



# ZYNGA Q1'2016

## FINANCIAL RESULTS

May 4, 2016

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## MANAGEMENT TEAM

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**CHIEF EXECUTIVE OFFICER**

Frank Gibeau



**INTERIM CHIEF FINANCIAL OFFICER  
AND CHIEF ACCOUNTING OFFICER**

Michelle Quejado

## FORWARD-LOOKING STATEMENTS

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This presentation contains forward-looking statements relating to, among other things, our outlook for the second quarter of 2016, including bookings, Adjusted EBITDA, non-GAAP diluted share count, non-GAAP income (loss) per share, revenue, net income, diluted share count and net income (loss) per share; certain other financial items necessary for GAAP to non-GAAP reconciliation; our future operational plans, use of cash, strategies and prospects; our cost structure and cost reduction plans and estimated savings and charges, including elimination of duplicative data center costs; our ability to accelerate execution, drive profitability and nurture creativity and innovation while reducing costs and lowering discretionary spend; the breadth and depth of our 2016 game slate and the success of these games, including recently launched *Willy Wonka and the Chocolate Factory Slots*, *Spin It Rich! Slots*, *Vegas Diamond Slots* and *Crazy Cake Swap* and future launches of *True Vegas Slots*, *Wizard of Oz Magic Match*, *Ice Age: Arctic Blast*, *FarmVille: Tropic Escape*, *Dawn of Titans*, *CSR2* and *CityVille* mobile; our ability to change our mix of R&D and unlaunched game slate to live games; our ability to increase the predictability of our business; our continued transition to mobile; our ability to sustain player engagement, develop compelling social features, optimize to increase long-term player retention and the lifetime value of our players, generate installs (including organically and through accretive player acquisition spend) and monetize our live games (including our Slots franchise games, *Words With Friends*, *Zynga Poker*, *FarmVille* franchise games and Match-3 franchise games) and games in geo-lock testing (including *True Vegas Slots*, *Wizard of Oz Magic Match*, *Ice Age: Arctic Blast*, *FarmVille: Tropic Escape*, *Dawn of Titans*, *CSR2* and *CityVille* mobile); our ability to grow our mobile bookings in 2016 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 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 launch of our 2016 game slate (including the games listed above); 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, *Words With Friends*, *Zynga Poker*, *FarmVille* franchise and Match-3 franchise; investment in new game development, marketing for live games 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; leverage licensed brands like *Wizard of Oz* and *Willy Wonka and the Chocolate Factory*, 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; and the 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.

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, 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. 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, 2015, and our Quarterly Report on Form 10-Q for the three months ended March 31, 2016, 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. 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 three months ended March 31, 2016 could differ from the preliminary results we have announced in this presentation.

# NON-GAAP FINANCIAL MEASURES

We have provided in this presentation certain non-GAAP financial measure, including total bookings, online game bookings, advertising and other bookings, mobile bookings, Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP net income (loss), free cash flow, non-GAAP provision for (benefit from) income taxes, non-GAAP net income (loss) per share and non-GAAP diluted share count, to supplement our consolidated financial statements prepared in accordance with GAAP (our “GAAP financial statements”). Management uses these 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 these 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 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 of these non-GAAP financial measures to the most directly comparable GAAP financial measures in (i) the press release announcing our financial results for the three months ended March 31, 2016 (which is included as Exhibit 99.1 to our current report on Form 8-K, filed with the Securities and Exchange Commission on May 4, 2016, a copy 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)), (ii) when filed, our Quarterly Report on Form 10-Q for the three months ended March 31, 2016, a copy 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 (iii) this presentation, a copy of which may be obtained by visiting our Investor Relations web site at <http://investor.zynga.com>.

Some limitations of the non-GAAP financial measures included in this presentation:

- Adjusted EBITDA, non-GAAP net income (loss) and non-GAAP provision for (benefit from) expense do not include the impact of stock-based expense, acquisition-related transaction expenses, contingent consideration fair value adjustments and restructuring expense;
- Bookings, Adjusted EBITDA, non-GAAP net income (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 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; and
- 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.

Because of these limitations, you should consider the non-GAAP financial measures presented in this presentation with our GAAP financial statements. See the GAAP to non-GAAP reconciliations in this presentation and in the places listed above for further details.



## **DISCUSSION OF Q1'2016 PERFORMANCE**

# Q1'2016 PERFORMANCE SUMMARY

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## FINANCIAL HIGHLIGHTS

- Bookings of \$182 million; above the high end of the guidance range, up 8% Y/Y and flat Q/Q.
- Adjusted EBITDA of \$11 million; above the guidance range.
- Advertising and other bookings up 42% Y/Y.
- \$857 million in cash, cash equivalents and marketable securities.
- Completed the remaining \$102 million of \$200 million share repurchase announced at Q3 earnings.

## MOBILE HIGHLIGHTS

- Mobile bookings of \$139 million or 76% of overall bookings, up 31% Y/Y and up 4% Q/Q.
- Average Mobile Daily Active Users (mobile DAUs): 16 million; up 7% Q/Q.
- Apple is now our largest platform partner, surpassing Facebook in terms of online game bookings.

## PRODUCT HIGHLIGHTS

- Slots – Mobile bookings up 77% Y/Y and 13% Q/Q. Launched *Willy Wonka and the Chocolate Factory Slots* which is now in the top 30 grossing Casino charts in the Apple App Store; entered into soft launch with *True Vegas Slots* and this week we launched *Spin It Rich! Slots* worldwide.
- *Zynga Poker* – Mobile bookings up 13% Y/Y and 8% Q/Q.
- *Words With Friends* – Delivered strong mobile bookings up 60% Y/Y.
- Match-3 – Launched Zindagi's *Crazy Cake Swap*, which received Best New Game featuring from both Apple and Google at launch; entered into soft launch with two new games, *Wizard of Oz Magic Match* and *Ice Age Arctic Blast*.
- *FarmVille* – Entered into soft launch with new *FarmVille* mobile experience, *FarmVille: Tropic Escape*; worldwide launch expected in the second half of 2016.
- *CSR2* – Currently testing across 11 test markets with an expected worldwide launch in early Q3.
- *Dawn of Titans* – Scaled to 14 test markets with an expected worldwide launch in late Q4.

## Q1'2016 OUTLOOK VS. ACTUALS

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(in millions, except per share data)

<b>Non-GAAP</b>	<b>Outlook*</b>	<b>Actuals</b>
Bookings	\$ 150 - 165	\$ 182
Adjusted EBITDA	\$ (10) - 0	\$ 11
Diluted share count	866	882
Non-GAAP earnings (loss) per share	\$ (0.01) - 0.00	\$ 0.00
 <b>GAAP</b>		
Revenue	\$ 160 - 175	\$ 187
Net income (loss)	\$ (40) - (30)	\$ (27)
Diluted share count	866	871
Net income (loss) per share	\$ (0.05) - (0.03)	\$ (0.03)

\* Q1'16 outlook as communicated in our Q4'15 press release and shareholder's letter

