



# ZYNGA Q3 2017

## FINANCIAL RESULTS

November 7, 2017

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- GAAP to Non-GAAP Reconciliations

# MANAGEMENT TEAM

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**CHIEF EXECUTIVE OFFICER**  
Frank Gibeau



**CHIEF FINANCIAL OFFICER**  
Gerard Griffin

# FORWARD-LOOKING STATEMENTS

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This presentation contains forward-looking statements, including those statements relating to our guidance for the fourth quarter of 2017 under the heading "Q4 2017 FINANCIAL GUIDANCE" and statements relating to, among other things: our operational performance and progress in our turnaround; our operational strategy, including relating to live services, our continued investment in game innovations, our plans to acquire additional games and IP assets; our expectations regarding customer adoption; our ability to successfully launch new games and enhance existing games, including for our forever franchises; the success of new product and feature launches, including the worldwide launch of *Words with Friends 2*, *Zynga Poker* Jackpots, *CSR2* Fast & Furious events and AR mode, *Dawn of Titans – The Throne War*, the *Farmville: Tropic Escape* Cruise Ships event system, and other special events; the prospect of emerging game platforms and features, such as augmented reality and chat features; our expectations regarding the advertising market, including anticipated trends in that market; our expectations in the mobile game industry, including anticipated trends in that market; our expectations regarding the acquisition of the mobile card game studio of Peak Games, including our expectations regarding the closing of the transaction, our ability to successfully integrate the acquired games and other assets into our business and operations, and our belief that we will have the largest casual game portfolio in the world; and our ability to achieve financial projections, including revenue, bookings, income and margin goals.

Forward-looking statements often include words such as "guidance," "projected," "intends," "will," "anticipate," "believe," "target," "expect," and statements in the future tense are generally forward-looking. The achievement or success of the matters covered by such forward-looking statements involves significant risks, uncertainties, and assumptions. Our actual results could differ materially from those predicted or implied and reported results should not be considered as an indication of our future performance. Undue reliance should not be placed on such forward-looking statements, which are based on information available to us on the date hereof. We assume no obligation to update such statements. More information about factors that could affect our operating results are described in greater detail in our public filings with the Securities and Exchange Commission (the "SEC"), copies of which may be obtained by visiting our Investor Relations web site at <http://investor.zynga.com> or the SEC's web site at [www.sec.gov](http://www.sec.gov).

In addition, the preliminary financial results set forth in this presentation are estimates based on information currently available to us. While we believe these estimates are meaningful, they could differ from the actual amounts that we ultimately report in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017. We assume no obligation and do not intend to update these estimates prior to filing our Quarterly Report on Form 10-Q for the quarter ended September 30, 2017.



## OVERVIEW OF Q3 2017 PERFORMANCE

# Q3 2017 PERFORMANCE OVERVIEW

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## Q3 FINANCIAL HIGHLIGHTS

- Revenue of \$224.6 million; above our guidance and up 23% Y/Y
- GAAP operating expenses of \$138.7 million; down 16% Y/Y
- Net income of \$18.1 million; above our guidance and an improvement of \$59.8 million Y/Y
- Net release of deferred revenue of \$11.1 million; versus our guidance of a net release of deferred revenue of \$5.0 million
- Bookings of \$213.5 million; above our guidance and up 9% Y/Y
- Non-GAAP operating expenses of \$121.3 million; down 4% Y/Y
- Adjusted EBITDA of \$44.6 million; above our guidance and an increase of \$41.0 million Y/Y
- Operating cash flow of \$35.1 million; up \$14.1 million Y/Y

## Q3 MOBILE HIGHLIGHTS

- Mobile revenue of \$194.4 million; up 33% Y/Y
- Mobile bookings of \$186.5 million; up 15% Y/Y
- Average mobile DAUs of 19 million; up 19% Y/Y
- Mobile user pay revenue was up 44% Y/Y, and mobile user pay bookings were up 20% Y/Y

## Q3 ADVERTISING HIGHLIGHTS

- Advertising revenue of \$46.4 million and advertising bookings of \$45.6 million were down 1% and 6% Y/Y, respectively
- Sequentially, advertising revenue and bookings grew 4% and 5%, respectively, driven by positive seasonality on mobile and higher quality mix of advertising products
- Advertising now represents 21% of both total revenue and bookings as compared to 26% of total revenue and 25% of total bookings a year ago
- We continue to expect full year 2017 advertising to decline slightly Y/Y. This is primarily driven by web declines as well as softer pricing in the mobile gaming advertising market

