



ZYNGA Q3 2016

FINANCIAL RESULTS

November 2, 2016

TABLE OF CONTENTS

- Discussion of Q3 2016 Performance
- Q4 2016 Financial Outlook
- GAAP to Non-GAAP Reconciliations

MANAGEMENT TEAM



CHIEF EXECUTIVE OFFICER
Frank Gibeau



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Gerard Griffin

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements, including those statements relating to our outlook for the fourth quarter of 2016 under the heading Q4 2016 Financial Outlook and statements relating to, among other things: *Willy Wonka and the Chocolate Factory Slots*'s ability to continue to ramp mobile bookings, new *Zynga Poker* features pushed into Q4 2016, the launch of *Dawn of Titans* during the Q4 holiday season, and a new build of *Dawn of Titans* that will go live across test markets.

Forward-looking statements often include words such as "outlook," "projected," "intends," "will," "anticipate," "believe," "target," "expect," and statements in the future tense are generally forward-looking. 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 or will be 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.

References to game ratings contained in this presentation are as of the date of this presentation and are for all of the game's releases or updates in the applicable platform or app store.

KEY NON-GAAP FINANCIAL METRICS

We regularly review a number of metrics, including the following key financial and operating metrics, to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions.

Bookings. Bookings is a non-GAAP financial measure that is equal to revenue recognized during the period plus the change in deferred revenue during the period. We record the sale of virtual goods as deferred revenue and then recognize that revenue over the estimated average life of the purchased virtual goods or as the virtual goods are consumed. Advertising sales, which consist of certain branded virtual goods and sponsorships, are also deferred and recognized over the estimated average life of the branded virtual good, similar to online game revenue. Bookings, as opposed to revenue, is the fundamental top-line metric we use to manage our business, as we believe it is a useful indicator of the sales activity in a given period. Over the long term, the factors impacting our bookings and revenue are the same. However, in the short term, there are factors that may cause revenue to exceed or be less than bookings in any period. We use bookings to evaluate the results of our operations, generate future operating plans and assess the performance of our company.

Adjusted EBITDA (new methodology). Adjusted EBITDA is a non-GAAP financial measure that we calculate as net income (loss), adjusted for provision for (benefit from) income taxes; other income (expense), net; interest income; gain (loss) from significant legal settlements; restructuring expense, net; depreciation and amortization; impairment of intangible assets; stock-based expense; contingent consideration fair value adjustments; and acquisition-related transaction expenses. We believe that adjusted EBITDA, considered in addition to the change in deferred revenue, provides additional useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.



DISCUSSION OF Q3 2016 PERFORMANCE

Q3 2016 PERFORMANCE SUMMARY

FINANCIAL HIGHLIGHTS

- GAAP Revenue of \$182.4 million; above the high end of the guidance range, down 7% Y/Y and flat Q/Q
- GAAP Net loss of \$41.7 million; below the low end of the guidance range
- Deferred revenue balance increased by \$14.3 million in Q3; above our guidance
- Bookings of \$196.7 million; above the high end of the guidance range, up 12% Y/Y and up 13% Q/Q
- Non-GAAP operating expenses of \$126.5 million; up 7% Y/Y and up 7% Q/Q, driven by an increase in marketing spend to support the launches of *CSR Racing 2* and *FarmVille: Tropic Escape*
- Adjusted EBITDA (previously reported methodology)⁽¹⁾ of \$17.9 million; above the high end of the guidance range, up 44% Y/Y and up 55% Q/Q
- Adjusted EBITDA (new methodology)⁽²⁾ of \$3.6 million
- \$870.8 million in cash, cash equivalents and marketable securities, up \$2.4 million from the prior quarter end

Footnotes:

- (1) Zynga's previously reported methodology for computing adjusted EBITDA excludes the change in deferred revenue. This is the last time adjusted EBITDA under the previously reported methodology will be reported.
- (2) Zynga's new methodology for computing adjusted EBITDA includes the change in deferred revenue.

MOBILE HIGHLIGHTS

- Mobile revenue of \$145.9 million or 80% of overall revenue; up 16% Y/Y and up 6% Q/Q
- Mobile bookings of \$162.3 million or 83% of overall bookings; up 34% Y/Y and up 19% Q/Q
- Average Mobile Daily Active Users (DAUs) of 16 million; up 1% Y/Y and up 7% Q/Q
- Apple and Google continue to be our two largest platform partners for online game bookings

ADVERTISING HIGHLIGHTS

- Advertising and other revenue of \$48.2 million or 26% of overall revenue; up 7% Y/Y and up 5% Q/Q
- Advertising and other bookings of \$49.8 million or 25% of overall bookings; up 11% Y/Y and up 10% Q/Q
- Results were driven by the Q/Q addition of *CSR2* and performance of *Words With Friends*
- We also engaged in a strong repeat campaign with Toyota Camry to sponsor *Words With Friends'* Wordie Games and continued our work with high profile brands including Progressive, Disney Theatrical and our broadcast/cable partners ABC, NBC and Lifetime

Q3 2016 FINANCIAL OUTLOOK VS. ACTUALS

* Q3'16 outlook as communicated in our Q2'16 press release and shareholder's letter

(in millions, except per share data)

GAAP	Outlook*	Actuals
Revenue	\$ 170 - 180	\$ 182
Net release of (increase in) deferred revenue ⁽³⁾	\$ (10)	\$ (14)
Net income (loss)	\$ (33) - (29)	\$ (42)
Diluted share count	880	882
Net income (loss) per share	\$ (0.04) - (0.03)	\$ (0.05)
Non-GAAP		
Bookings	\$ 180 - 190	\$ 197
Adjusted EBITDA (new methodology) ⁽¹⁾	\$ 2 - 6	\$ 4
Adjusted EBITDA (previously reported methodology) ⁽²⁾	\$ 12 - 16	\$ 18

Footnotes:

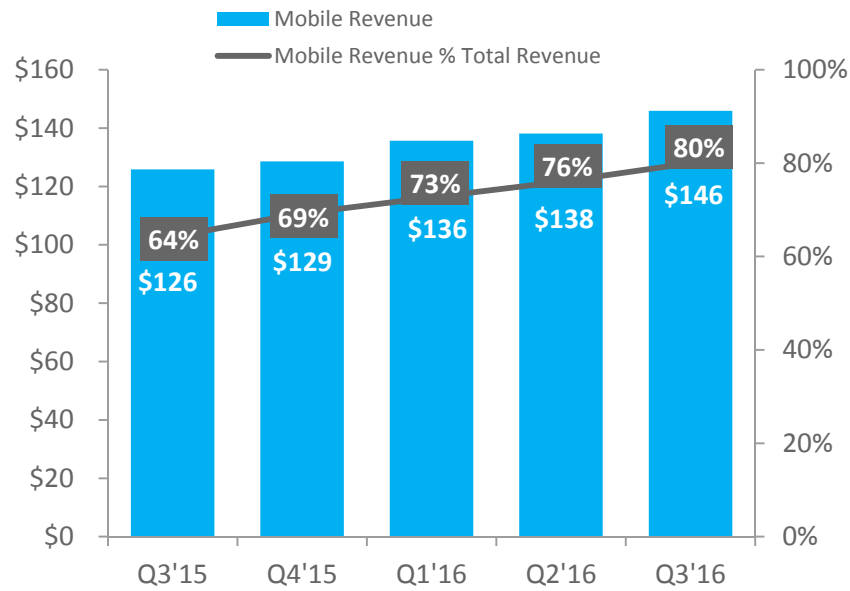
- (1) Zynga's new methodology for computing adjusted EBITDA includes the change in deferred revenue.
- (2) Zynga's previously reported methodology for computing adjusted EBITDA excludes the change in deferred revenue. This is the last time adjusted EBITDA under the previously reported methodology will be reported.
- (3) For clarity, a net increase in deferred revenue is a negative impact to revenue and results in an increase in deferred revenue on the balance sheet.

