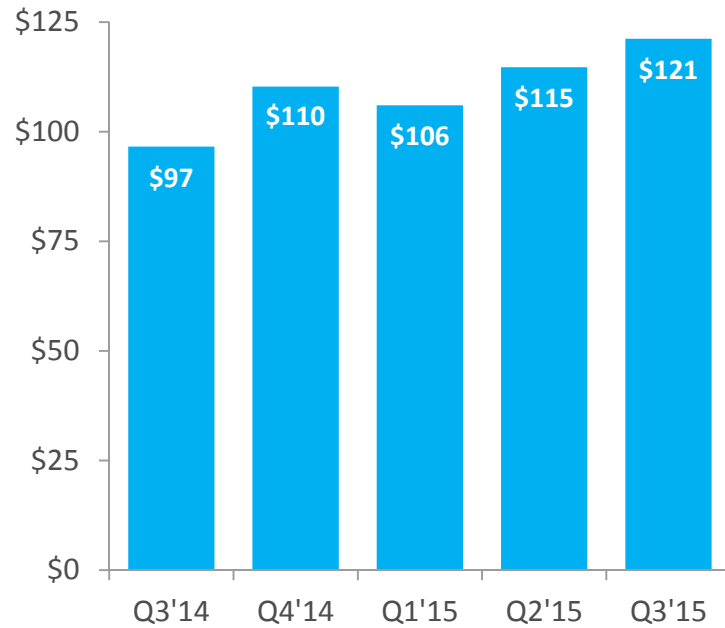
\* Q3'15 outlook as communicated on our August 6, 2015 second quarter earnings call

# MOBILE HIGHLIGHTS

IN MILLIONS

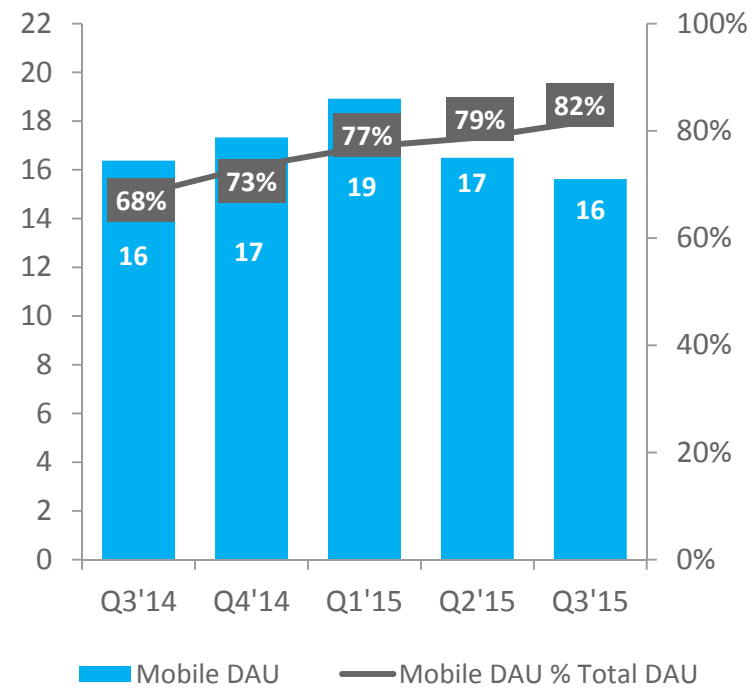
## MOBILE BOOKINGS

26% INCREASE Y/Y

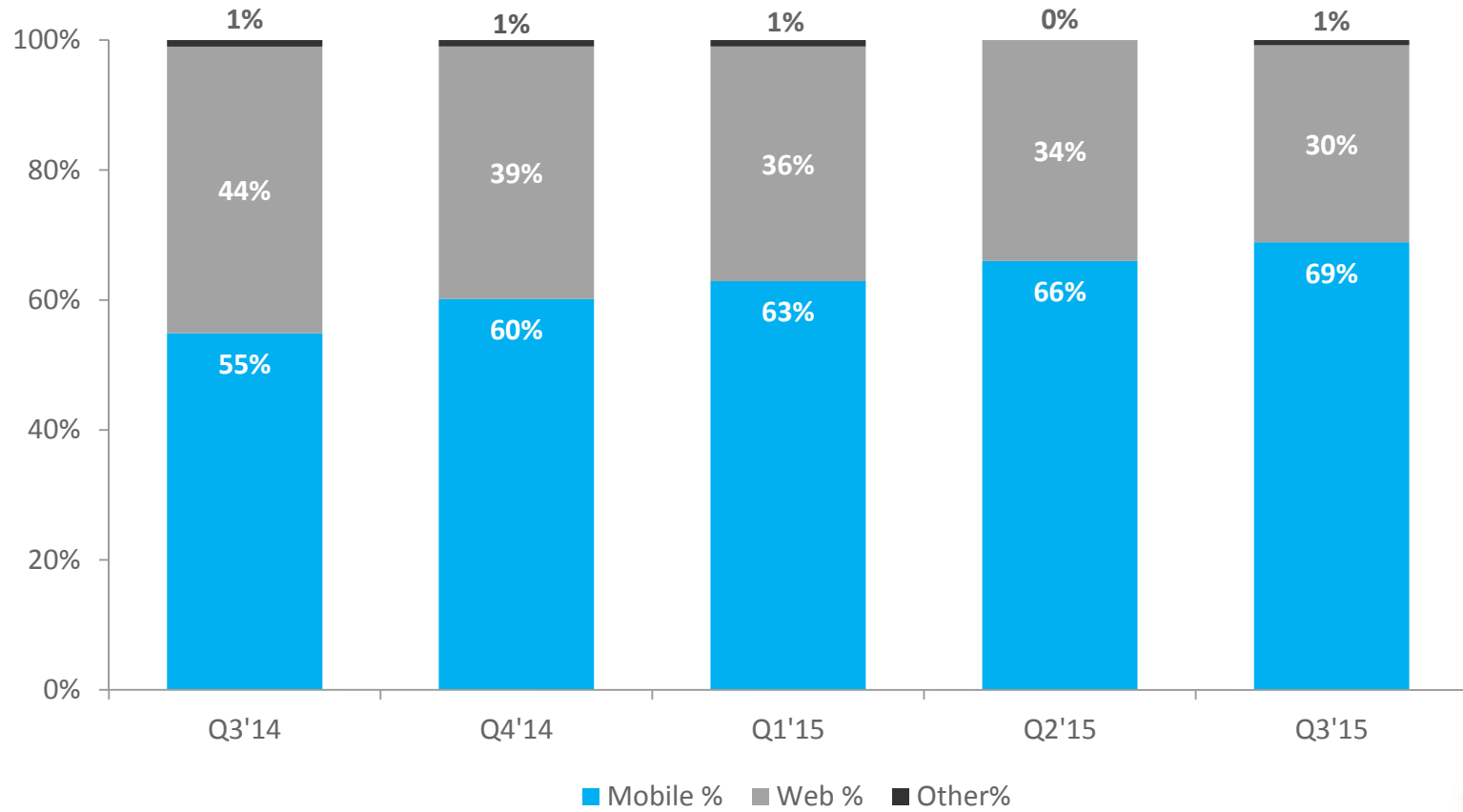


## MOBILE DAU

82% OF TOTAL IN Q3'15



# PLATFORM BOOKINGS MIX



# PRODUCT UPDATES

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## SOCIAL CASINO



- Acquired Rising Tide Games and launched *Black Diamond Casino* worldwide
- Slots franchise grew bookings 123% Y/Y and declined 2% Q/Q