# Q3 2017 FINANCIAL GUIDANCE VS. ACTUALS

\* Q3'17 guidance as communicated in our Q2'17 shareholders' letter and earnings slides

(in thousands, except per share data)

<b>GAAP</b>	<b>Guidance*</b>	<b>Actuals</b>
Revenue	\$ 210,000	\$ 224,595
Net release of deferred revenue <sup>(1)</sup>	\$ 5,000	\$ 11,108
Net income	\$ 7,000	\$ 18,091
Diluted share count	894,000	893,684
Diluted net income per share	\$ 0.01	\$ 0.02
<b>Non-GAAP</b>		
Bookings	\$ 205,000	\$ 213,487
Adjusted EBITDA	\$ 30,000	\$ 44,589

Footnote:

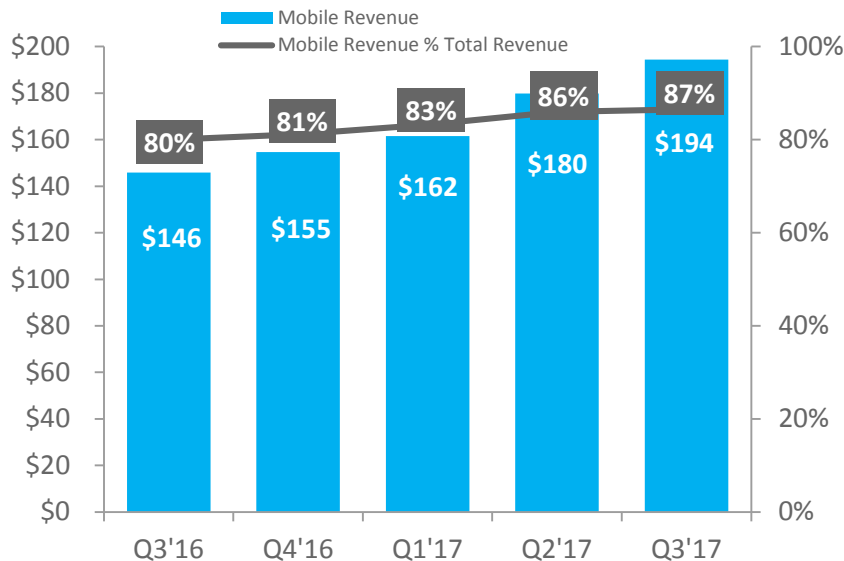
<sup>(1)</sup> For clarity, a net release of deferred revenue results in revenue being higher than bookings and is a positive impact to Adjusted EBITDA as reported; a net increase in deferred revenue results in revenue being lower than bookings and is a negative impact to Adjusted EBITDA as reported.

# MOBILE HIGHLIGHTS

IN MILLIONS

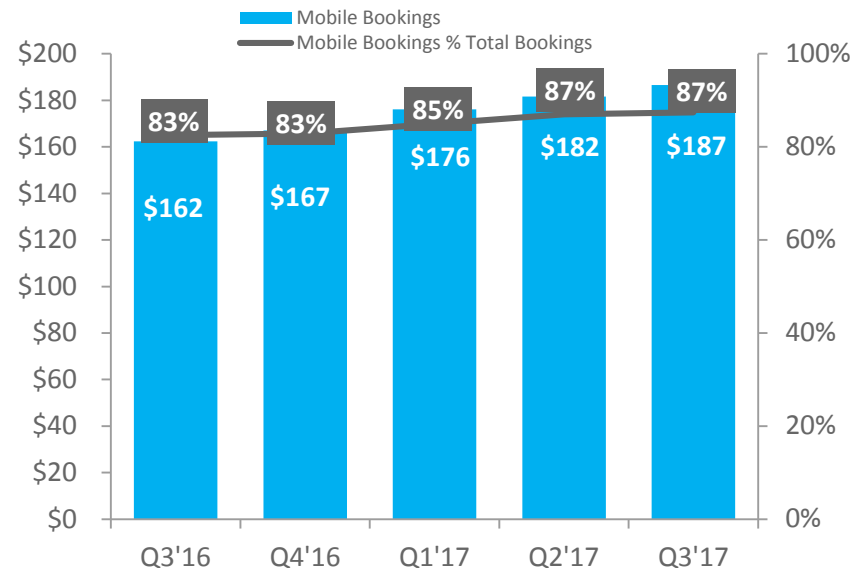
## MOBILE REVENUE

87% OF TOTAL IN Q3'17



## MOBILE BOOKINGS

87% OF TOTAL IN Q3'17



Net Release of (Increase in) Deferred Revenue <sup>(1)</sup>	(\$16)	(\$12)	(\$15)	(\$2)	\$8
Mobile Bookings	\$162	\$167	\$176 <sup>(2)</sup>	\$182	\$187 <sup>(2)</sup>