MOBILE HIGHLIGHTS

IN MILLIONS

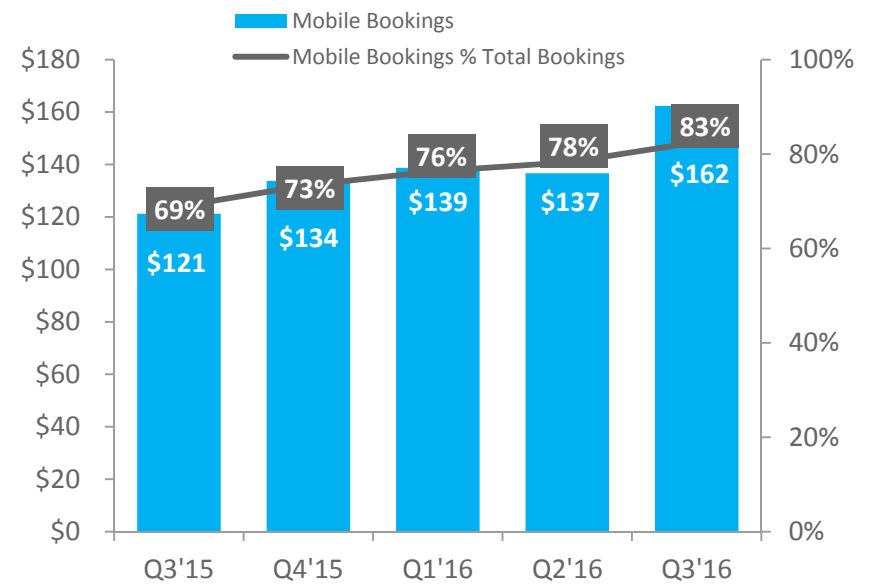
MOBILE REVENUE

80% OF TOTAL IN Q3'16, UP 4% Q/Q



MOBILE BOOKINGS

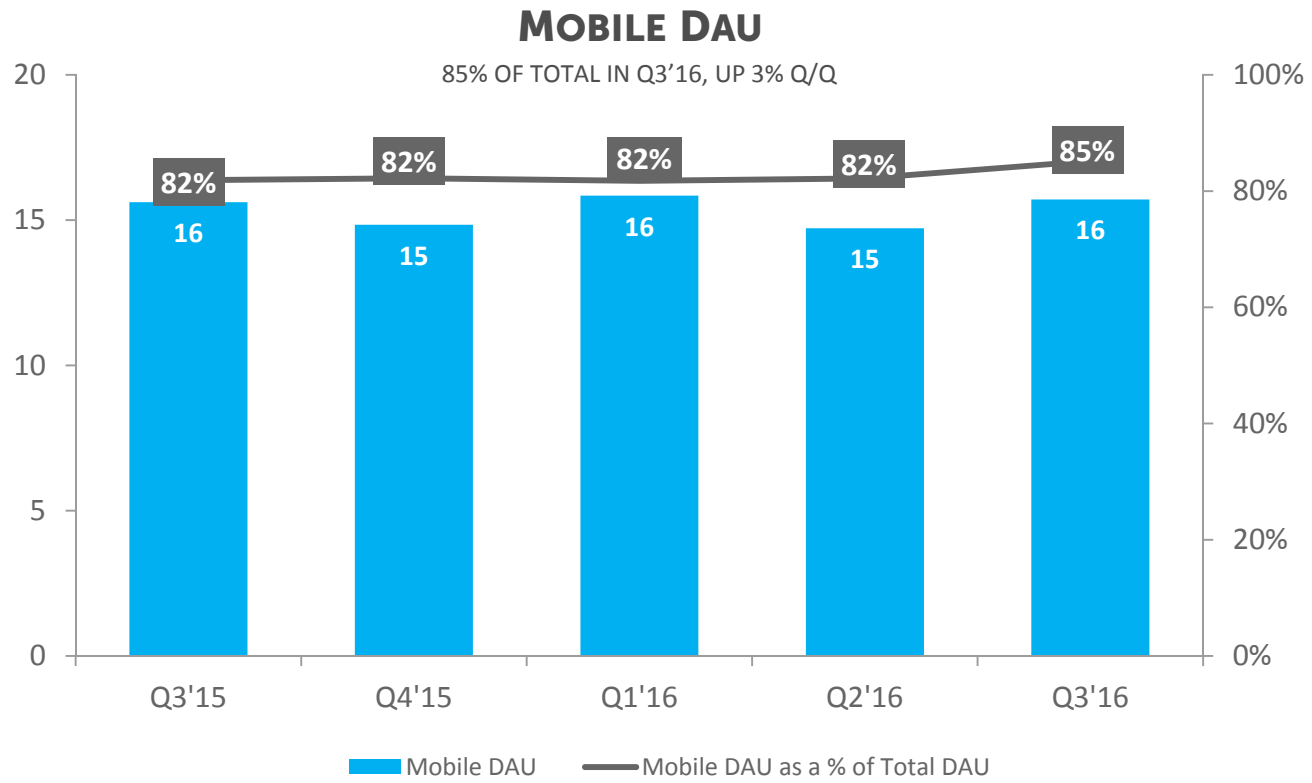
83% OF TOTAL IN Q3'16, UP 5% Q/Q



Change in Mobile Deferred Revenue	(\$5)	\$5	\$3	(\$1)	\$16
Mobile Bookings	\$121	\$134	\$139	\$137	\$162