- *Wizard of Oz Slots* generated strong results in Q3 driven by more effective game marketing and new features such as launching a VIP program that contributed to a bookings growth of 9% Q/Q and MAU growth of 12% Q/Q



- New standalone *Princess Bride Slots* game in development, currently testing in the Philippines, Malaysia, Canada, Australia and India



- Mobile bookings for *Zynga Poker* grew 4% Y/Y and declined 7% Q/Q; continue to improve upon the quality and player experience

## CASUAL



- A strong advertising performance from *Words With Friends* drove a 28% Q/Q bookings increase and a 34% increase Y/Y
- Increased user acquisition efforts and introduced several new features in *Words With Friends* – Localization and Weekly Challenges – designed to improve accessibility and competition

# PRODUCT UPDATES

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## ACTION STRATEGY



- Overall performance for *Empires & Allies* has been below expectations but monetization remains strong



- Released a number of new features, including Leagues and Alliance War in Q3 and War Factory last week



- Moved launches of *Dawn of Titans* and *CSR2* into 2016; continue to see great potential
  - Encouraging initial monetization in *Dawn of Titans* with multiple players hitting five figures of spending; quality of game continues to resonate with an average rating of 4.5 stars in the Apple App Store
  - *CSR2* recently soft launched in 7 territories with an average rating of 4.6 stars in the Apple App Store; monetization has been promising during early, initial phases of testing

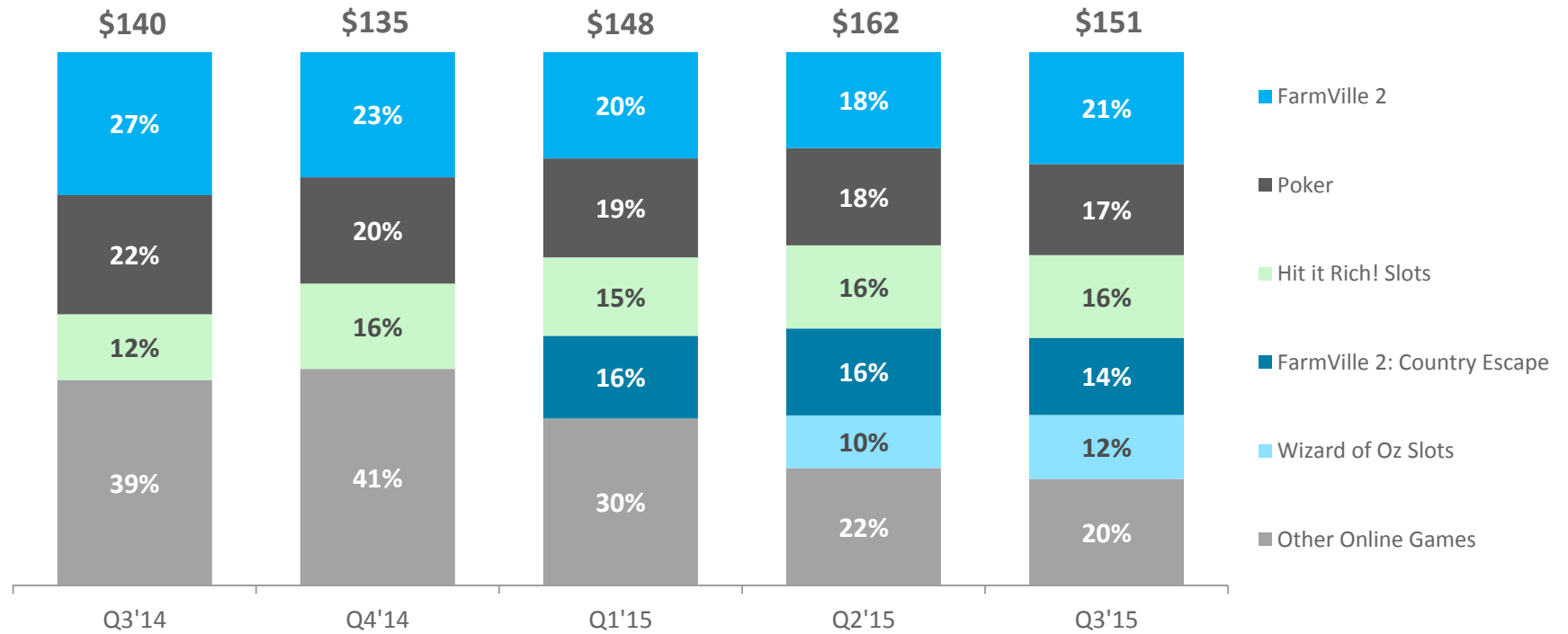
## INVEST EXPRESS



- Valuable audience on web with *FarmVille 2* among the top 5 highest grossing games on Facebook
- *FarmVille 1* and *Farmville 2* driving 16% of total bookings in Q3
- *FarmVille 2: Country Escape* generated 93% of its installs organically in Q3

# ONLINE GAME REVENUE CONCENTRATION

TOTAL REVENUE IN MILLIONS

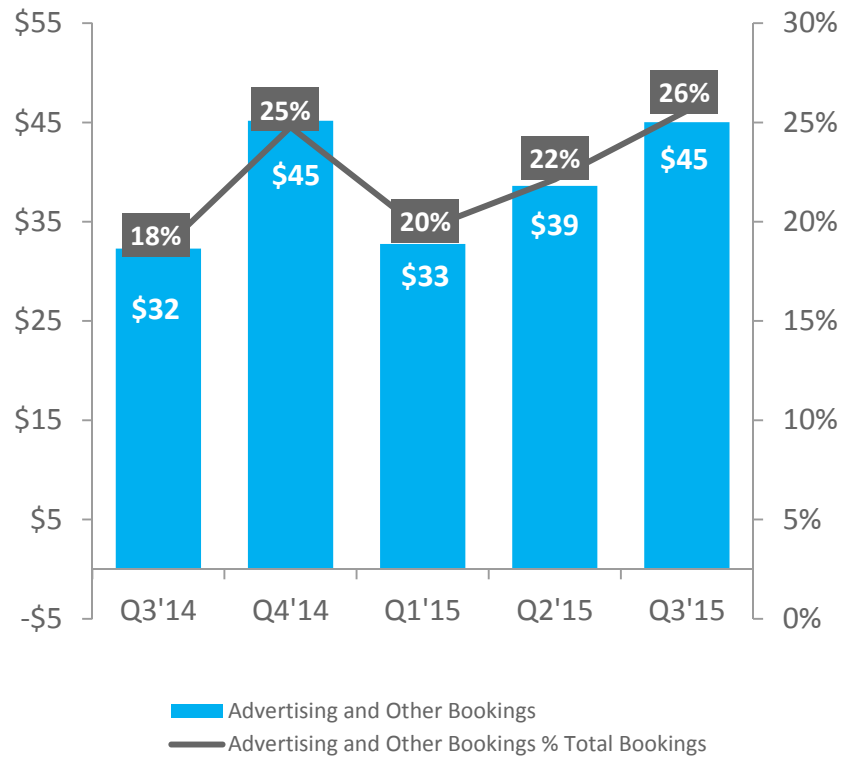


Note: Games representing less than 10% of online game revenue in any period are included in "Other Online Games"