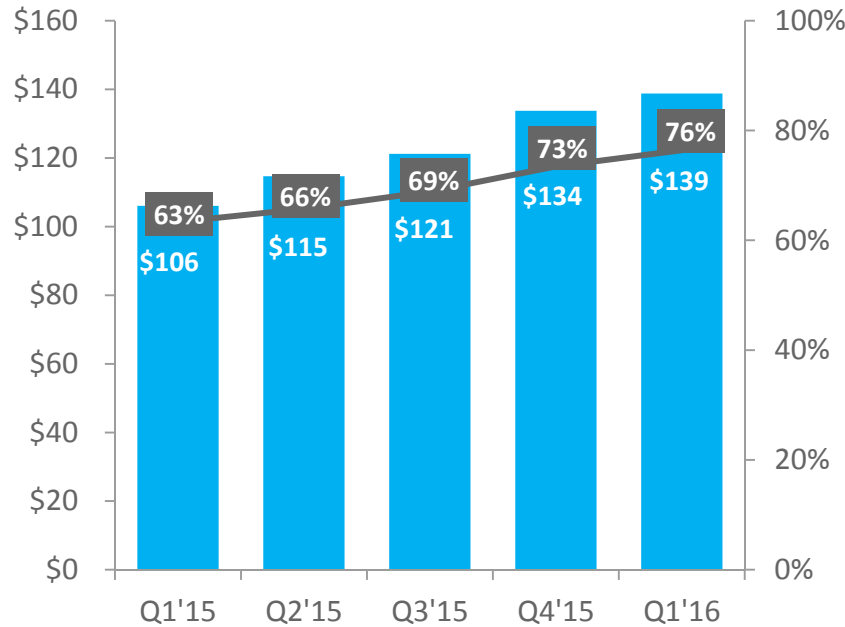


# MOBILE HIGHLIGHTS

IN MILLIONS

## MOBILE BOOKINGS

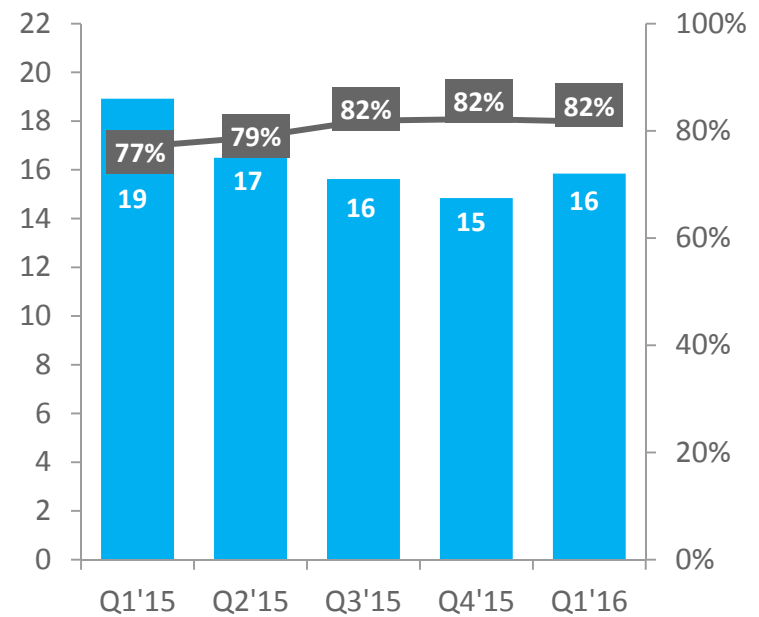
31% INCREASE Y/Y  
76% OF TOTAL IN Q1'16



Mobile Bookings — Mobile Bookings % Total Bookings

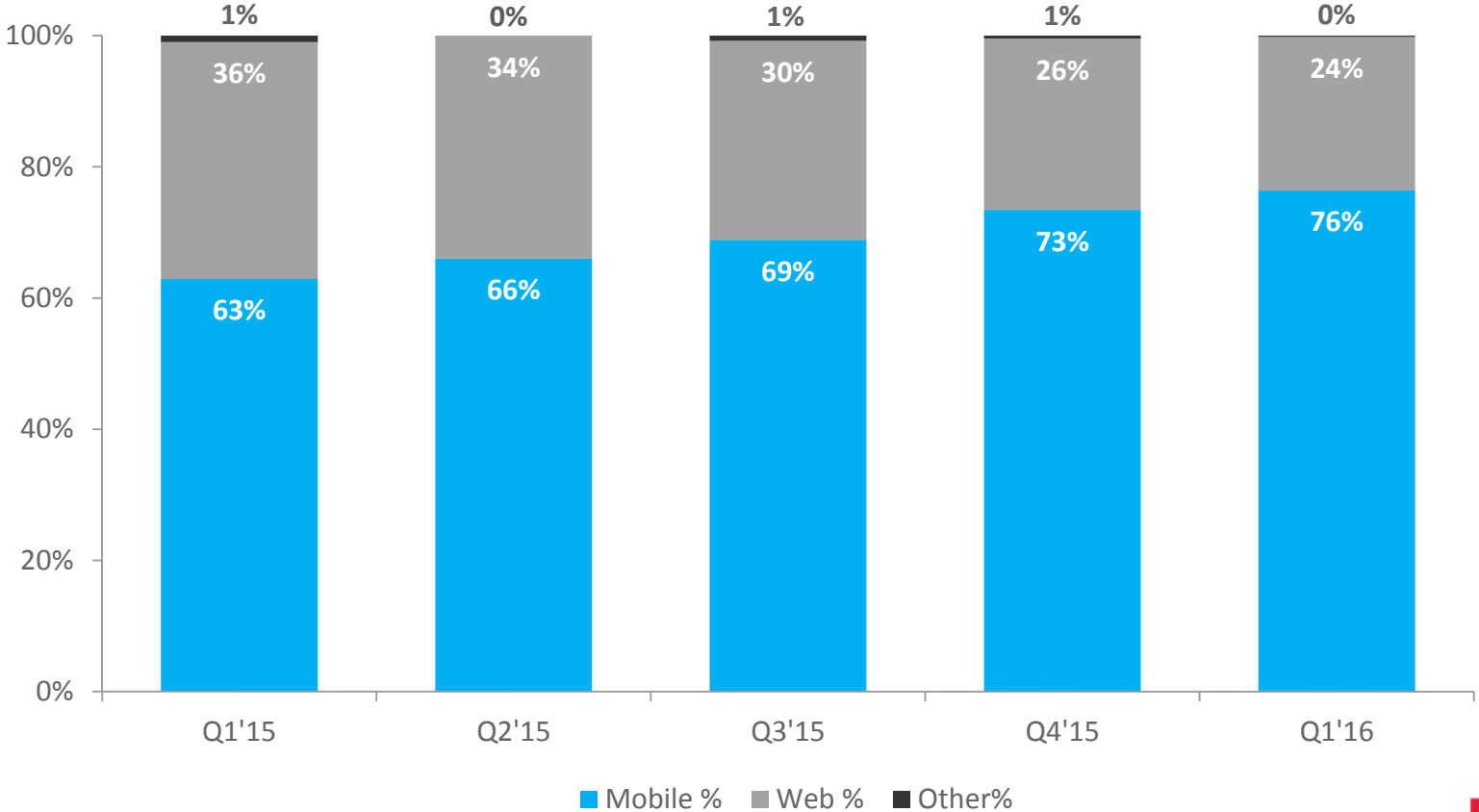
## MOBILE DAU

7% INCREASE Q/Q  
82% OF TOTAL IN Q1'16



Mobile DAU — Mobile DAU % Total DAU

# PLATFORM BOOKINGS MIX



# PRODUCT HIGHLIGHTS

## SOCIAL CASINO



- Our Slots portfolio grew mobile bookings by 77% Y/Y and 13% Q/Q in Q1
  - We now have 4 Slots games in the top 30 highest grossing Casino category in the Apple App Store