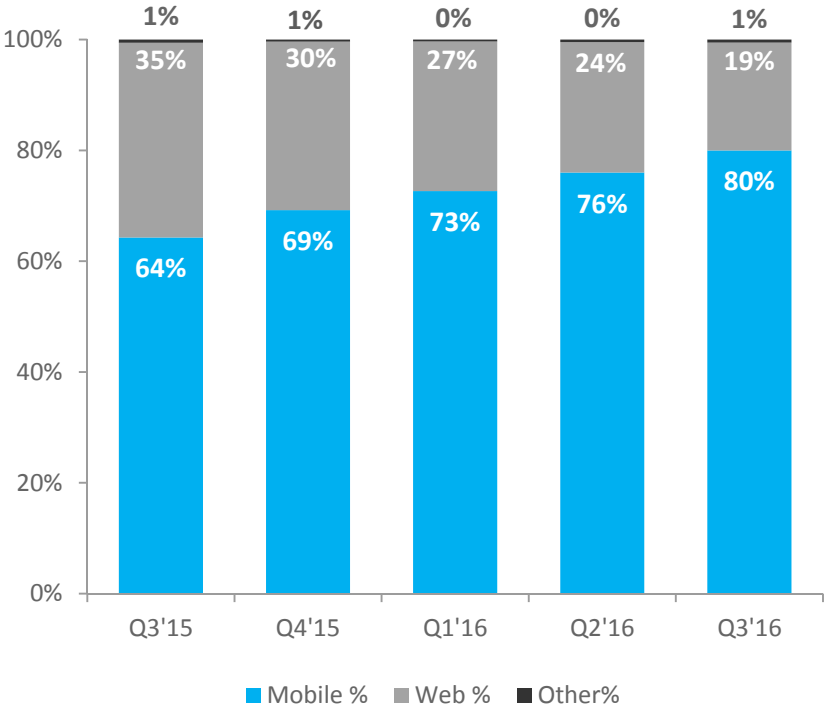
MOBILE HIGHLIGHTS

IN MILLIONS

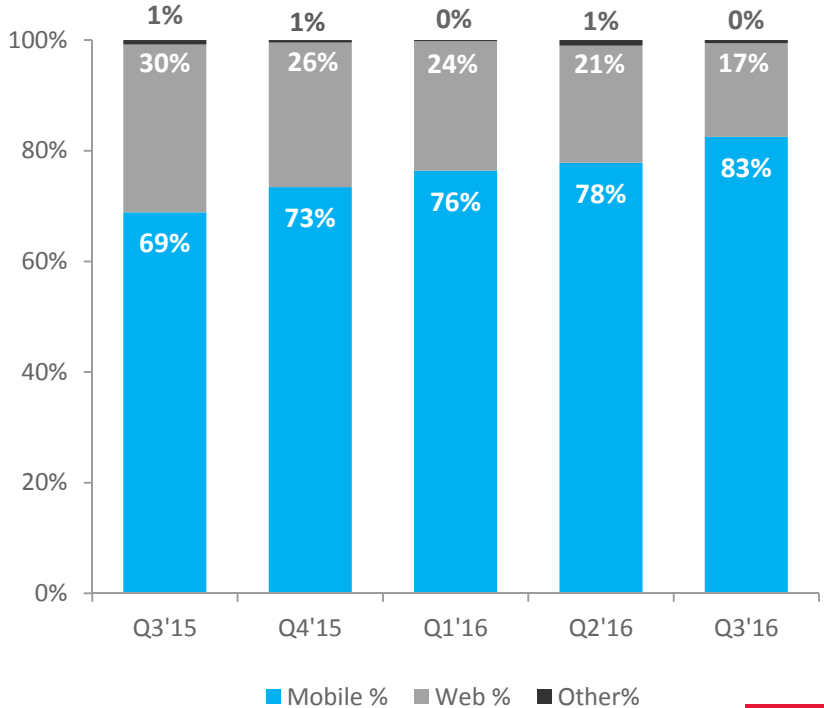


PLATFORM MIX: REVENUE AND BOOKINGS

PLATFORM REVENUE MIX



PLATFORM BOOKINGS MIX



OUR PRODUCTS

SOCIAL CASINO



- Mobile bookings for our Social Slots portfolio grew 26% Y/Y but declined 3% Q/Q

- Driven by a 17% Q/Q decline in *Wizard of Oz Slots*, offset by stabilization of *Hit It Rich! Slots* which grew mobile bookings from Q2



- Positive sequential mobile bookings trends in *Willy Wonka and the Chocolate Factory Slots* as the game continues to ramp in its second full quarter



- Mobile bookings for *Zynga Poker* grew 16% Y/Y but declined 1% Q/Q

- Several new features pushed into Q4



- On *Zynga Poker* web, the team combatted a number of short-term fraud issues within the game

CASUAL



- Mobile bookings for *Words With Friends* grew 33% Y/Y and 7% Q/Q



- Total bookings across Casual up in Q3 driven by *Wizard of Oz: Magic Match*, our acquisition of *Daily Celebrity Crossword*, and *Words With Friends*

- Became one of the first gaming companies to launch on the App Store for iMessage with our *Words With Friends* iMessage app

OUR PRODUCTS

ACTION STRATEGY



- *CSR Racing 2* had a strong early start becoming the #8 Top Grossing Game in the iOS App Store during its launch period
- *CSR Racing 2* has earned more than 1 million 5-star reviews since launch and is currently the #1 grossing racing game in over 50 countries
- Remain on track to launch *Dawn of Titans* globally during the Q4 holiday season
 - A new build will go live across our test markets and reflects the feedback we've been receiving from our fans over the past few months



INVEST EXPRESS

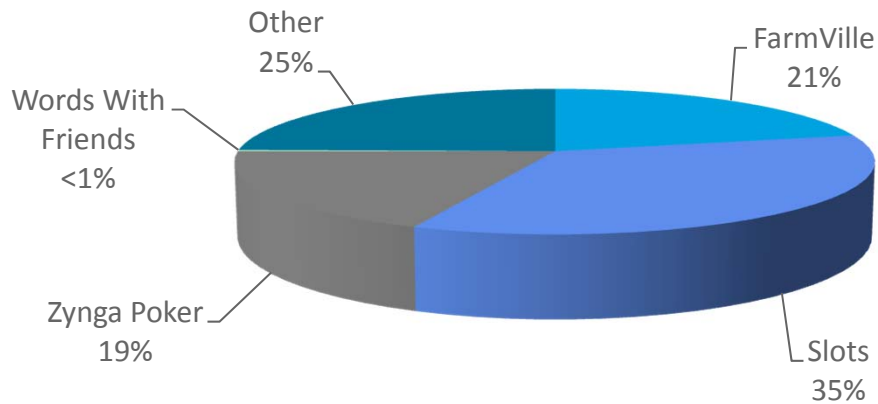


- Launched *FarmVille: Tropic Escape* in late Q3, delivering a new theme and experience for mobile Invest Express fans
- The game achieved Top 5 chart placement for New Free Games on both iPad and Android and delivered on quality with a 4.5 iOS and Android star rating