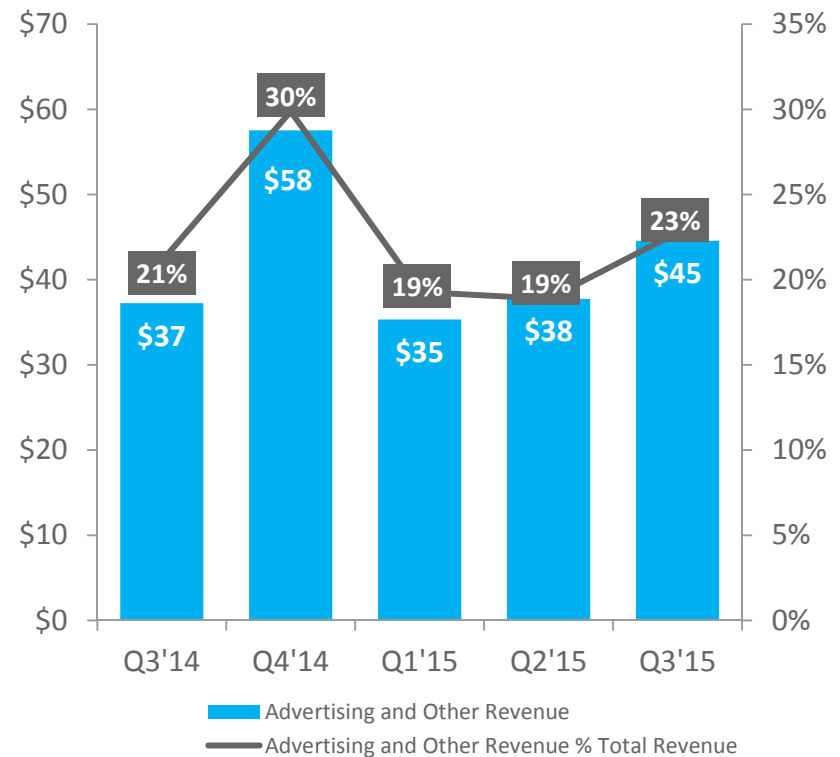
# ADVERTISING AND OTHER

IN MILLIONS

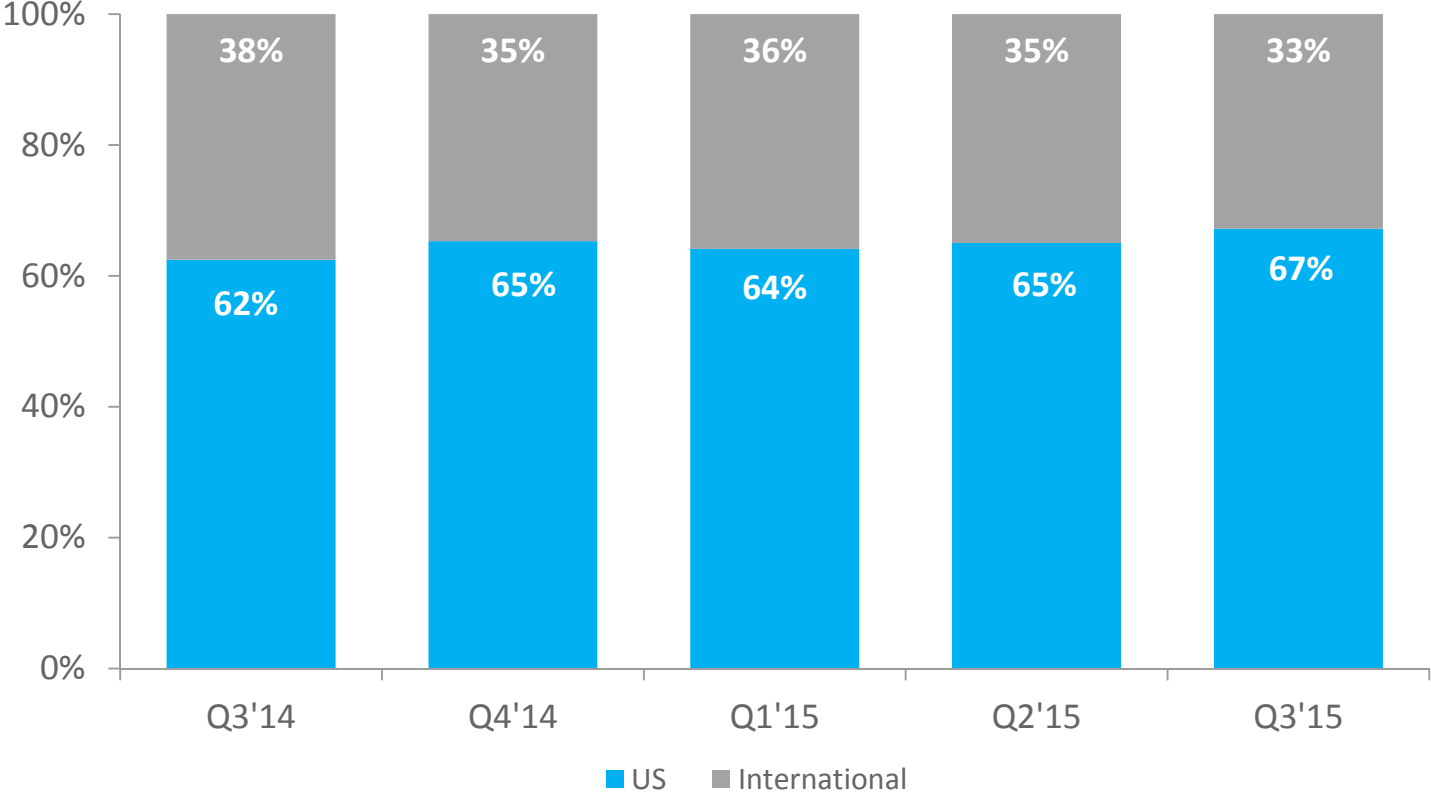
### ADVERTISING AND OTHER BOOKINGS



### ADVERTISING AND OTHER REVENUE

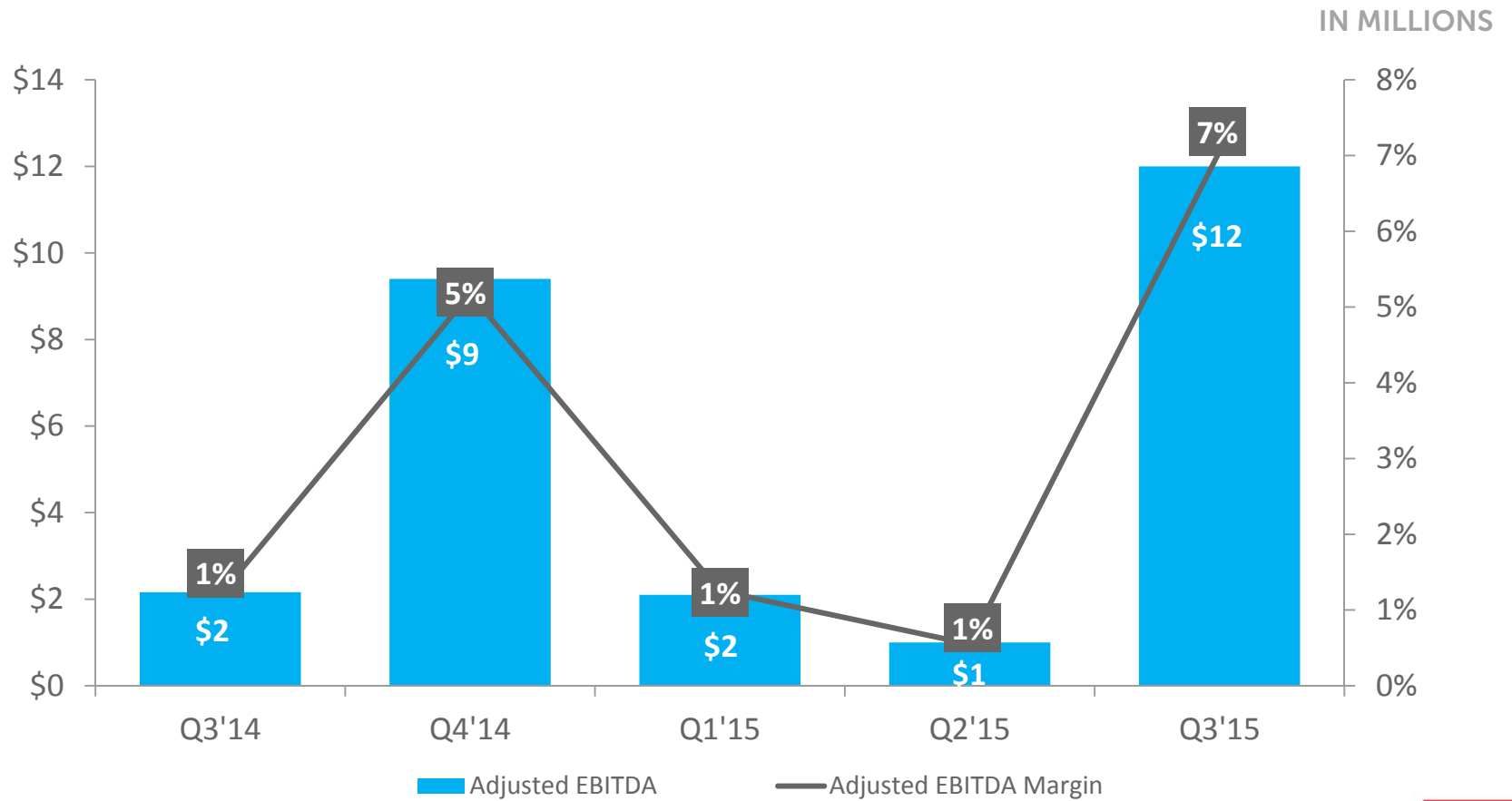


# REVENUE BY GEOGRAPHY





# ADJUSTED EBITDA AND MARGIN



Note: Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of bookings

## NET INCOME (LOSS) AND CASH FLOW

(in millions, except per share data)

	Q3'15	Q2'15	Q3'14
<b>Non-GAAP</b>			
Non-GAAP net income (loss)	\$ 3.7	\$ (7.6)	\$ (6.7)
Diluted net income (loss) per share	\$ 0.00	\$ (0.01)	\$ (0.01)
<b>GAAP</b>			
Net income (loss)	\$ 3.1	\$ (26.9)	\$ (57.1)
Diluted net income (loss) per share	\$ 0.00	\$ (0.03)	\$ (0.06)
<b>Operating cash flow</b>	\$ (5.1)	\$ 4.2	\$ (2.4)
<b>Free cash flow</b>	\$ (6.6)	\$ 1.1	\$ (4.8)
<b>Cash, cash equivalents and marketable securities</b>	\$ 1,074	\$ 1,099	\$ 1,145

## 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 calculate our metrics and reduce duplication of data. In the first quarter of 2015, the company modified its calculations to take into account our business's transition to mobile and updates to our operating metrics which utilize additional third party data to help us identify whether a player logged in under two or more accounts is the same individual. As a result of these changes, we revised the definitions for DAUs, MAUs, MUUs, and MUPs in the first quarter of 2015. In the third quarter of 2015, the