- In Q1, we launched *Willy Wonka and the Chocolate Factory Slots* and *Vegas Diamond Slots* and this week, we launched *Spin It Rich! Slots*



- *True Vegas Slots* will launch worldwide later in Q2



- Building on the positive momentum we saw in Q4 2015, *Zynga Poker* delivered strong results with mobile bookings up 13% Y/Y and 8% Q/Q

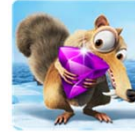
## CASUAL



- *Words With Friends* had its strongest Q1 bookings performance in the 6-year history of the game, with mobile bookings up 60% Y/Y



- In Match-3, we launched Zindagi's *Crazy Cake Swap* in Q1, which received Best New Game featuring from both Apple and Google at launch



- In Q2, we plan to launch *Wizard of Oz Magic Match* and *Ice Age: Arctic Blast*

# PRODUCT HIGHLIGHTS

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## ACTION STRATEGY



- *CSR2* is currently in soft launch across 11 markets with an expected worldwide launch in early Q3
  - *CSR2*'s high-production values and quality is resonating with players with an average of 4.8 stars in the Apple App Store
- We scaled *Dawn of Titans* to 14 test markets with an expected worldwide launch in late Q4
  - *Dawn of Titans* has an average of 4.6 stars in the Apple App Store



## INVEST EXPRESS



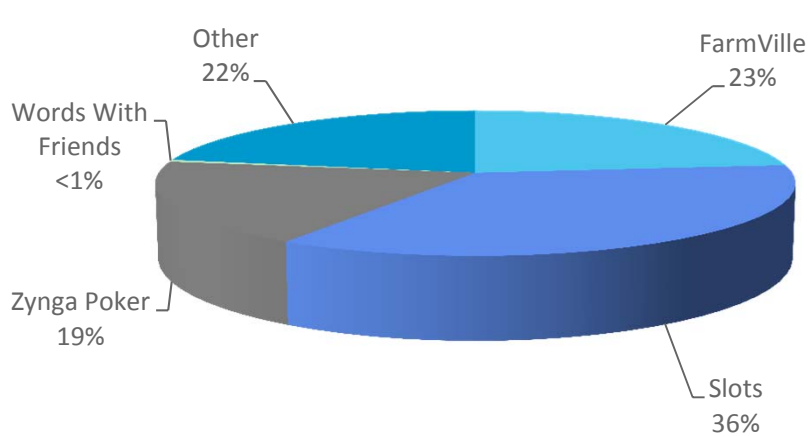
- In late Q1, we entered into soft launch with a new FarmVille mobile experience, *FarmVille: Tropic Escape*
  - *FarmVille: Tropic Escape* is currently being tested in 6 markets and we plan to launch the game worldwide in the second half of this year
- *CityVille Mobile* entered into soft launch in Q4 2015 and is currently being tested in the Philippines and India
  - We plan to launch *CityVille Mobile* in the second half of 2016