Q3'2016 ONLINE GAME REVENUE AND BOOKINGS BY FRANCHISE

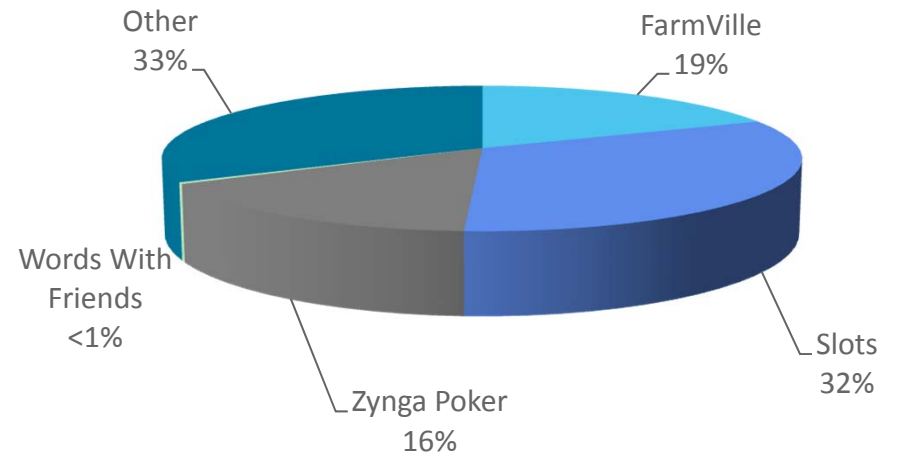
Q3'2016 ONLINE GAME REVENUE

Total: \$134 million



Q3'2016 ONLINE GAME BOOKINGS

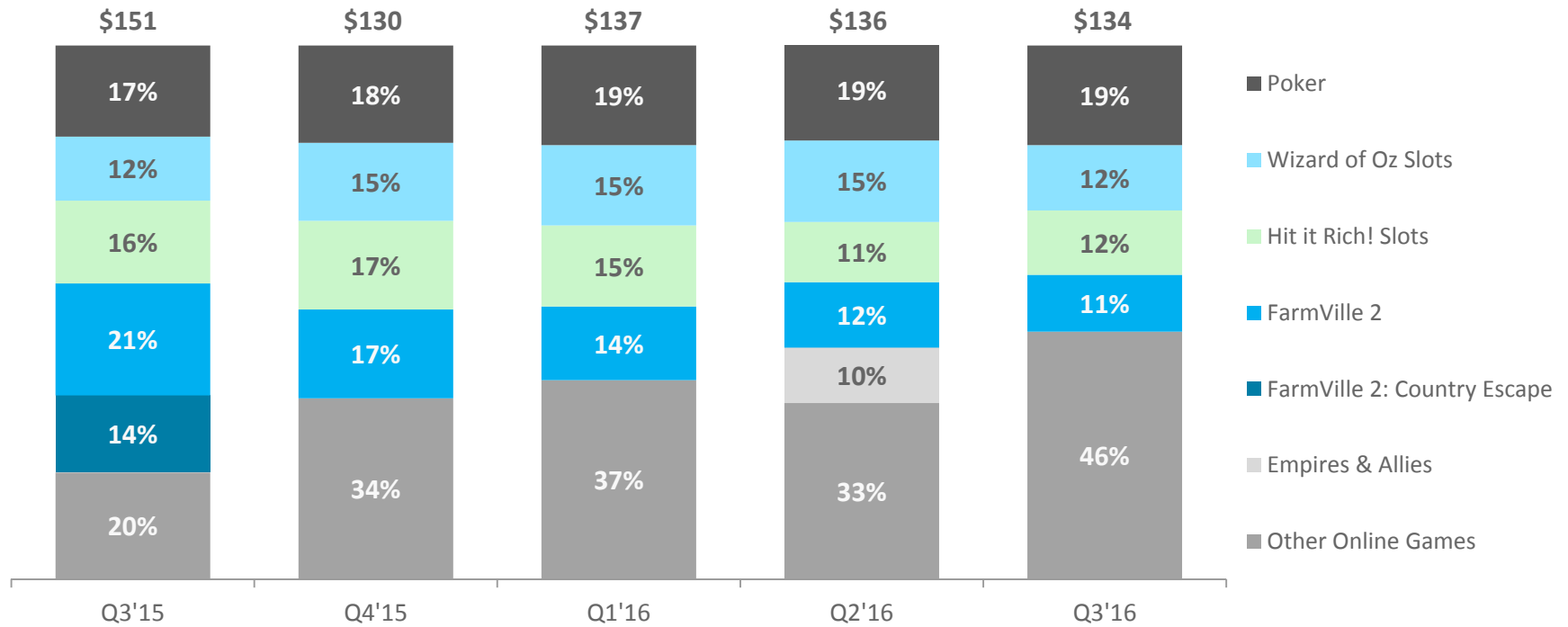
Total: \$147 million



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

ONLINE GAME REVENUE CONCENTRATION

TOTAL REVENUE IN MILLIONS

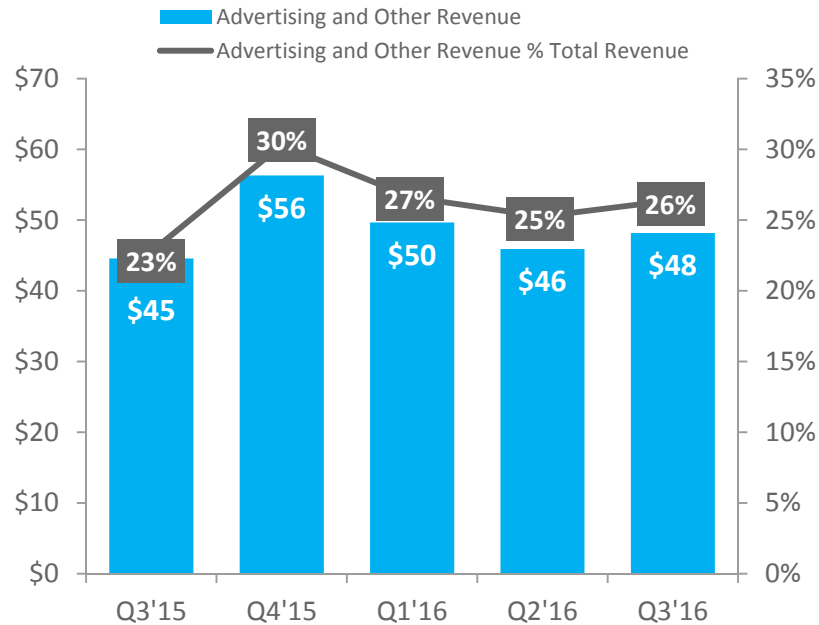


Note: Games representing less than 10% of online game revenue in any period are included in "Other Online Games"