company made a subsequent modification to its calculations of MUU to further reduce duplication of users of both web and mobile platforms and to correct an error in calculating the third quarter of 2014 MUU which resulted in MUU for that period to be understated by 0.3 million users. For comparative purposes, all of these key operating metrics have been revised for the third quarter of 2014 and MUU for the second quarter of 2015 to reflect the company's current definitions and calculations for all periods presented. Please refer to our Quarterly Report on Form 10-Q for the quarters ended March 31, 2015 and June 30, 2015 and, when filed, our Quarterly report on Form 10-Q for the quarter ended September 30, 2015 (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)) for a full explanation of the changes and the comparison of the revised and as reported numbers for 2014 and 2015.

**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.

## KEY OPERATING METRICS

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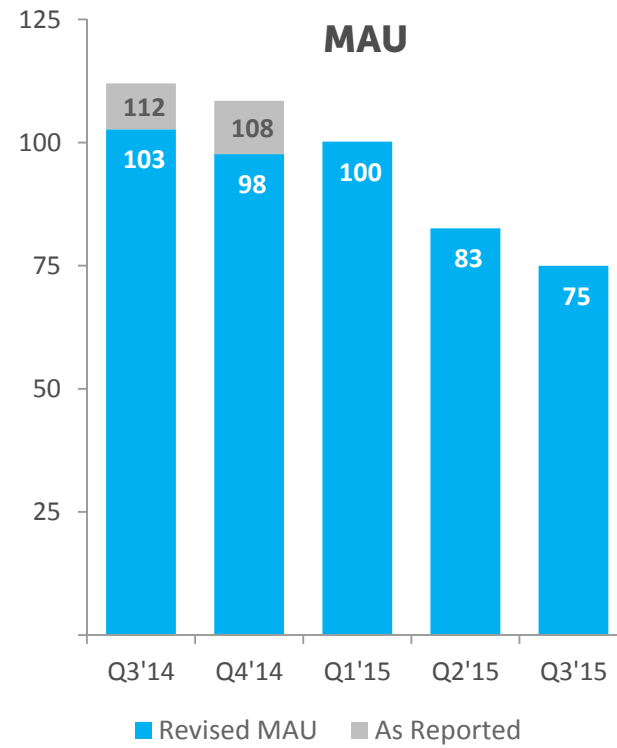
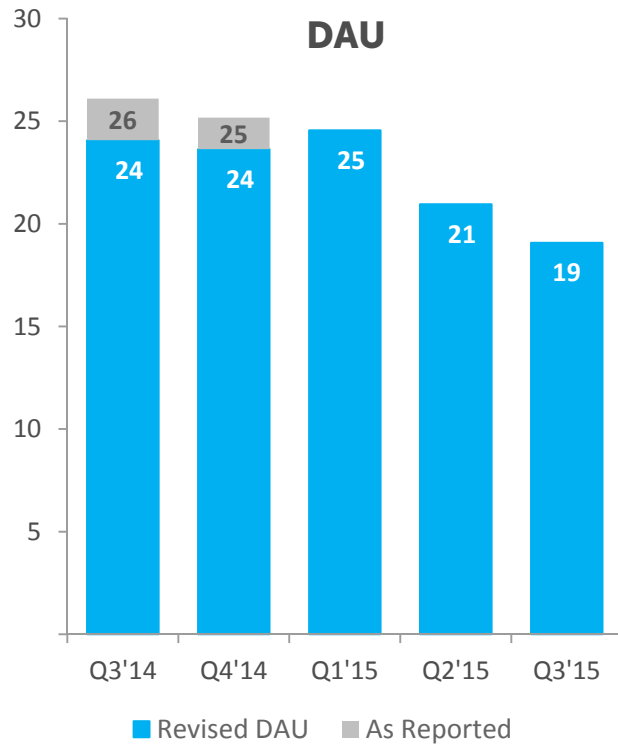
**MUUs.** We define MUUs as the number of individuals who played one or more of our games, which we were able to verify were played by the same individual in the 30-day period ending with the measurement date. An individual who plays more than one of our games in a given 30-day period would be counted 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.