# Q1'2016 ONLINE GAME BOOKINGS AND REVENUE BY FRANCHISE

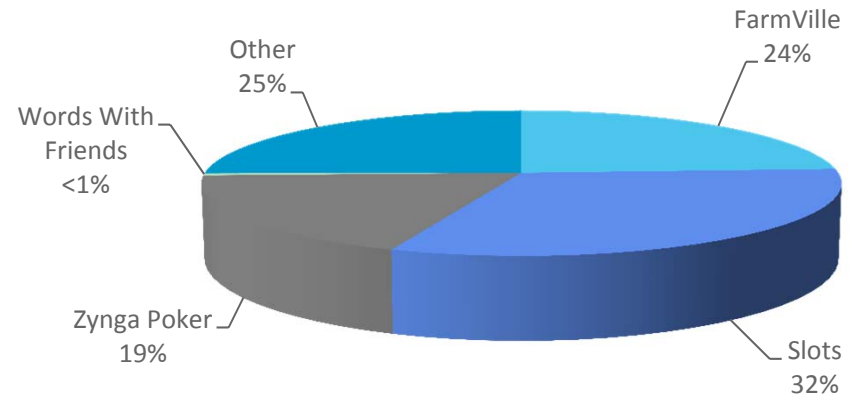
## Q1'2016 ONLINE GAME BOOKINGS

Total Amount: \$135 million



## Q1'2016 ONLINE GAME REVENUE

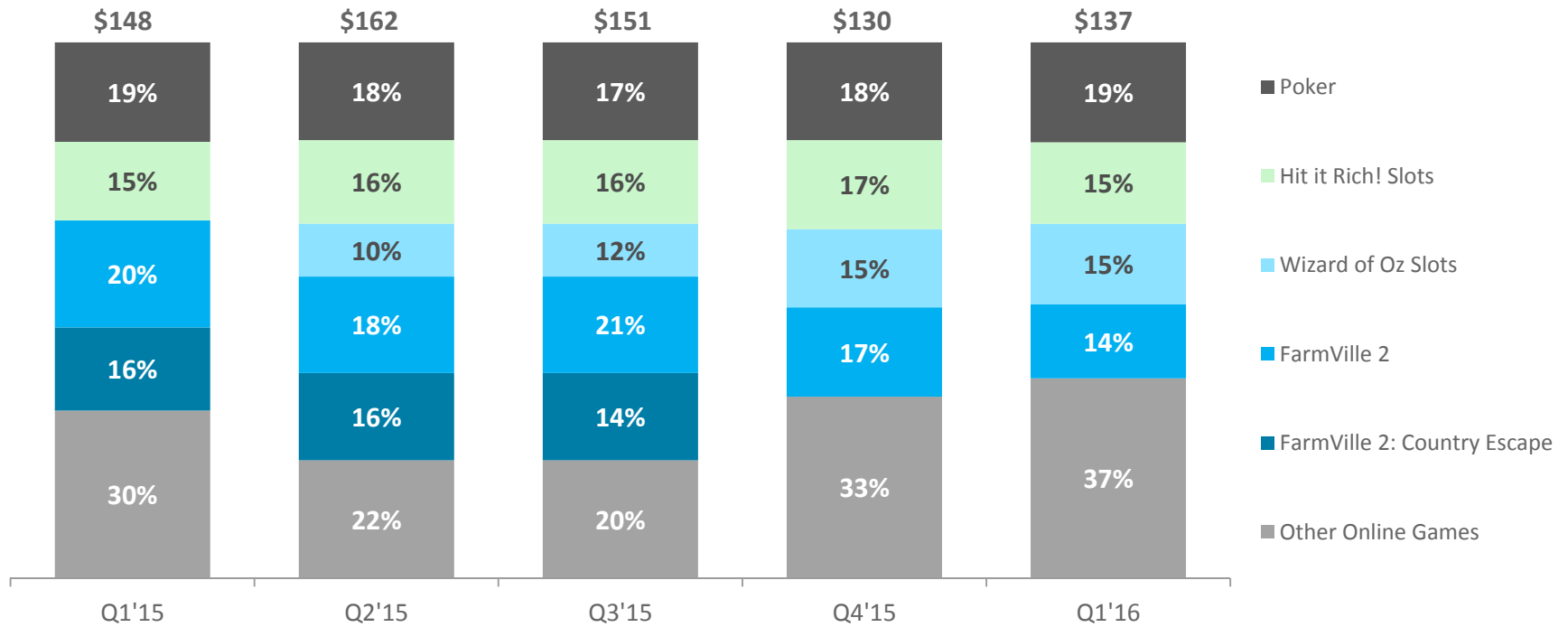
Total Amount: \$137 million



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

# ONLINE GAME REVENUE CONCENTRATION

TOTAL REVENUE IN MILLIONS

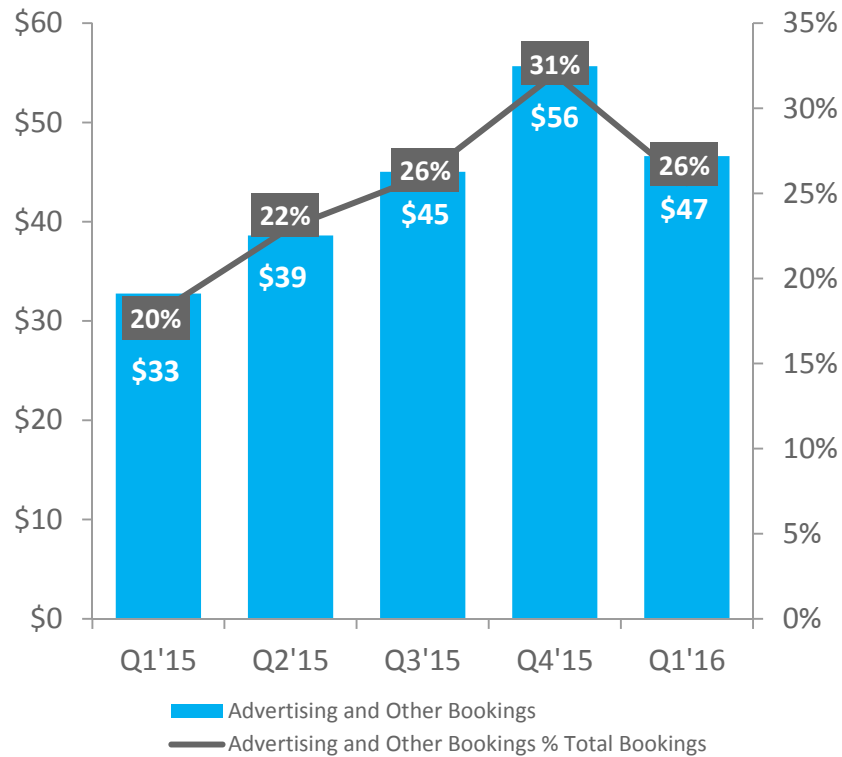


**Note:** Games representing less than 10% of online game revenue in any period are included in "Other Online Games"

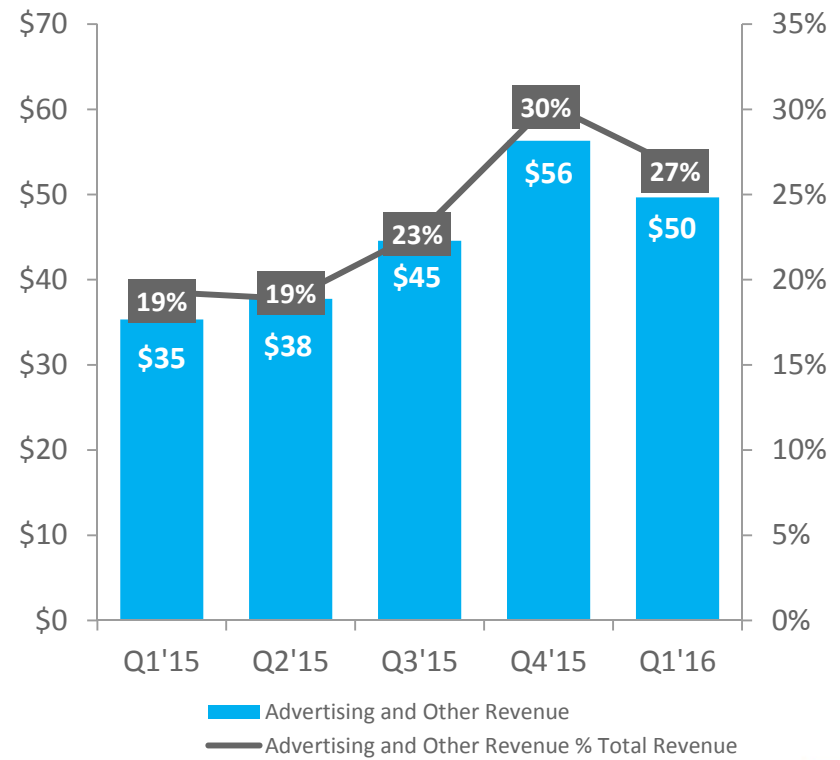
# ADVERTISING AND OTHER

IN MILLIONS

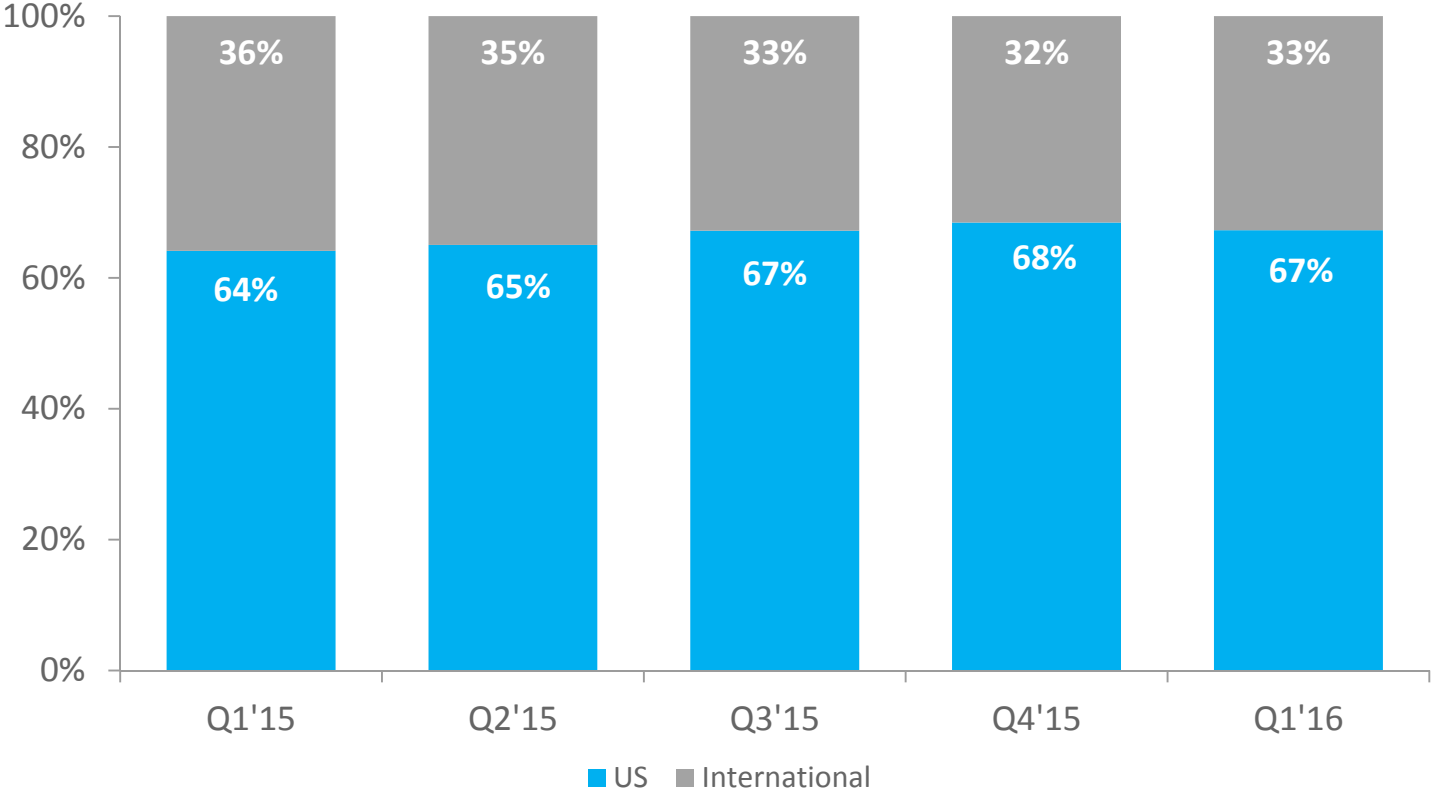
### ADVERTISING AND OTHER BOOKINGS



### ADVERTISING AND OTHER REVENUE

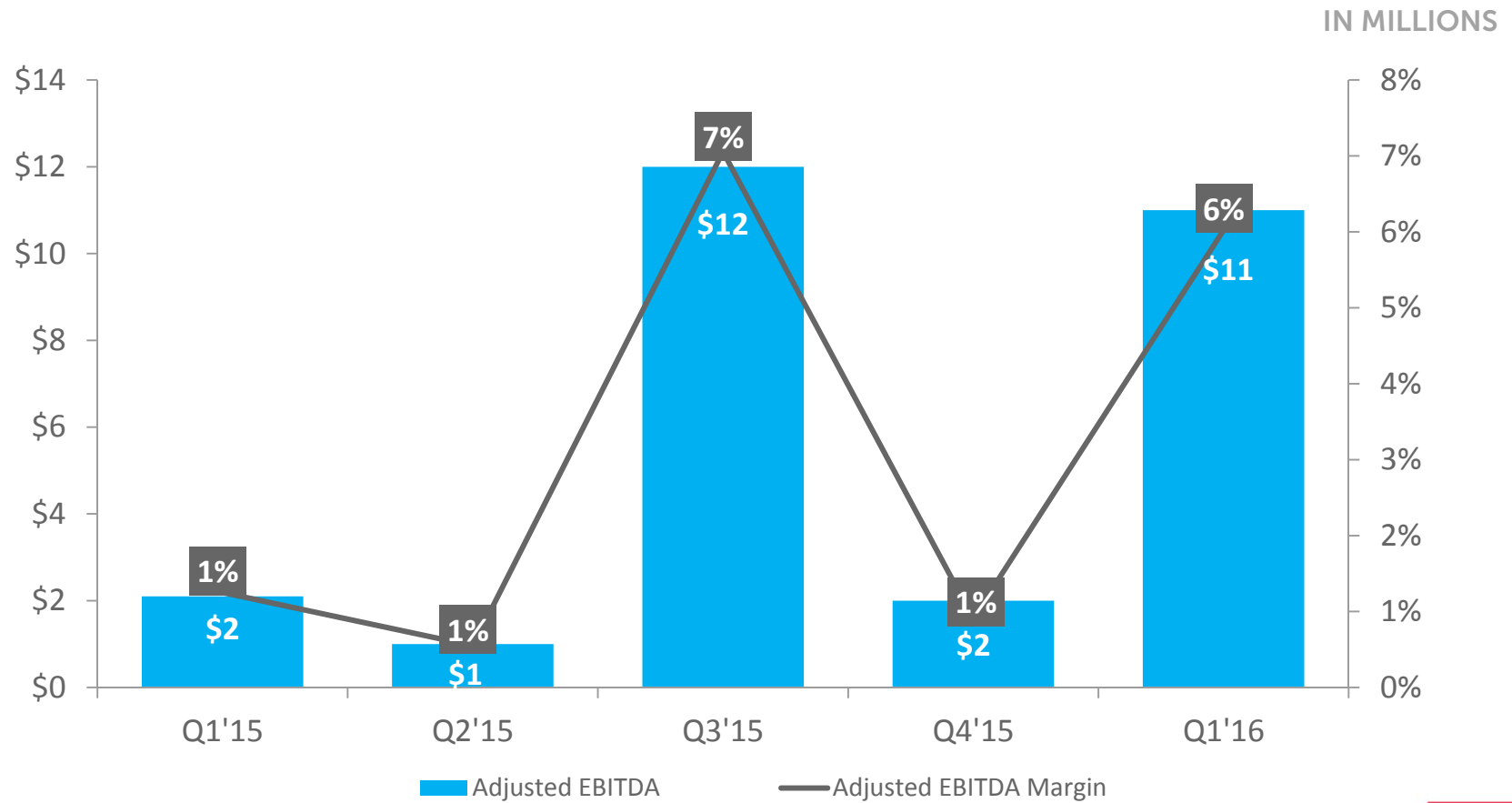


# REVENUE BY GEOGRAPHY





# 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)

	Q1'16	Q4'15	Q1'15
<b>Non-GAAP</b>			
Non-GAAP net income (loss)	\$ 1.6	\$ 0.4	\$ (6.7)
Diluted earnings (loss) per share	\$ 0.00	\$ 0.00	\$ (0.01)
<b>GAAP</b>			
Net income (loss)	\$ (26.6)	\$ (51.2)	\$ (46.5)
Diluted net income (loss) per share	\$ (0.03)	\$ (0.06)	\$ (0.05)
<b>Operating cash flow</b>	\$ (3.3)	\$ 3.5	\$ (47.0)
<b>Free cash flow</b>	\$ (6.0)	\$ 3.4	\$ (49.1)
<b>Cash, cash equivalents and marketable securities</b>	\$ 857	\$ 987	\$ 1,099

## 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. These key operating metrics have been revised to reflect the company's current definitions and calculations for all periods presented. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2015 and for a full explanation of the changes and the comparison of the revised and as reported numbers for 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.