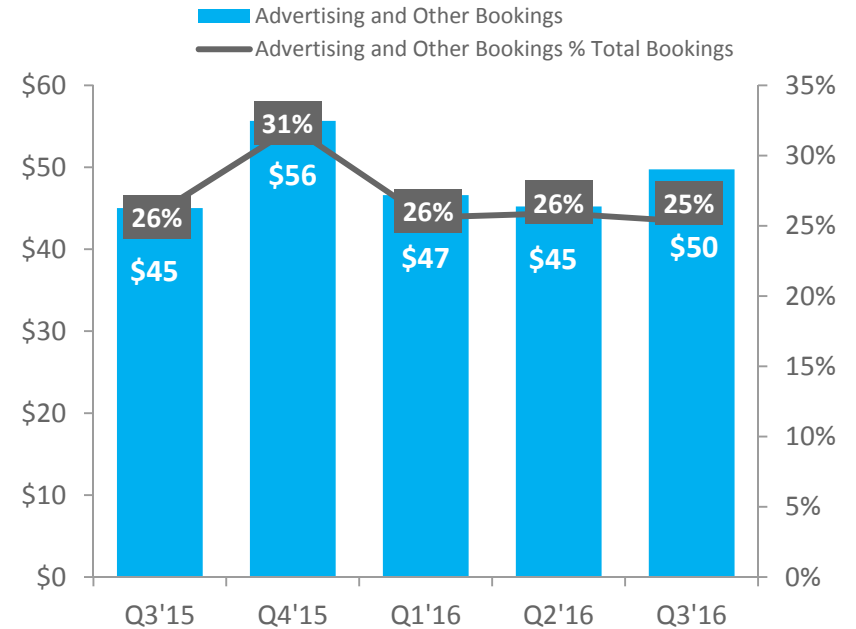
ADVERTISING AND OTHER: REVENUE AND BOOKINGS

IN MILLIONS

ADVERTISING AND OTHER REVENUE



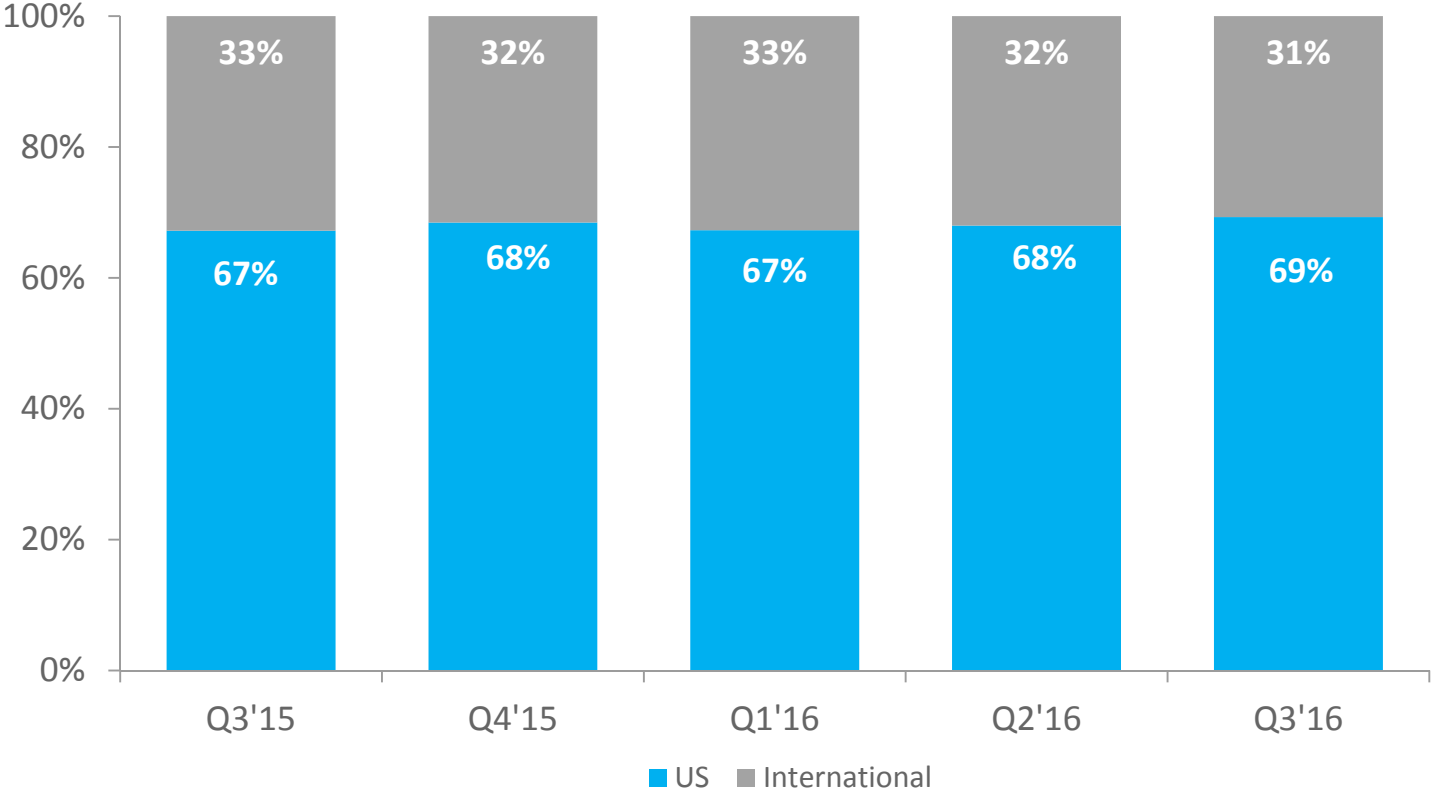
ADVERTISING AND OTHER BOOKINGS



Change in Ad & Other Deferred Revenue	\$1	(\$1)	(\$3)	(\$1)	\$2
Ad & Other Bookings	\$45*	\$56*	\$47	\$45	\$50

* The sum of these measures, as presented, differ due to the impact of rounding

REVENUE BY GEOGRAPHY



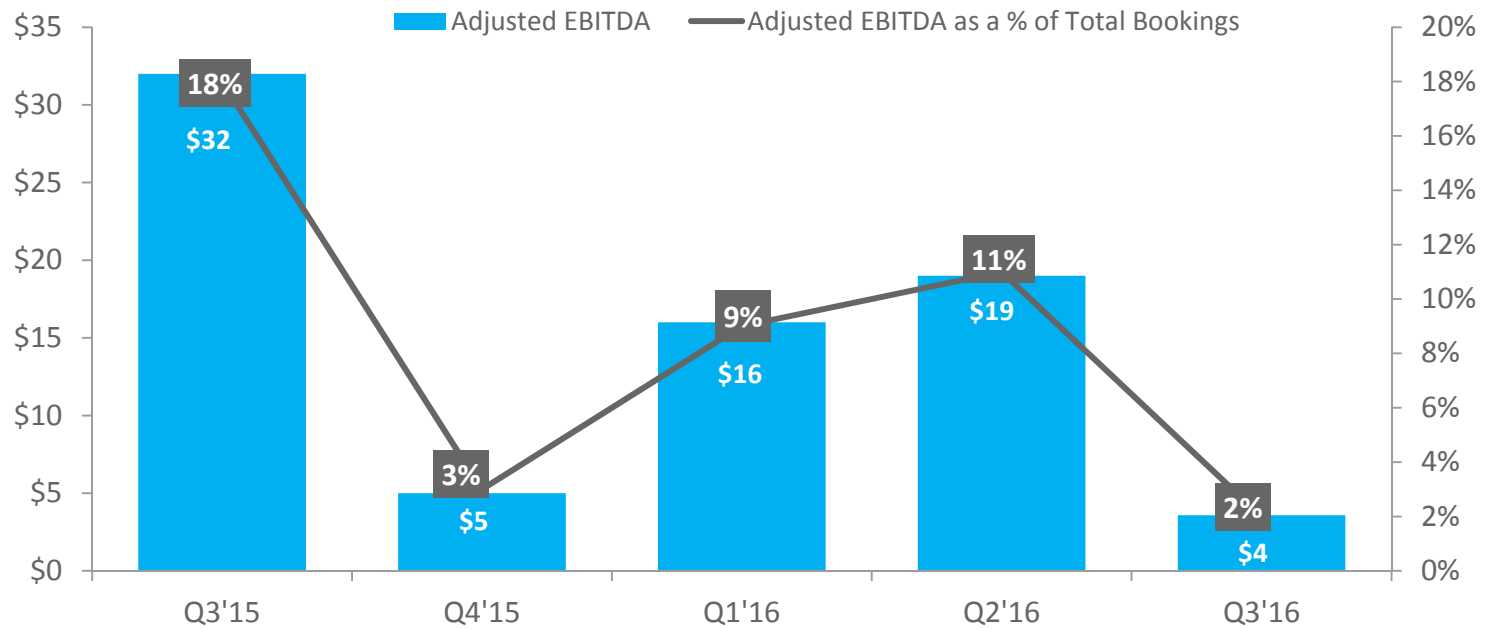
NET INCOME (LOSS) AND CASH FLOW

(in millions, except per share data)

	Q3'16	Q2'16	Q3'15
GAAP			
Net income (loss)	\$ (41.7)	\$ (4.4)	\$ 3.1
Diluted net income (loss) per share	\$ (0.05)	\$ (0.01)	\$ 0.00
Operating cash flow	\$ 21.0	\$ 14.5	\$ (5.1)
Free cash flow	\$ 18.4	\$ 13.3	\$ (6.6)
Cash, cash equivalents and marketable securities	\$ 871	\$ 868	\$ 1,074

ADJUSTED EBITDA (NEW METHODOLOGY)

IN MILLIONS



Change in Deferred Revenue	(\$20)	(\$4)	(\$5)	(\$7)	\$14
Change in Deferred Revenue as a % of Total Bookings	(11%)	(2%)	(3%)	(4%)	7%

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.