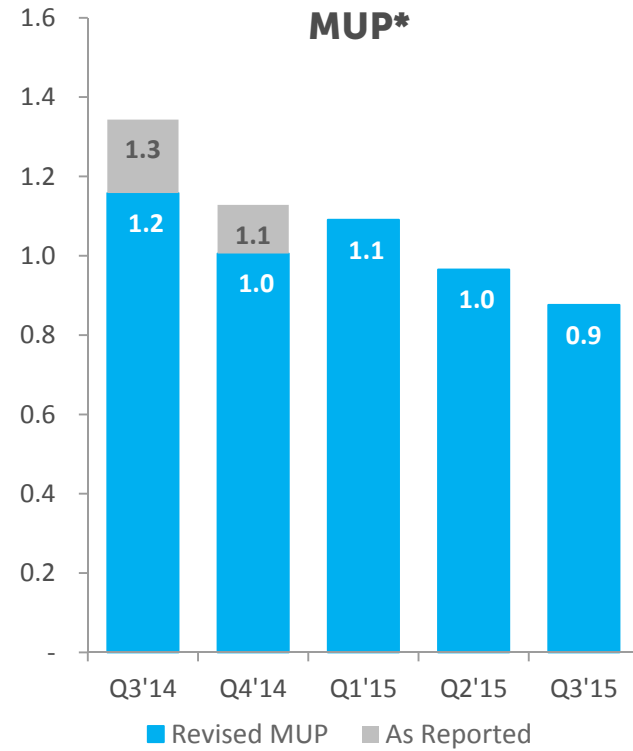
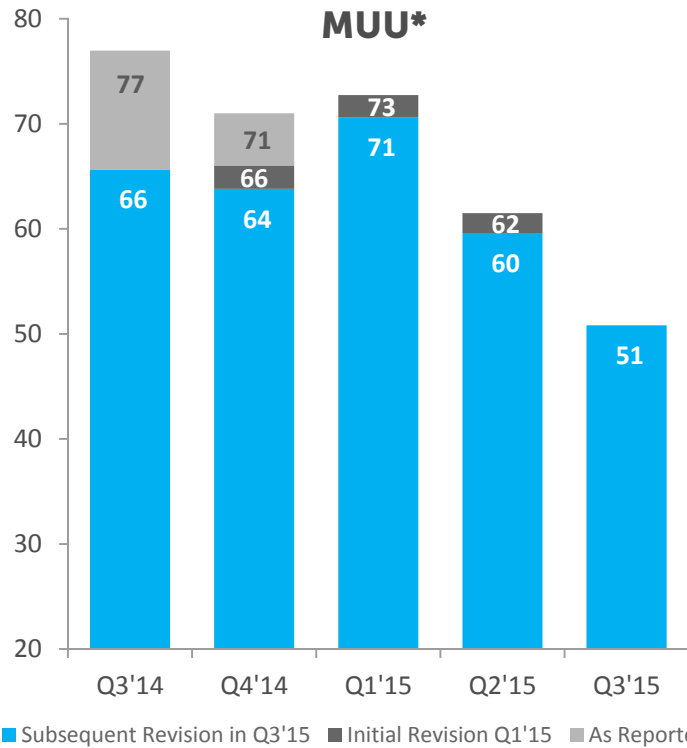
# AUDIENCE METRICS

IN MILLIONS



# AUDIENCE METRICS

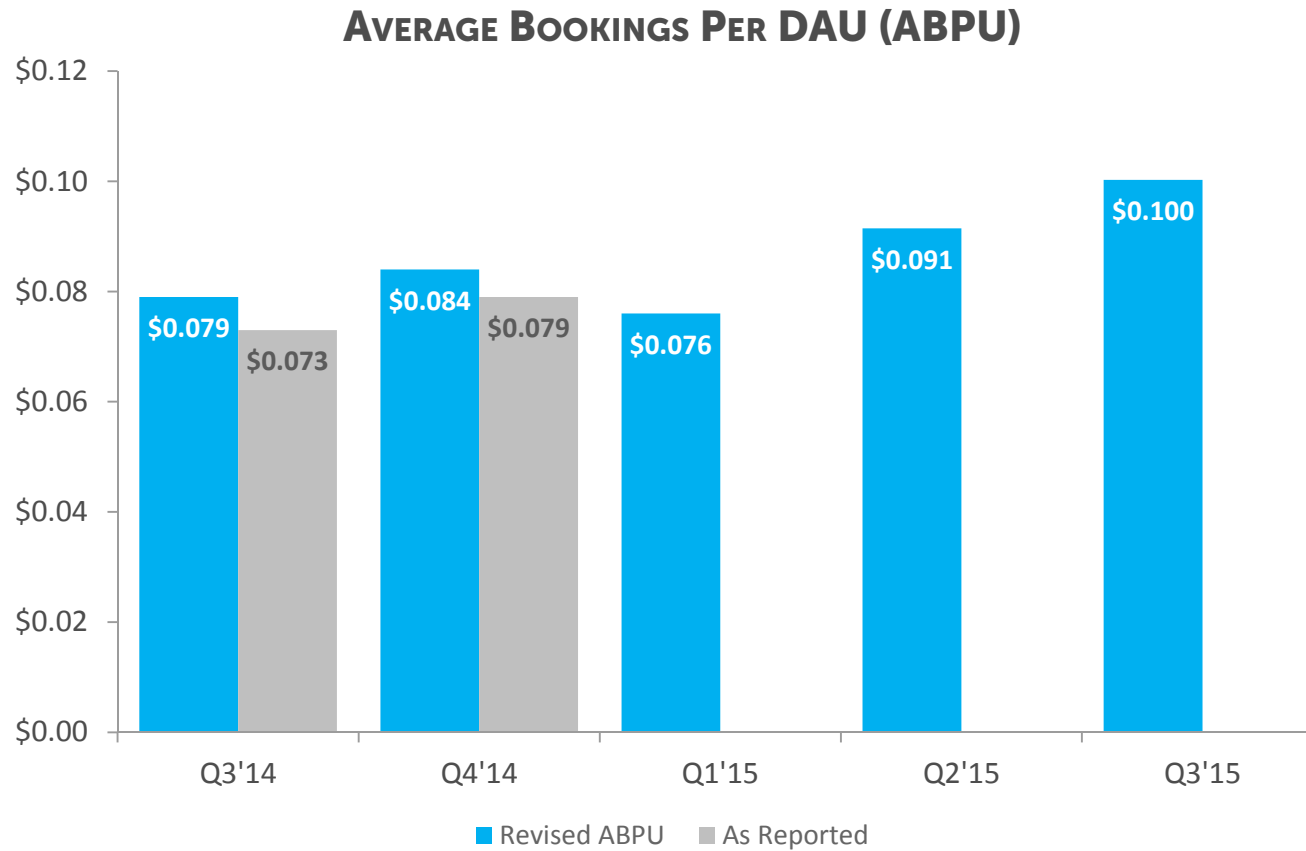
\* MUUs and MUPs exclude NaturalMotion legacy games (*CSR Racing*, *CSR Classics* and *Clumsy Ninja*) as the necessary data is not available **IN MILLIONS**