Footnotes:

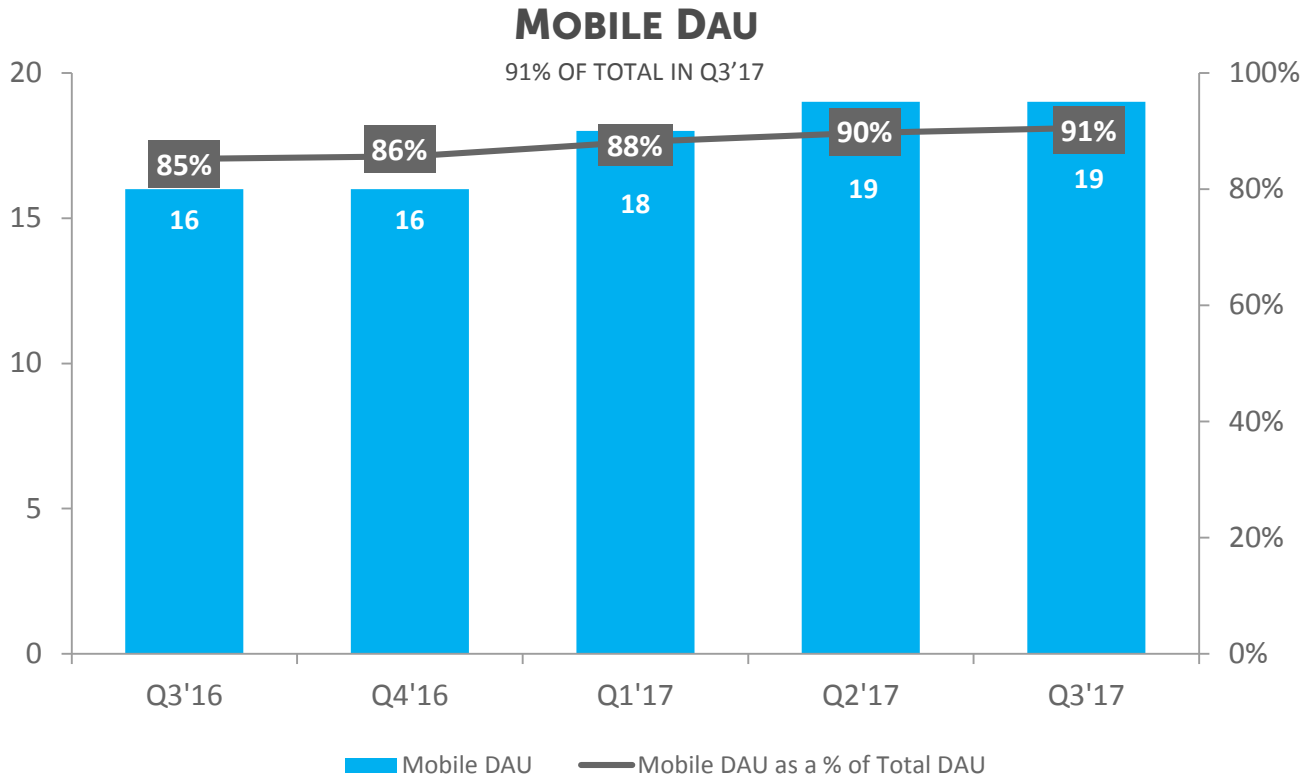
(1) Refer to footnote (1) on slide 7

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



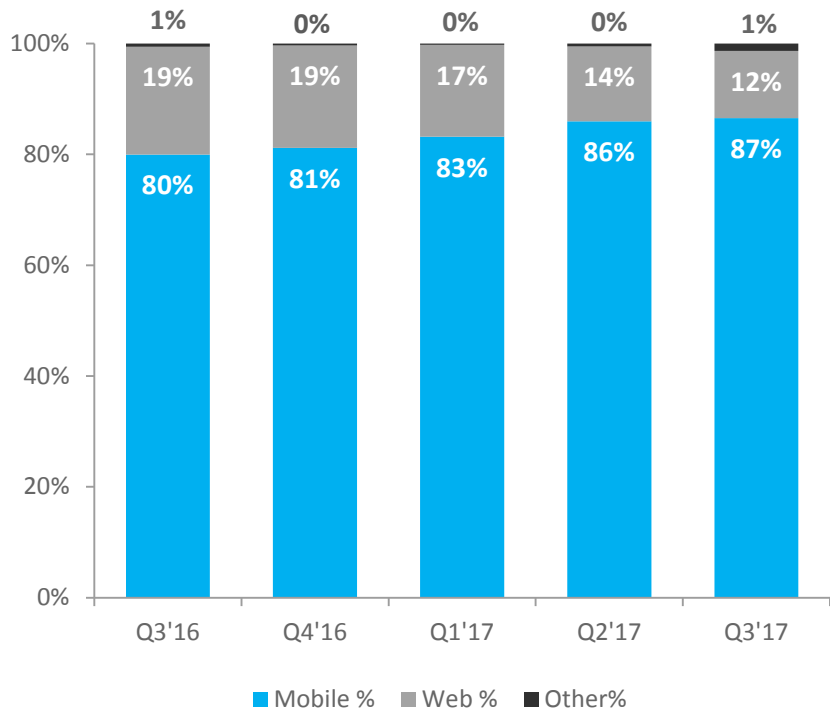
# MOBILE HIGHLIGHTS

IN MILLIONS

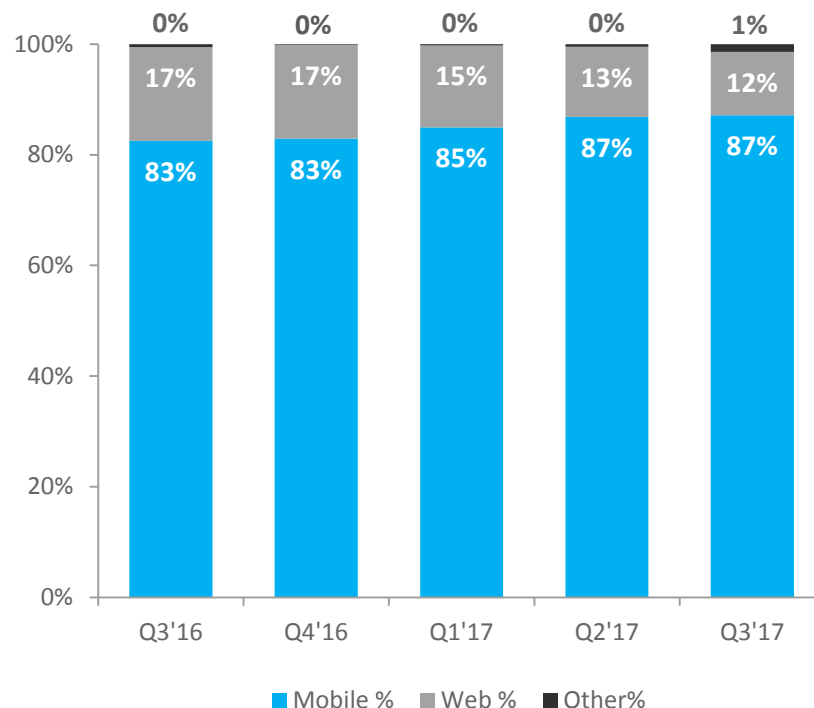


# PLATFORM MIX: REVENUE AND BOOKINGS

## PLATFORM REVENUE MIX



## PLATFORM BOOKINGS MIX



## SOCIAL CASINO



- Zynga Poker delivered its highest quarterly mobile performance in 10-year franchise history with mobile revenue up 78% Y/Y and mobile bookings up 81% Y/Y
  - Performance was driven by the team's continued focus on innovating on two of our most popular features, Challenges and Leagues
  - Currently ramping its latest bold beat, Jackpots, designed to deliver players an experience that brings to life the thrill of an unexpected big win



- Social Slots mobile revenue was down 2% and mobile bookings were flat sequentially
  - In Q3, we saw a sequential increase in monetization in our Social Slots portfolio
  - We added an exclusive *Hit It Rich! Slots Max Voltage* lobby featuring beloved slots brands and content from Ainsworth Gaming Technology, a leader in real-world slots
  - In *Wizard of Oz Slots*, we launched the Yellow Brick Road social bold beat, which helped deliver monetization improvements sequentially