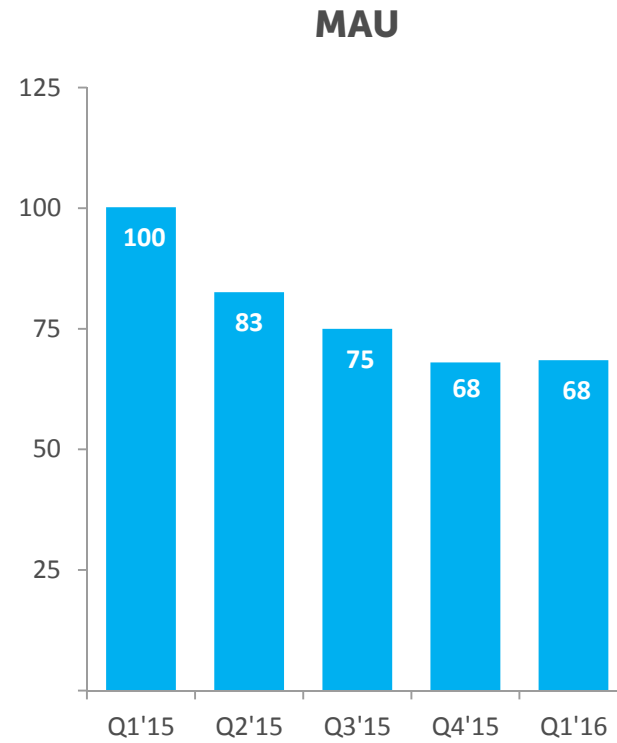
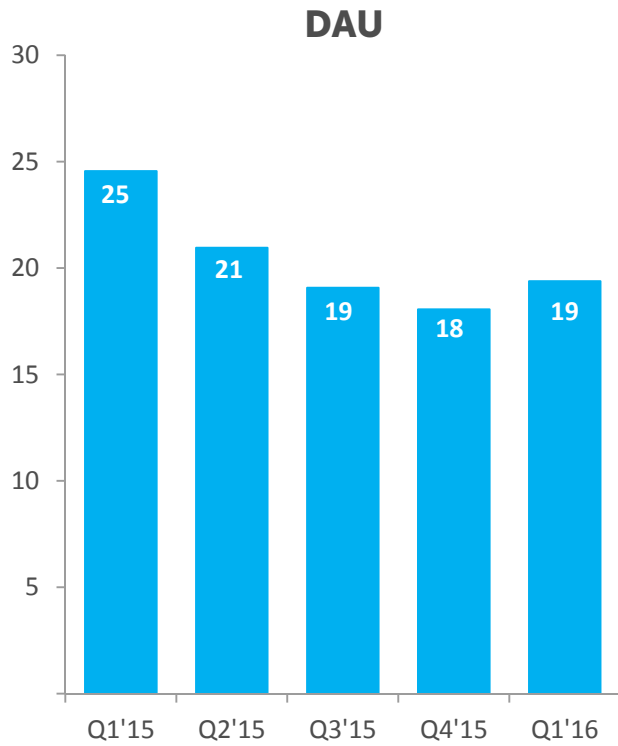
**MUUs.** We define MUUs as the number of individuals who played one or more of our games, which we were able to verify were played by the same individual in the 30-day period ending with the measurement date. An individual who plays more than one of our games in a given 30-day period would be counted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

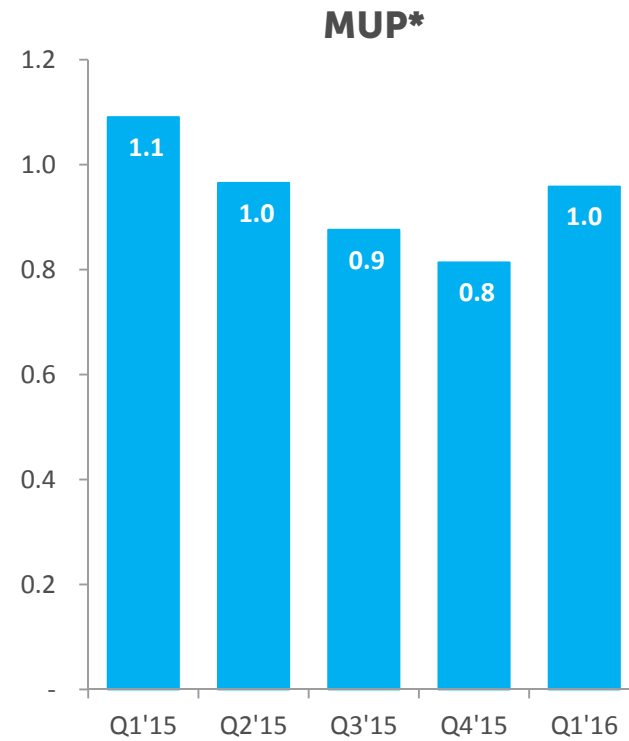
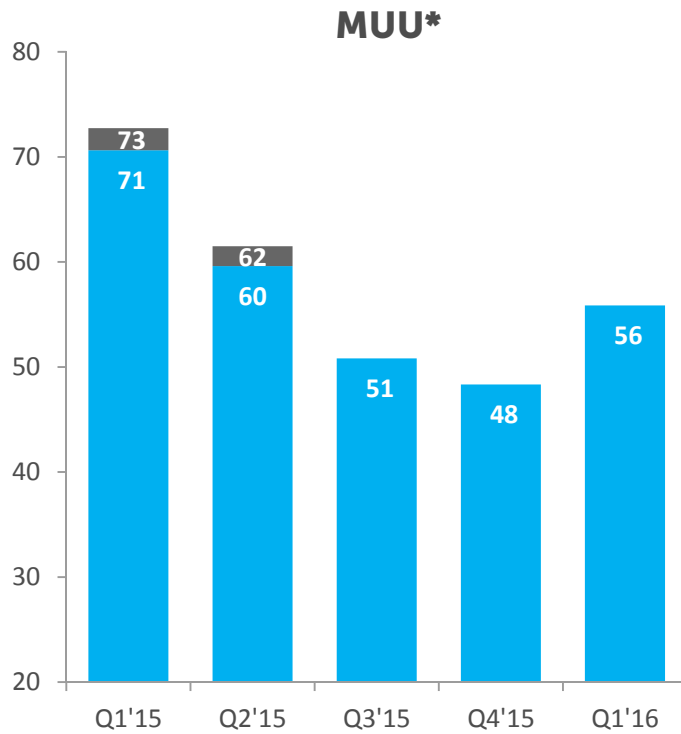
# AUDIENCE METRICS

IN MILLIONS



# AUDIENCE METRICS

\* In Q1'16, MUU and MUP exclude Rising Tide games (*Black Diamond Casino* and *Vegas Diamond Slots*) and Zindagi legacy games (*Yummy Gummy* and *Crazy Kitchen*) and for prior quarters, MUU and MUP exclude NaturalMotion legacy games (*CSR Racing*, *CSR Classics* and *Clumsy Ninja*) as the necessary data is not available. **IN MILLIONS**