In Q3'15, the company made a subsequent modification to its calculations of MUU to further reduce duplication of users of both web and mobile platforms and to correct an error in calculating the third quarter of 2014 MUU which resulted in MUU for that period to be understated by 0.3 million users

# MONETIZATION

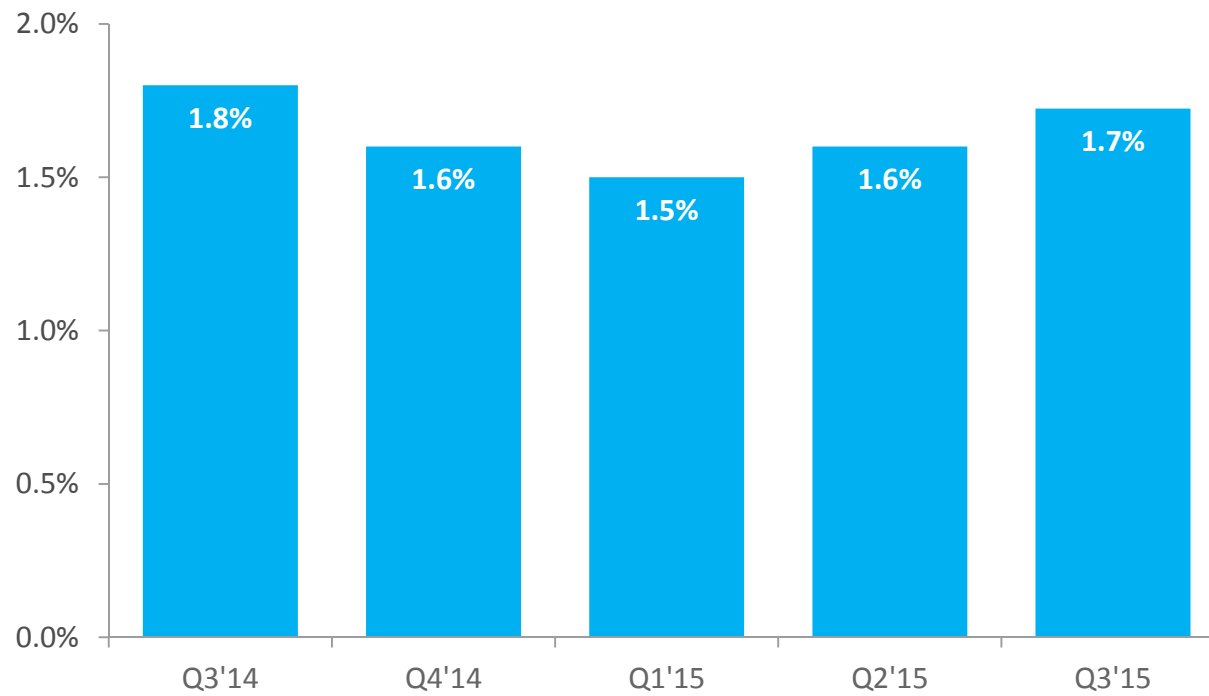
IN US DOLLARS



# MONETIZATION

\* Payer conversion excludes NaturalMotion legacy games (*CSR Racing*, *CSR Classics* and *Clumsy Ninja*) as the necessary data is not available

## PAYER CONVERSION\*







## **Q4'2015 FINANCIAL OUTLOOK**

## Q4'2015 FINANCIAL OUTLOOK

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(in millions, except per share data)

	Q4'15 Outlook	
	Low	High
<b>Non-GAAP</b>		
Bookings	\$ 165	\$ 180
Adjusted EBITDA	\$ (5)	\$ 5
Diluted share count	933	933
Non-GAAP net income (loss) per share	\$ (0.01)	\$ (0.00)
<b>GAAP</b>		
Revenue	\$ 170	\$ 185
Net income (loss)	\$ (75)	\$ (53)
Diluted share count	933	933
Net income (loss) per share	\$ (0.08)	\$ (0.06)



## **GAAP TO Non-GAAP RECONCILIATIONS**

## REVENUE TO BOOKINGS: TOTAL

(in thousands, unaudited)	3 months ended		9 months ended	
	9/30/15	9/30/14	9/30/15	9/30/14
<b>Reconciliation of Revenue to Bookings</b>				
Revenue	\$ 195,737	\$ 176,611	578,948	\$ 497,863
Change in deferred revenue	(19,758)	(1,123)	(61,097)	14,085
<b>Bookings</b>	<b>\$ 175,979</b>	<b>\$ 175,488</b>	<b>\$ 517,851</b>	<b>\$ 511,948</b>

## REVENUE TO BOOKINGS: ADVERTISING AND OTHER; ADVERTISING

(in thousands, unaudited)	3 months ended		9 months ended	
	9/30/15	9/30/14	9/30/15	9/30/14
<b>Reconciliation of Revenue to Bookings: Advertising &amp; Other</b>				
Revenue	\$ 44,569	\$ 37,239	\$ 117,655	\$ 95,255
Change in deferred revenue	462	(4,944)	(1,241)	816
<b>Bookings: Advertising &amp; Other</b>	<b>\$ 45,031</b>	<b>\$ 32,295</b>	<b>\$ 116,414</b>	<b>\$ 96,071</b>
Less Bookings: Other	\$ (1,711)	\$ (1,450)	\$ (3,880)	\$ (16,538)
<b>Bookings: Advertising</b>	<b>\$ 43,320</b>	<b>\$ 30,845</b>	<b>\$ 112,534</b>	<b>\$ 79,533</b>

## NET INCOME (LOSS) TO ADJUSTED EBITDA

(in thousands, unaudited)	3 months ended		9 months ended	
	9/30/15	9/30/14	9/30/15	9/30/14
<b>Reconciliation of Net income (loss) to Adjusted EBITDA</b>				
Net income (loss)	\$ 3,052	\$ (57,058)	\$ (70,312)	\$ (180,774)
Provision for (benefit from) income taxes	(9,381)	(783)	(6,810)	(9,874)
Other income (expense), net	(2,285)	(647)	(11,843)	(2,668)
Interest income (expense), net	(566)	(841)	(1,965)	(2,487)
Restructuring expense, net	416	287	16,732	27,672
Gain (loss) on legal settlements	(1,681)	-	(1,681)	-
Depreciation and amortization	11,287	19,283	42,349	64,553
Acquisition-related transaction expenses	895	-	895	6,425
Contingent consideration fair value adjustment	-	6,750	9,400	20,100
Stock-based expense	30,436	36,295	99,803	93,468
Change in deferred revenue	(19,758)	(1,123)	(61,097)	14,085
<b>Adjusted EBITDA</b>	<b>\$ 12,415</b>	<b>\$ 2,163</b>	<b>\$ 15,471</b>	<b>\$ 30,500</b>