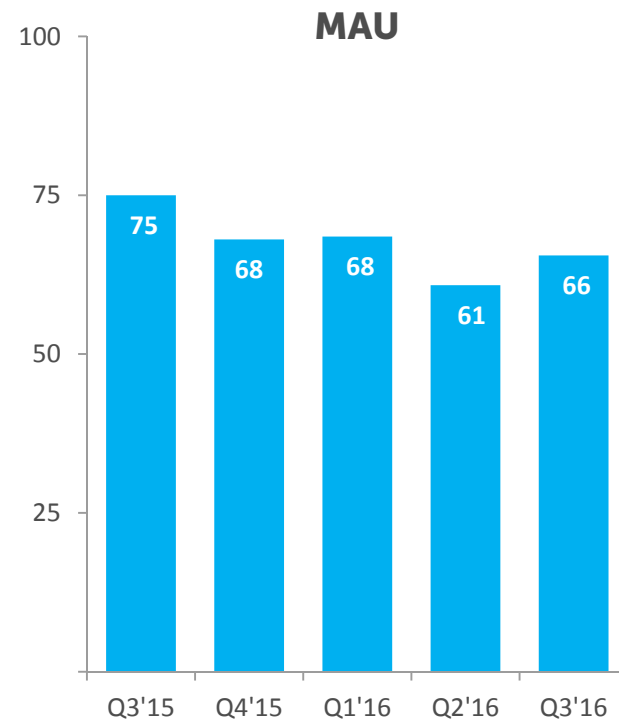
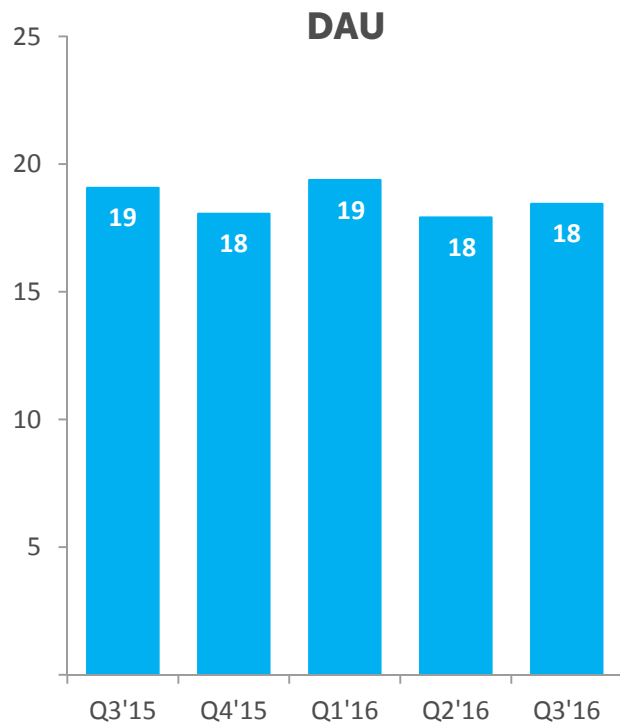
MUUs. We define MUUs as the number of individuals who played one or more of our games, which we were able to verify were played by the same individual in the 30-day period ending with the measurement date. An individual who plays more than one of our games in a given 30-day period would be counted as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

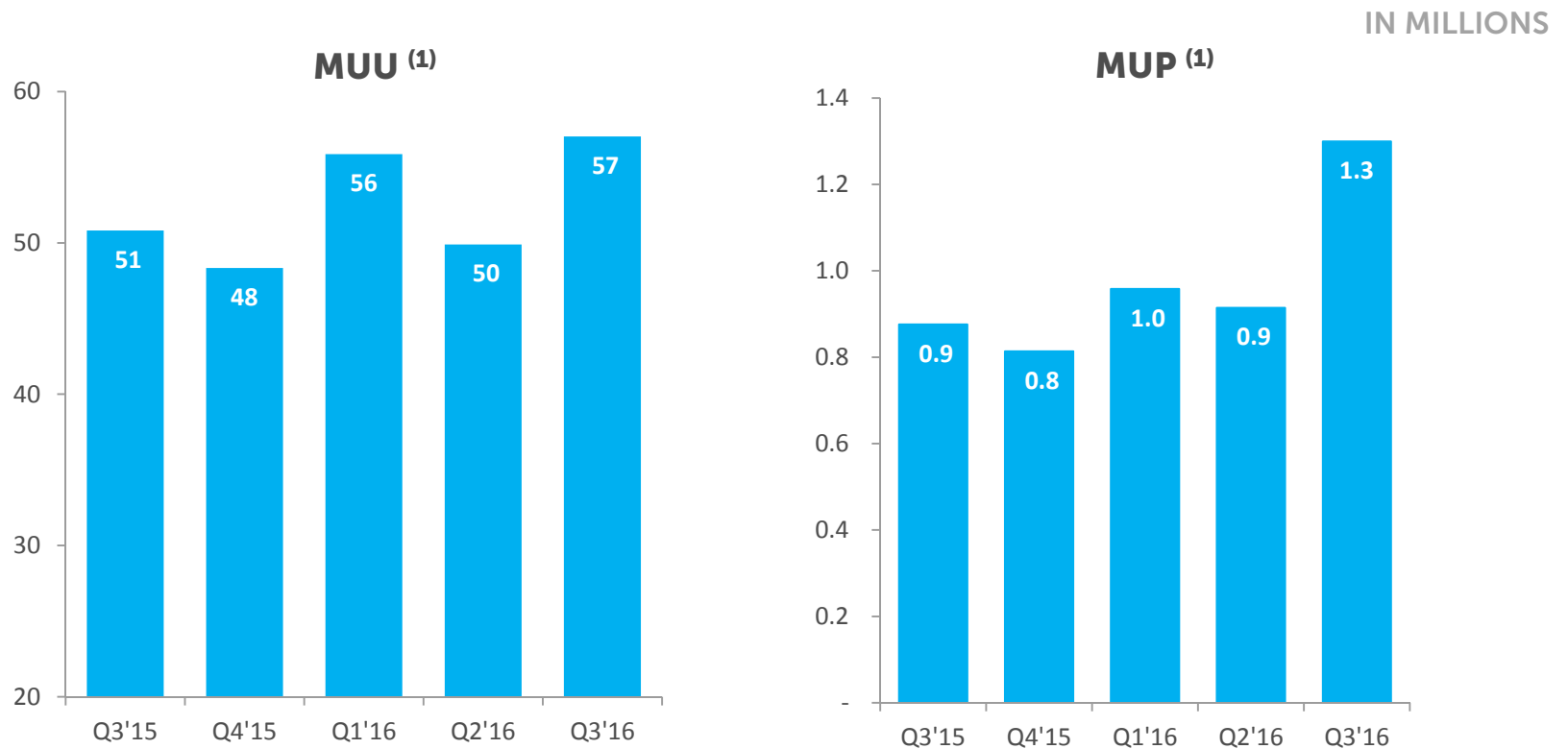
ABPU. We define ABPU as our total bookings in a given period, divided by the number of days in that period, divided by, the average DAUs during the period. We believe that ABPU provides useful information to investors and others in understanding and evaluating our results in the same manner as our management 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.