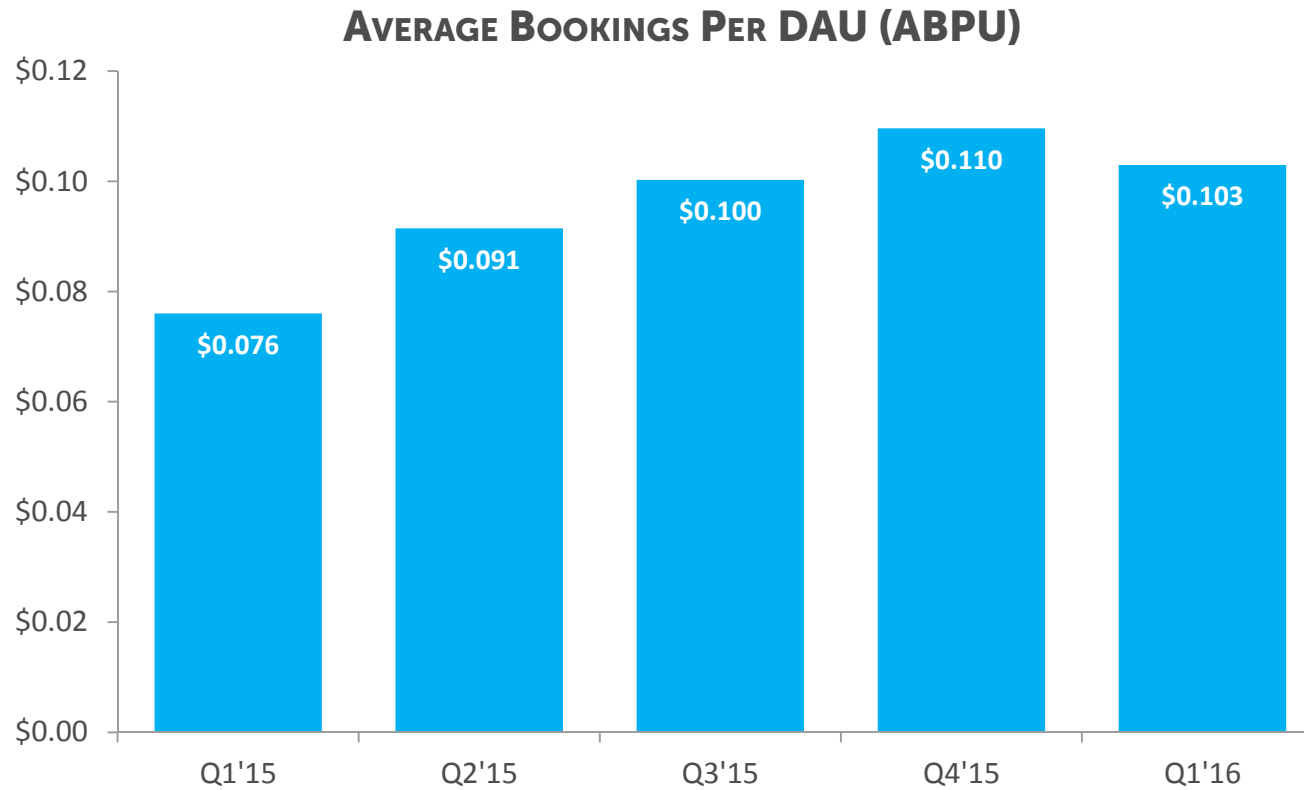


■ Subsequent Revision in Q3'15    ■ Initial Revision Q1'15  
 In Q3'15, the company made a modification to its calculations of MUU to further reduce duplication of users of both web and mobile platforms



# MONETIZATION

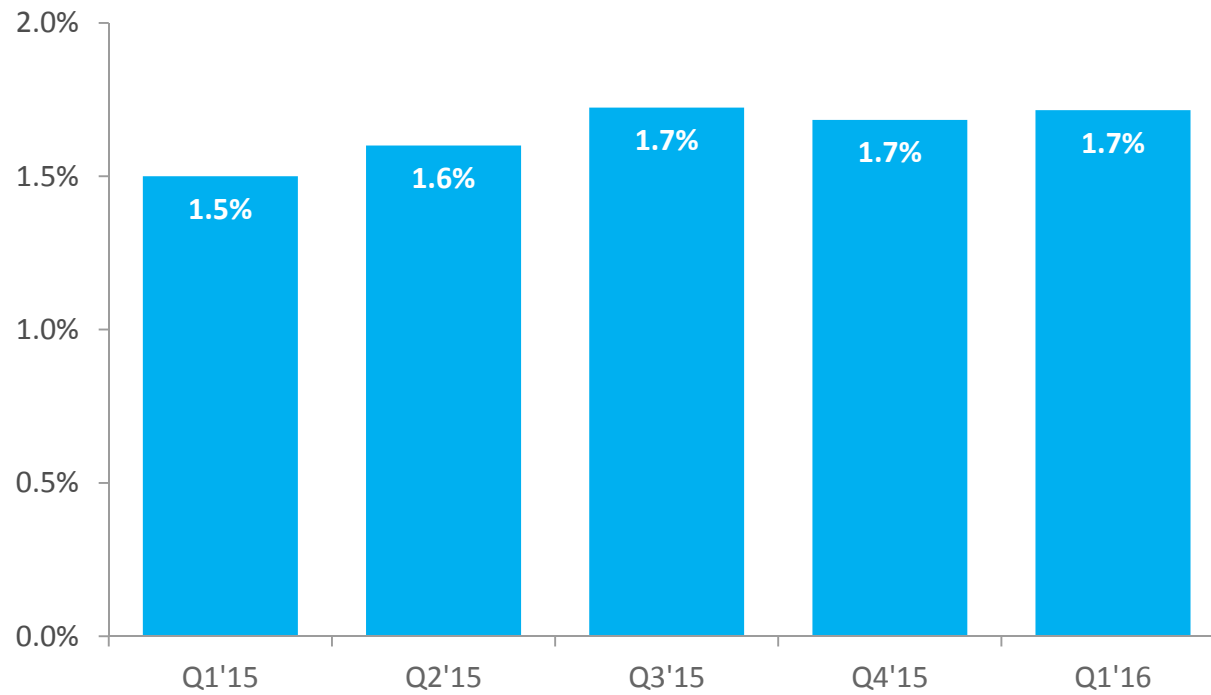
IN US DOLLARS



# MONETIZATION

\* In Q1'16, payer conversion excludes Rising Tide games (*Black Diamond Casino* and *Vegas Diamond Slots*) and Zindagi legacy games (*Yummy Gummy* and *Crazy Kitchen*) and for prior quarters, payer conversion excludes NaturalMotion legacy games (*CSR Racing*, *CSR Classics* and *Clumsy Ninja*) as the necessary data is not available.

## PAYER CONVERSION\*





## **Q2'2016 FINANCIAL OUTLOOK**



## Q2'2016 FINANCIAL OUTLOOK

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(in millions, except per share data)

### Non-GAAP

	Q2'16 Outlook	
	Low	High
Bookings	\$ 160	\$ 170
Adjusted EBITDA	\$ -	\$ 5
Diluted share count	875	875
Non-GAAP earnings (loss) per share	\$ (0.01)	\$ 0.00

### GAAP

Revenue	\$ 170	\$ 180
Net income (loss)	\$ (26)	\$ (20)
Diluted share count	875	875
Net income (loss) per share	\$ (0.03)	\$ (0.02)



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

## REVENUE TO BOOKINGS: TOTAL

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(in thousands, unaudited)	3 months ended	
	3/31/16	3/31/15
<b>Reconciliation of Revenue to Bookings</b>		
Revenue	\$ 186,721	\$ 183,293
Change in deferred revenue	(5,096)	(15,883)
<b>Bookings</b>	<b>\$ 181,625</b>	<b>\$ 167,410</b>

## REVENUE TO BOOKINGS: ADVERTISING AND OTHER; ADVERTISING

(in thousands, unaudited)	3 months ended	
	3/31/16	3/31/15
<b>Reconciliation of Revenue to Bookings: Advertising &amp; Other</b>		
Revenue	\$ 49,664	\$ 35,330
Change in deferred revenue	(3,055)	(2,563)
<b>Bookings: Advertising &amp; Other</b>	<b>\$ 46,609</b>	<b>\$ 32,767</b>
Less Bookings: Other	\$ (1,233)	\$ (547)
<b>Bookings: Advertising</b>	<b>\$ 45,376</b>	<b>\$ 32,220</b>