## NET INCOME (LOSS) TO NON-GAAP NET INCOME (LOSS)

(in thousands, unaudited)	3 months ended		9 months ended	
	9/30/15	9/30/14	9/30/15	9/30/14
<b>Reconciliation of Net income (loss) to Non-GAAP net income (loss)</b>				
Net income (loss)	\$ 3,052	\$ (57,058)	\$ (70,312)	\$ (180,774)
Acquisition-related transaction expenses	895	-	895	6,425
Contingent consideration fair value adjustment	-	6,750	9,400	20,100
Stock-based expense	30,436	36,295	99,803	93,468
Amortization of intangible assets from acquisitions	6,233	6,710	18,657	15,908
Change in deferred revenue	(19,758)	(1,123)	(61,097)	14,085
Restructuring expense, net	416	287	16,732	27,672
Gain (loss) on legal settlements	(1,681)	-	(1,681)	-
Tax effect of non-GAAP adjustments to net income (loss)	(15,912)	1,458	(23,007)	(7,015)
<b>Non-GAAP net income (loss)</b>	<b>\$ 3,681</b>	<b>\$ (6,681)</b>	<b>\$ (10,610)</b>	<b>\$ (10,131)</b>

## GAAP OPERATING EXPENSE TO NON-GAAP OPERATING EXPENSE

(in thousands, unaudited)	3 months ended		9 months ended	
	9/30/15	9/30/14	9/30/15	9/30/14
<b>Reconciliation of GAAP operating expense to Non-GAAP operating expense</b>				
GAAP operating expense	\$ (147,730)	\$ (182,654)	\$ (497,290)	\$ (535,588)
Restructuring expense, net	429	346	16,073	26,462
Gain (loss) on legal settlements	(1,681)	-	(1,681)	-
Depreciation and amortization	4,324	5,507	13,658	17,409
Acquisition-related transaction expenses	895	-	895	6,425
Contingent consideration fair value adjustment	-	6,750	9,400	20,100
Stock-based expense	29,445	35,185	96,968	90,077
<b>Non-GAAP operating expense</b>	<b>\$ (114,318)</b>	<b>\$ (134,866)</b>	<b>\$ (361,977)</b>	<b>\$ (375,115)</b>



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

(in thousands, unaudited)	3 months ended		9 months ended	
	9/30/15	9/30/14	9/30/15	9/30/14
<b>Reconciliation of net cash provided by (used in) operating activities to free cash flow</b>				
Net cash provided by (used in) operating activities	\$ (5,112)	\$ (2,416)	\$ (47,912)	\$ (8,856)
Acquisition of property and equipment	(1,608)	(2,429)	(6,847)	(7,078)
Excess tax benefits (loss) from stock-based awards	90	-	90	-
<b>Free cash flow</b>	<b>\$ (6,630)</b>	<b>\$ (4,845)</b>	<b>\$ (54,669)</b>	<b>\$ (15,934)</b>

## PROVISION FOR (BENEFIT FROM) INCOME TAXES

(in thousands, unaudited)	3 months ended		9 months ended	
	9/30/15	9/30/14	9/30/15	9/30/14
<b>Reconciliation of provision for (benefit from) income taxes to Non-GAAP provision for (benefit from) income taxes</b>				
GAAP provision for (benefit from) income taxes	\$ (9,381)	\$ (783)	\$ (6,810)	\$ (9,874)
Stock-based expense	7,351	(72)	14,762	3,691
Amortization of intangible assets from acquisitions	3,858	23	5,190	629
Acquisition-related transaction expenses	1,248	(169)	1,248	254
Contingent consideration fair value adjustment	-	(85)	1,035	793
Change in deferred revenue	(562)	(445)	(4,995)	556
Restructuring expense, net	2,905	(710)	4,655	1,092
Gain (loss) on legal settlements	1,112	-	1,112	-
<b>Non-GAAP provision for (benefit from) income taxes</b>	<b>\$ 6,531</b>	<b>\$ (2,241)</b>	<b>\$ 16,197</b>	<b>\$ (2,859)</b>

# Q3'2015 STATEMENT OF OPERATIONS

Three months ended September 30, 2015

Adjustments to GAAP to arrive at non-GAAP net income (loss)  
(In thousands, except per share data, unaudited)

	<b>GAAP</b>		Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Gain (loss) from legal settlements	<b>Non-GAAP</b> measure
	Statement of Operations	Stock-based expense							
Total revenue	\$ 195,737	\$ -	\$ -	\$ (19,758)	\$ -	\$ -	\$ -	\$ -	\$ 175,979 <sup>(1)</sup>
Cost of revenue	57,187	(991)	(5,434)	-	12	-	-	-	50,774
Research and development	78,416	(22,308)	-	-	(241)	-	-	-	55,867
Sales and marketing	43,549	(2,045)	(799)	-	(51)	-	-	-	40,654
General and administrative	25,765	(5,092)	-	-	(136)	(895)	-	1,681	21,323
Total costs and expenses	204,917	(30,436)	(6,233)	-	(416)	(895)	-	1,681	168,618
Income (loss) from operations	(9,180)	30,436	6,233	(19,758)	416	895	-	(1,681)	7,361
Interest income (expense), net	566	-	-	-	-	-	-	-	566
Other income (expense), net	2,285	-	-	-	-	-	-	-	2,285
Income (loss) before income taxes	(6,329)	30,436	6,233	(19,758)	416	895	-	(1,681)	10,212
Provision for (benefit from) income taxes	(9,381)	7,351	3,858	(562)	2,905	1,248	-	1,112	6,531
Net Income (loss)	\$ 3,052	\$ 23,085	\$ 2,375	\$ (19,196)	\$ (2,489)	\$ (353)	\$ -	\$ (2,793)	\$ 3,681 <sup>(2)</sup>
<b>WASO</b>									
Diluted		940,032							940,032
<b>EPS</b>									
Diluted		\$ 0.00							\$ 0.00

(1) Non-GAAP measure represents bookings  
(2) Non-GAAP measure represents Non-GAAP net income (loss)



# Q3'2015 STATEMENT OF OPERATIONS

Nine months ended September 30, 2015

Adjustments to GAAP to arrive at non-GAAP net income (loss)  
(In thousands, except per share data, unaudited)