AUDIENCE METRICS

IN MILLIONS



AUDIENCE METRICS

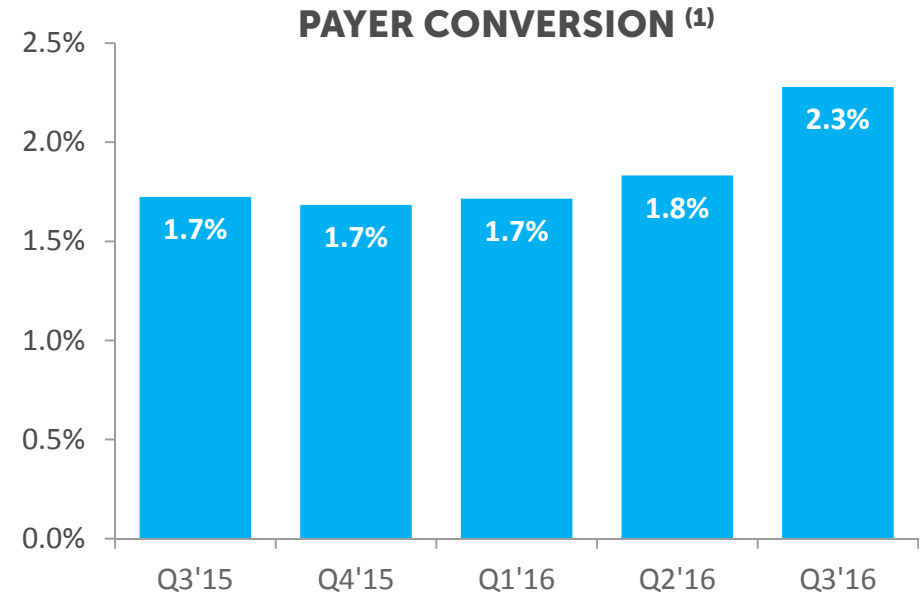
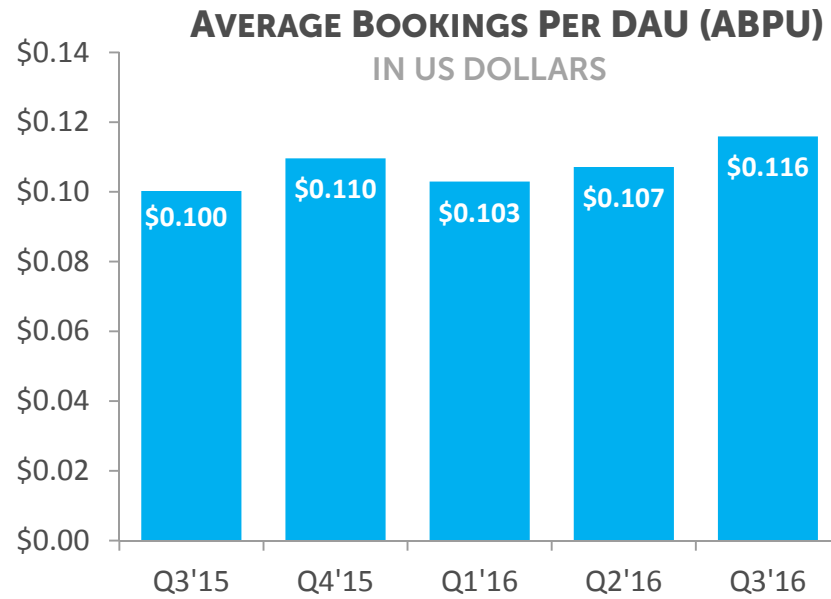


Footnote:

(1) In the third quarter of 2016, MUU and MUP exclude *Vegas Diamond Slots* and *Daily Celebrity Crossword*. In the first and second quarters of 2016, MUU and MUP exclude *Black Diamond Casino*, *Vegas Diamond Slots*, *Yummy Gummy* and *Crazy Kitchen*. In 2015, MUU and MUP exclude *CSR Racing*, *CSR Classics* and *Clumsy Ninja*. These games are excluded as the necessary data is not available.



MONETIZATION



Footnote:

(1) In the third quarter of 2016, payer conversion excludes *Vegas Diamond Slots* and *Daily Celebrity Crossword*. In the first and second quarters of 2016, payer conversion excludes *Black Diamond Casino*, *Vegas Diamond Slots*, *Yummy Gummy* and *Crazy Kitchen*. In 2015, payer conversion exclude *CSR Racing*, *CSR Classics* and *Clumsy Ninja*. These games are excluded as the necessary data is not available.



Q4 2016 FINANCIAL OUTLOOK

Q4 2016 FINANCIAL OUTLOOK

(in millions, except per share data)

	Q4'16 Outlook	
	Low	High
GAAP		
Revenue	\$ 180	\$ 190
Net release of (increase in) deferred revenue ⁽²⁾	\$ (5)	\$ (5)
Net income (loss)	\$ (27)	\$ (25)
Diluted share count	889	889
Net income (loss) per share	\$ (0.03)	\$ (0.03)
Non-GAAP		
Bookings	\$ 185	\$ 195
Adjusted EBITDA (new methodology) ⁽¹⁾	\$ 12	\$ 14

Footnotes:

(1) Zynga's new methodology for computing adjusted EBITDA includes the change in deferred revenue.

(2) For clarity, a net increase in deferred revenue is a negative impact to revenue and results in an increase in deferred revenue on the 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 metrics we use in making operating decisions and because our investors and analysts use them to help assess the health of our business.

We have provided reconciliations of our non-GAAP financial measures used in this presentation to the most directly comparable GAAP financial measures in the following tables.

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.

- Adjusted EBITDA (new methodology) and Adjusted EBITDA (previously reported methodology) do not include the impact of stock-based expense, acquisition-related transaction expenses, contingent consideration fair value adjustments and restructuring expense;
- 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 (new methodology) and Adjusted EBITDA (previously reported methodology) do 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 (new methodology) and Adjusted EBITDA (previously reported methodology) exclude 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 and acquisitions, and removing the excess income tax benefits or costs associated with stock-based awards.

REVENUE TO BOOKINGS: TOTAL

(in thousands, unaudited)	3 months ended					9 months ended	
	9/30/16	6/30/16	3/31/16	12/31/15	9/30/15	9/30/16	9/30/15
Reconciliation of Revenue to Bookings							
Revenue	\$ 182,424	\$ 181,735	\$ 186,721	\$ 185,769	\$ 195,737	\$ 550,880	\$ 578,948
Change in deferred revenue	14,299	(7,082)	(5,096)	(3,665)	(19,758)	2,121	(61,097)
Bookings	\$ 196,723	\$ 174,653	\$ 181,625	\$ 182,104	\$ 175,979	\$ 553,001	\$ 517,851

REVENUE TO BOOKINGS: ADVERTISING AND OTHER; ADVERTISING

(in thousands, unaudited)	3 months ended		9 months ended	
	9/30/16	9/30/15	9/30/16	9/30/15
Reconciliation of Revenue to Bookings: Advertising & Other				
Revenue	\$ 48,171	\$ 44,569	\$ 143,748	\$ 117,655
Change in deferred revenue	1,590	462	(2,161)	(1,241)
Bookings: Advertising & Other	\$ 49,761	\$ 45,031	\$ 141,587	\$ 116,414
Less Bookings: Other	\$ (1,174)	\$ (1,711)	\$ (4,397)	\$ (3,880)
Bookings: Advertising	\$ 48,587	\$ 43,320	\$ 137,190	\$ 112,534

NET INCOME (LOSS) TO ADJUSTED EBITDA (NEW METHODOLOGY)

(in thousands, unaudited)	3 months ended					9 months ended	
	9/30/16	6/30/16	3/31/16	12/31/15	9/30/15	9/30/16	9/30/15
Reconciliation of Net income (loss) to Adjusted EBITDA (new methodology) ⁽¹⁾							
Net income (loss)	\$ (41,737)	\$ (4,446)	\$ (26,558)	\$ (51,198)	\$ 3,052	\$ (72,741)	\$ (70,312)
Provision for (benefit from) income taxes	(2,782)	506	2,480	(1,862)	(9,381)	204	(6,810)
Other income (expense), net	(980)	(1,905)	(2,100)	(1,463)	(2,285)	(4,985)	(11,843)
Interest income	(800)	(761)	(705)	(603)	(566)	(2,266)	(1,965)
Restructuring expense, net	(49)	1,710	468	19,748	416	2,129	16,732
Depreciation and amortization	10,511	10,835	10,812	11,966	11,287	32,158	42,349
Acquisition-related transaction expenses	75	199	—	249	895	274	895
Contingent consideration fair value adjustment	(5,810)	(14,390)	2,030	(3,288)	—	(18,170)	9,400
Gain (loss) on legal settlements	—	—	—	—	(1,681)	—	(1,681)
Impairment of intangible assets	20,677	—	—	—	—	20,677	—
Stock-based expense	24,475	26,899	29,608	31,772	30,436	80,982	99,803
Adjusted EBITDA (new methodology) ⁽¹⁾	\$ 3,580	\$ 18,647	\$ 16,035	\$ 5,321	\$ 32,173	\$ 38,262	\$ 76,568
Change in deferred revenue	14,299	(7,082)	(5,096)	(3,665)	(19,758)	2,121	(61,097)
Adjusted EBITDA (previously reported methodology) ⁽²⁾	\$ 17,879	\$ 11,565	\$ 10,939	\$ 1,656	\$ 12,415	\$ 40,383	\$ 15,471

Footnotes:

(1) Zynga's new methodology for computing adjusted EBITDA includes the change in deferred revenue.