## NET INCOME (LOSS) TO ADJUSTED EBITDA

(in thousands, unaudited)	3 months ended	
	3/31/16	3/31/15
<b>Reconciliation of Net income (loss) to Adjusted EBITDA</b>		
Net income (loss)	\$ (26,558)	\$ (46,496)
Provision for (benefit from) income taxes	2,480	1,580
Other income (expense), net	(2,100)	(8,359)
Interest income	(705)	(794)
Restructuring expense, net	468	3,461
Depreciation and amortization	10,812	17,722
Contingent consideration fair value adjustment	2,030	9,400
Stock-based expense	29,608	41,462
Change in deferred revenue	(5,096)	(15,883)
<b>Adjusted EBITDA</b>	<b>\$ 10,939</b>	<b>\$ 2,093</b>

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

(in thousands, unaudited)	3 months ended	
	3/31/16	3/31/15
<b>Reconciliation of Net income (loss) to Non-GAAP net income (loss)</b>		
Net income (loss)	\$ (26,558)	\$ (46,496)
Restructuring expense, net	468	3,461
Amortization of intangible assets from acquisitions	7,379	6,264
Contingent consideration fair value adjustment	2,030	9,400
Stock-based expense	29,608	41,462
Change in deferred revenue	(5,096)	(15,883)
Tax effect of non-GAAP adjustments to net income (loss)	(6,278)	(4,921)
<b>Non-GAAP net income (loss)</b>	<b>\$ 1,553</b>	<b>\$ (6,713)</b>

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

(in thousands, unaudited)	3 months ended	
	3/31/16	3/31/15
<b>Reconciliation of net cash provided by (used in) operating activities to free cash flow</b>		
Net cash provided by (used in) operating activities	\$ (3,305)	\$ (47,002)
Acquisition of property and equipment	(2,654)	(2,112)
<b>Free cash flow</b>	<b>\$ (5,959)</b>	<b>\$ (49,114)</b>

## PROVISION FOR (BENEFIT FROM) INCOME TAXES

(in thousands, unaudited)	3 months ended	
	3/31/16	3/31/15
<b>Reconciliation of GAAP provision for (benefit from) income taxes to Non-GAAP provision for (benefit from) income taxes</b>		
GAAP provision for (benefit from) income taxes	\$ 2,480	\$ 1,580
Restructuring expense, net	85	381
Amortization of intangible assets from acquisitions	1,347	689
Contingent consideration fair value adjustment	371	1,035
Stock-based expense	5,405	4,564
Change in deferred revenue	(930)	(1,748)
<b>Non-GAAP provision for (benefit from) income taxes</b>	<b>\$ 8,758</b>	<b>\$ 6,501</b>



# Q1'2016 STATEMENT OF OPERATIONS

Three months ended March 31, 2016

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, net	Contingent consideration fair value adjustment	Non-GAAP measure
Total revenue	\$ 186,721	\$ -	\$ -	\$ (5,096)	\$ -	\$ -	\$ 181,625 <sup>(1)</sup>
Cost of revenue	57,139	(649)	(6,643)	-	-	-	49,847
Research and development	87,737	(24,203)	-	-	(125)	(2,030)	61,379
Sales and marketing	46,344	(1,991)	(736)	-	-	-	43,617
General and administrative	22,384	(2,765)	-	-	(343)	-	19,276
Total costs and expenses	213,604	(29,608)	(7,379)	-	(468)	(2,030)	174,119
Income (loss) from operations	(26,883)	29,608	7,379	(5,096)	468	2,030	7,506
Interest income	705	-	-	-	-	-	705
Other income (expense), net	2,100	-	-	-	-	-	2,100
Income (loss) before income taxes	(24,078)	29,608	7,379	(5,096)	468	2,030	10,311
Provision for (benefit from) income taxes	2,480	5,405	1,347	(930)	85	371	8,758
Net Income (loss)	\$ (26,558)	\$ 24,203	\$ 6,032	\$ (4,166)	\$ 383	\$ 1,659	\$ 1,553 <sup>(2)</sup>
<b>WASO</b>							
Diluted	871,093						882,350
<b>EPS</b>							
Diluted	\$ (0.03)						\$ 0.00

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



# Q1'2015 STATEMENT OF OPERATIONS

Three months ended March 31, 2015

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

(In thousands, except per share data, unaudited)

	GAAP		Amortization	Change in	Restructuring	Contingent	Non-GAAP
	Statement of	Stock-based	of intangible	deferred	expense, net	consideration	measure
	Operations	expense	assets from	revenue		fair value	
			acquisitions			adjustment	
Total revenue	\$ 183,293	\$ -	\$ -	\$ (15,883)	\$ -	\$ -	\$ 167,410 <sup>(1)</sup>
Cost of revenue	57,622	(1,072)	(5,475)	-	-	-	51,075
Research and development	107,520	(28,317)	-	-	-	(9,400)	69,803
Sales and marketing	31,839	(1,519)	(789)	-	-	-	29,531
General and administrative	40,381	(10,554)	-	-	(3,461)	-	26,366
Total costs and expenses	237,362	(41,462)	(6,264)	-	(3,461)	(9,400)	176,775
Income (loss) from operations	(54,069)	41,462	6,264	(15,883)	3,461	9,400	(9,365)
Interest income	794	-	-	-	-	-	794
Other income (expense), net	8,359	-	-	-	-	-	8,359
Income (loss) before income taxes	(44,916)	41,462	6,264	(15,883)	3,461	9,400	(212)
Provision for (benefit from) income taxes	1,580	4,564	689	(1,748)	381	1,035	6,501
Net Income (loss)	<u>\$ (46,496)</u>	<u>\$ 36,898</u>	<u>\$ 5,575</u>	<u>\$ (14,135)</u>	<u>\$ 3,080</u>	<u>\$ 8,365</u>	<u>\$ (6,713) <sup>(2)</sup></u>
<b>WASO</b>							
Diluted	898,344						898,344
<b>EPS</b>							
Diluted	<u>\$ (0.05)</u>						<u>\$ (0.01)</u>

## Q2'2016 OUTLOOK

(in thousands, except per share data)

	<b>Q2'16</b>
<b>Reconciliation of Revenue to Bookings</b>	
Revenue range	\$ 170,000 - 180,000
Change in deferred revenue	(10,000)
<b>Bookings range</b>	<b>\$ 160,000 - 170,000</b>
<b>Reconciliation of Net income (loss) to Adjusted EBITDA</b>	
Net income (loss) range	\$ (26,000) - (20,000)
Provision for (benefit from) income taxes	0 - 2,000
Other income (expense), net	(1,000) - (2,000)
Interest income	(1,000)
Depreciation and amortization	11,000
Stock-based expense	27,000 - 25,000
Change in deferred revenue	(10,000)
<b>Adjusted EBITDA range</b>	<b>\$ 0 - 5,000</b>
<b>Reconciliation of Net income (loss) to Non-GAAP net income (loss)</b>	
Net income (loss) range	\$ (26,000) - (20,000)
Amortization of intangible assets from acquisitions	7,000
Stock-based expense	27,000 - 25,000
Change in deferred revenue	(10,000)
Tax effect of non-GAAP adjustments to net income (loss)	(3,000) - (4,000)
<b>Non-GAAP net income (loss) range</b>	<b>\$ (5,000) - (2,000)</b>
<b>GAAP and Non-GAAP diluted shares</b>	<b>875,000</b>
<b>Net income (loss) per share range</b>	<b>\$ (0.03) - (0.02)</b>
<b>Non-GAAP earnings (loss) per share range</b>	<b>\$ (0.01) - 0.00</b>