	<b>GAAP</b>		Amortization	Change in		Acquisition-	Contingent	Gain (loss)	<b>Non-GAAP</b>
	Statement of	Stock-based	of intangible	deferred	Restructuring	related	consideration	from legal	measure
	Operations	expense	assets from	revenue	expense	transaction	fair value	settlements	
			acquisitions			expenses	adjustment		
Total revenue	\$ 578,948	\$ -	\$ -	\$ (61,097)	\$ -	\$ -	\$ -	\$ -	\$ 517,851 <sup>(1)</sup>
Cost of revenue	172,588	(2,835)	(16,292)	-	(660)	-	-	-	152,801
Research and development	276,832	(70,485)	-	-	(9,733)	-	(9,400)	-	187,214
Sales and marketing	116,507	(5,181)	(2,365)	-	(786)	-	-	-	108,175
General and administrative	103,951	(21,302)	-	-	(5,553)	(895)	-	1,681	77,882
Total costs and expenses	669,878	(99,803)	(18,657)	-	(16,732)	(895)	(9,400)	1,681	526,072
Income (loss) from operations	(90,930)	99,803	18,657	(61,097)	16,732	895	9,400	(1,681)	(8,221)
Interest income (expense), net	1,965	-	-	-	-	-	-	-	1,965
Other income (expense), net	11,843	-	-	-	-	-	-	-	11,843
Income (loss) before income taxes	(77,122)	99,803	18,657	(61,097)	16,732	895	9,400	(1,681)	5,587
Provision for (benefit from) income taxes	(6,810)	14,762	5,190	(4,995)	4,655	1,248	1,035	1,112	16,197
Net Income (loss)	\$ (70,312)	\$ 85,041	\$ 13,467	\$ (56,102)	\$ 12,077	\$ (353)	\$ 8,365	\$ (2,793)	\$ (10,610) <sup>(2)</sup>
<b>WASO</b>									
Diluted		910,469							910,469
<b>EPS</b>									
Diluted		\$ (0.08)							\$ (0.01)

(1) Non-GAAP measure represents bookings  
(2) Non-GAAP measure represents Non-GAAP net income (loss)



# Q3'2014 STATEMENT OF OPERATIONS

Three months ended September 30, 2014

Adjustments to GAAP to arrive at non-GAAP net income (loss)  
(In thousands, except per share data, unaudited)

	<b>GAAP</b>		Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	<b>Non-GAAP</b> measure
	Statement of Operations	Stock-based expense						
Total revenue	\$ 176,611	\$ -	\$ -	\$ (1,123)	\$ -	\$ -	\$ -	\$ 175,488 <sup>(1)</sup>
Cost of revenue	53,286	(1,110)	(5,847)	-	59	-	-	46,388
Research and development	100,113	(24,281)	-	-	-	-	(6,750)	69,082
Sales and marketing	44,005	(1,187)	(863)	-	-	-	-	41,955
General and administrative	38,536	(9,717)	-	-	(346)	-	-	28,473
Total costs and expenses	<u>235,940</u>	<u>(36,295)</u>	<u>(6,710)</u>	<u>-</u>	<u>(287)</u>	<u>-</u>	<u>(6,750)</u>	<u>185,898</u>
Income (loss) from operations	(59,329)	36,295	6,710	(1,123)	287	-	6,750	(10,410)
Interest income (expense), net	841	-	-	-	-	-	-	841
Other income (expense), net	647	-	-	-	-	-	-	647
Income (loss) before income taxes	(57,841)	36,295	6,710	(1,123)	287	-	6,750	(8,922)
Provision for (benefit from) income taxes	(783)	(72)	23	(445)	(710)	(169)	(85)	(2,241)
Net Income (loss)	<u>\$ (57,058)</u>	<u>\$ 36,367</u>	<u>\$ 6,687</u>	<u>\$ (678)</u>	<u>\$ 997</u>	<u>\$ 169</u>	<u>\$ 6,835</u>	<u>\$ (6,681) <sup>(2)</sup></u>
<b>WASO</b>								
Diluted	884,021							884,021
<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)



# Q3'2014 STATEMENT OF OPERATIONS

Nine months ended September 30, 2014

Adjustments to GAAP to arrive at non-GAAP net income (loss)  
(In thousands, except per share data, unaudited)

	GAAP Statement of Operations	Stock-based expense	Amortization of intangible assets from acquisitions	Change in deferred revenue	Restructuring expense	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Non-GAAP measure
Total revenue	\$ 497,863	\$ -	\$ -	\$ 14,085	\$ -	\$ -	\$ -	\$ 511,948 <sup>(1)</sup>
Cost of revenue	158,078	(3,391)	(13,903)	-	(1,210)	-	-	139,574
Research and development	291,419	(60,293)	-	-	(9,573)	-	(20,100)	201,453
Sales and marketing	115,466	(4,505)	(2,005)	-	(1,498)	-	-	107,458
General and administrative	128,703	(25,279)	-	-	(15,391)	(6,425)	-	81,608
Total costs and expenses	693,666	(93,468)	(15,908)	-	(27,672)	(6,425)	(20,100)	530,093
Income (loss) from operations	(195,803)	93,468	15,908	14,085	27,672	6,425	20,100	(18,145)
Interest income (expense), net	2,487	-	-	-	-	-	-	2,487
Other income (expense), net	2,668	-	-	-	-	-	-	2,668
Income (loss) before income taxes	(190,648)	93,468	15,908	14,085	27,672	6,425	20,100	(12,990)
Provision for (benefit from) income taxes	(9,874)	3,691	629	556	1,092	254	793	(2,859)
Net Income (loss)	\$ (180,774)	\$ 89,777	\$ 15,279	\$ 13,529	\$ 26,580	\$ 6,171	\$ 19,307	\$ (10,131) <sup>(2)</sup>
<b>WASO</b>								
Diluted		869,178						869,178
<b>EPS</b>								
Diluted		\$ (0.21)						\$ (0.01)

(1) Non-GAAP measure represents bookings  
(2) Non-GAAP measure represents Non-GAAP net income (loss)



## Q4'2015 OUTLOOK

	Q4'15
<b>Reconciliation of Revenue to Bookings</b>	
Revenue range	\$ 170,000 - 185,000
Change in deferred revenue	(5,000)
<b>Bookings range</b>	<b>\$ 165,000 - 180,000</b>
<b>Reconciliation of Net income (loss) to Adjusted EBITDA</b>	
Net income (loss) range	\$ (75,000) - (53,000)
Provision for (benefit from) income taxes	0 - 3,000
Other income (expense), net	(2,000)
Interest income (expense), net	(1,000)
Restructuring expense, net	31,000 - 21,000
Depreciation and amortization	12,000
Stock-based expense	35,000 - 30,000
Change in deferred revenue	(5,000)
<b>Adjusted EBITDA range</b>	<b>\$ (5,000) - 5,000</b>
<b>Reconciliation of Net income (loss) to Non-GAAP net income (loss)</b>	
Net income (loss) range	\$ (75,000) - (53,000)
Stock-based expense	35,000 - 30,000
Amortization of intangible assets from acquisitions	7,000
Change in deferred revenue	(5,000)
Restructuring expense, net	31,000 - 21,000
Tax effect of non-GAAP adjustments to net income (loss)	(1,000) - (2,000)
<b>Non-GAAP net income (loss) range</b>	<b>\$ (8,000) - (2,000)</b>
<b>GAAP and Non-GAAP diluted shares</b>	<b>933,000</b>
<b>Net income (loss) per share range</b>	<b>\$ (0.08) - (0.06)</b>
<b>Non-GAAP net income (loss) per share range</b>	<b>\$ (0.01) - (0.00)</b>