(2) Zynga's previously reported methodology for computing adjusted EBITDA excludes the change in deferred revenue. This is the last time adjusted EBITDA under the previously reported methodology will be reported.

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

	3 months ended		9 months ended	
	9/30/16	9/30/15	9/30/16	9/30/15
(in thousands, unaudited)				
Reconciliation of net cash provided by (used in) operating activities to free cash flow				
Net cash provided by (used in) operating activities	\$ 21,032	\$ (5,112)	\$ 32,273	\$ (47,912)
Acquisition of property and equipment	(2,674)	(1,608)	(6,621)	(6,847)
Excess tax benefits from stock-based awards	—	90	—	90
Free cash flow	\$ 18,358	\$ (6,630)	\$ 25,652	\$ (54,669)

Q3 2016 GAAP TO Non-GAAP COSTS AND EXPENSES

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

Three months ended September 30, 2016

	GAAP measure	Restructuring expense, net	Amortization of intangible assets from acquisitions	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Impairment of intangible assets	Stock-based expense	Non-GAAP measure
Cost of revenue	\$ 62,675	\$ -	\$ (6,018)	\$ -	\$ -	\$ -	\$ (1,049)	\$ 55,608
Research and development	73,913	-	-	(1)	5,810	-	(18,662)	61,060
Sales and marketing	49,802	-	(1,257)	(2)	-	-	(1,541)	47,002
General and administrative	21,656	49	-	(72)	-	-	(3,223)	18,410
Impairment of intangible assets	20,677	-	-	-	-	(20,677)	-	-
Total costs and expenses	<u>\$ 228,723</u>	<u>\$ 49</u>	<u>\$ (7,275)</u>	<u>\$ (75)</u>	<u>\$ 5,810</u>	<u>\$ (20,677)</u>	<u>\$ (24,475)</u>	<u>\$ 182,080</u>

Nine months ended September 30, 2016

	GAAP measure	Restructuring expense, net	Amortization of intangible assets from acquisitions	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Impairment of intangible assets	Stock-based expense	Non-GAAP measure
Cost of revenue	\$ 175,917	\$ -	\$ (19,382)	\$ -	\$ -	\$ -	\$ (2,825)	\$ 153,710
Research and development	227,883	(124)	-	(1)	18,170	-	(63,078)	182,850
Sales and marketing	136,777	-	(2,737)	(181)	-	-	(5,738)	128,121
General and administrative	69,414	(2,005)	-	(92)	-	-	(9,341)	57,976
Impairment of intangible assets	20,677	-	-	-	-	(20,677)	-	-
Total costs and expenses	<u>\$ 630,668</u>	<u>\$ (2,129)</u>	<u>\$ (22,119)</u>	<u>\$ (274)</u>	<u>\$ 18,170</u>	<u>\$ (20,677)</u>	<u>\$ (80,982)</u>	<u>\$ 522,657</u>

Q3 2015 GAAP TO Non-GAAP COSTS AND EXPENSES

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

Three months ended September 30, 2015

	<u>GAAP</u> <u>measure</u>	<u>Restructuring</u> <u>expense, net</u>	<u>Amortization</u> <u>of intangible</u> <u>assets from</u> <u>acquisitions</u>	<u>Acquisition-</u> <u>related</u> <u>transaction</u> <u>expenses</u>	<u>Contingent</u> <u>consideration</u> <u>fair value</u> <u>adjustment</u>	<u>Gain (loss)</u> <u>from legal</u> <u>settlements</u>	<u>Stock-based</u> <u>expense</u>	<u>Non-GAAP</u> <u>measure</u>
Cost of revenue	\$ 57,187	\$ 12	\$ (5,434)	\$ -	\$ -	\$ -	\$ (991)	\$ 50,774
Research and development	78,416	(241)	-	-	-	-	(22,308)	55,867
Sales and marketing	43,549	(51)	(799)	-	-	-	(2,045)	40,654
General and administrative	25,765	(136)	-	(895)	-	1,681	(5,092)	21,323
Total costs and expenses	<u>\$ 204,917</u>	<u>\$ (416)</u>	<u>\$ (6,233)</u>	<u>\$ (895)</u>	<u>\$ -</u>	<u>\$ 1,681</u>	<u>\$ (30,436)</u>	<u>\$ 168,618</u>

Nine months ended September 30, 2015

	<u>GAAP</u> <u>measure</u>	<u>Restructuring</u> <u>expense, net</u>	<u>Amortization</u> <u>of intangible</u> <u>assets from</u> <u>acquisitions</u>	<u>Acquisition-</u> <u>related</u> <u>transaction</u> <u>expenses</u>	<u>Contingent</u> <u>consideration</u> <u>fair value</u> <u>adjustment</u>	<u>Gain (loss)</u> <u>from legal</u> <u>settlements</u>	<u>Stock-based</u> <u>expense</u>	<u>Non-GAAP</u> <u>measure</u>
Cost of revenue	\$ 172,588	\$ (660)	\$ (16,292)	\$ -	\$ -	\$ -	\$ (2,835)	\$ 152,801
Research and development	276,832	(9,733)	-	-	(9,400)	-	(70,485)	187,214
Sales and marketing	116,507	(786)	(2,365)	-	-	-	(5,181)	108,175
General and administrative	103,951	(5,553)	-	(895)	-	1,681	(21,302)	77,882
Total costs and expenses	<u>\$ 669,878</u>	<u>\$ (16,732)</u>	<u>\$ (18,657)</u>	<u>\$ (895)</u>	<u>\$ (9,400)</u>	<u>\$ 1,681</u>	<u>\$ (99,803)</u>	<u>\$ 526,072</u>

Q4 2016 FINANCIAL OUTLOOK: GAAP TO NON-GAAP RECONCILIATION

(in thousands, except per share data)

Reconciliation of Revenue to Bookings

Revenue range

Q4'16	
\$	180,000 - 190,000

Change in deferred revenue

5,000

Bookings range

\$	185,000 - 195,000
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Reconciliation of Net income (loss) to Adjusted EBITDA (new methodology)

Net income (loss) range

\$ (27,000) - (25,000)

Provision for (benefit from) income taxes

1,000 - 3,000

Other income (expense), net

(2,000)

Interest income

(1,000)

Depreciation and amortization

9,000

Stock-based expense

32,000 - 30,000

Adjusted EBITDA range (new methodology)

\$	12,000 - 14,000
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GAAP diluted shares

889,000

Net income (loss) per share

\$ (0.03)