## CASUAL



- *Words With Friends* delivered strong performance in Q3, with mobile revenue up 9% and mobile bookings up 10% sequentially
  - In Q3, we introduced a new bold beat, Social Dictionary, which added 50,000 new words into the game inspired by players and the latest pop culture phrases
- This week, we'll be launching a robust sequel, *Words with Friends 2* to global audiences
  - The new game builds on the 8-year history of this popular forever franchise by adding the most in-demand features requested by our global players
  - We've also enhanced the look and feel of this forever franchise that has become a daily part of millions of people's lives around the world
  - We anticipate *Words With Friends 2* will steadily ramp in the months following its launch and our team is planning an ambitious bold beat strategy to keep the game fresh and fun for players for years to come

## ACTION STRATEGY



- CSR2 had another strong quarter, growing sequentially with mobile revenue up 8% and mobile bookings up 12%
  - Driven primarily by the latest *Fast & Furious* event in partnership with Universal Brand Development, which featured the Dodge Demon from *The Fate of the Furious* film
  - The team also celebrated Ferrari's 70<sup>th</sup> anniversary in CSR2 with six supercars developed exclusively by Ferrari for the event
  - For the remainder of the year, the team is focused on delivering an additional Fast & Furious event that will feature a new Siberia-themed racetrack and the introduction of relay races
  - Leveraging Apple's new ARKit, CSR2's AR mode will be available on iOS later this month, delivering fans a new way to bring their dream car collection off the mobile screen and virtually into their own driveway



- In Q3, the *Dawn of Titans* team deepened elder play features, while simplifying the first time user experience
  - In Q4, we plan to introduce a new bold beat – The Throne War (formerly known as Alliance vs. Alliance) which will create stronger social interactions between players

## INVEST EXPRESS

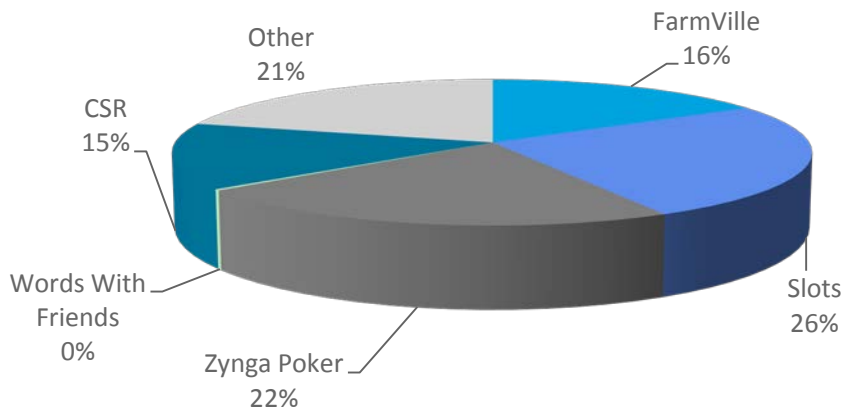


- In Q3, we began the transition of *FarmVille: Tropic Escape* to our Zynga India studio
  - The team is executing against a seasonal event roadmap for the remainder of the year, including a recently launched Halloween bold beat
  - In addition, a new event system, Cruise Ships, is expected to launch later this month and deliver a new quest-based experience that enables players to further engage with game characters and other players in the game

# Q3'2017 ONLINE GAME REVENUE AND BOOKINGS BY FRANCHISE

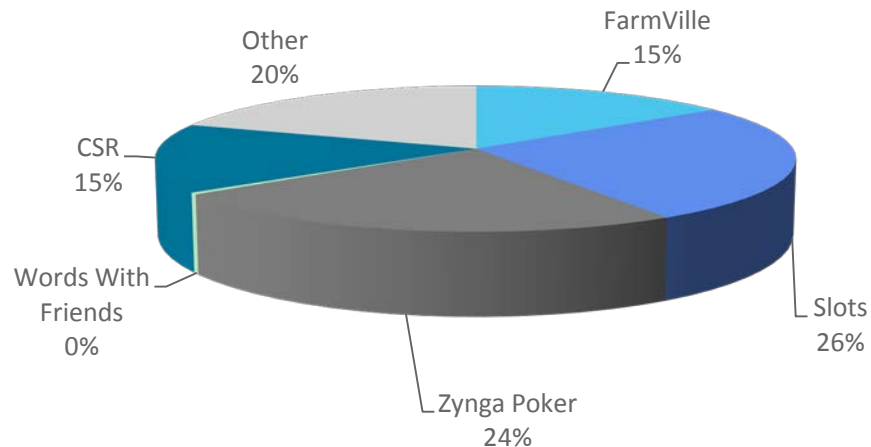
## Q3'2017 ONLINE GAME REVENUE

Total Amount: \$175 million



## Q3'2017 ONLINE GAME BOOKINGS

Total Amount: \$165 million <sup>(1)</sup>



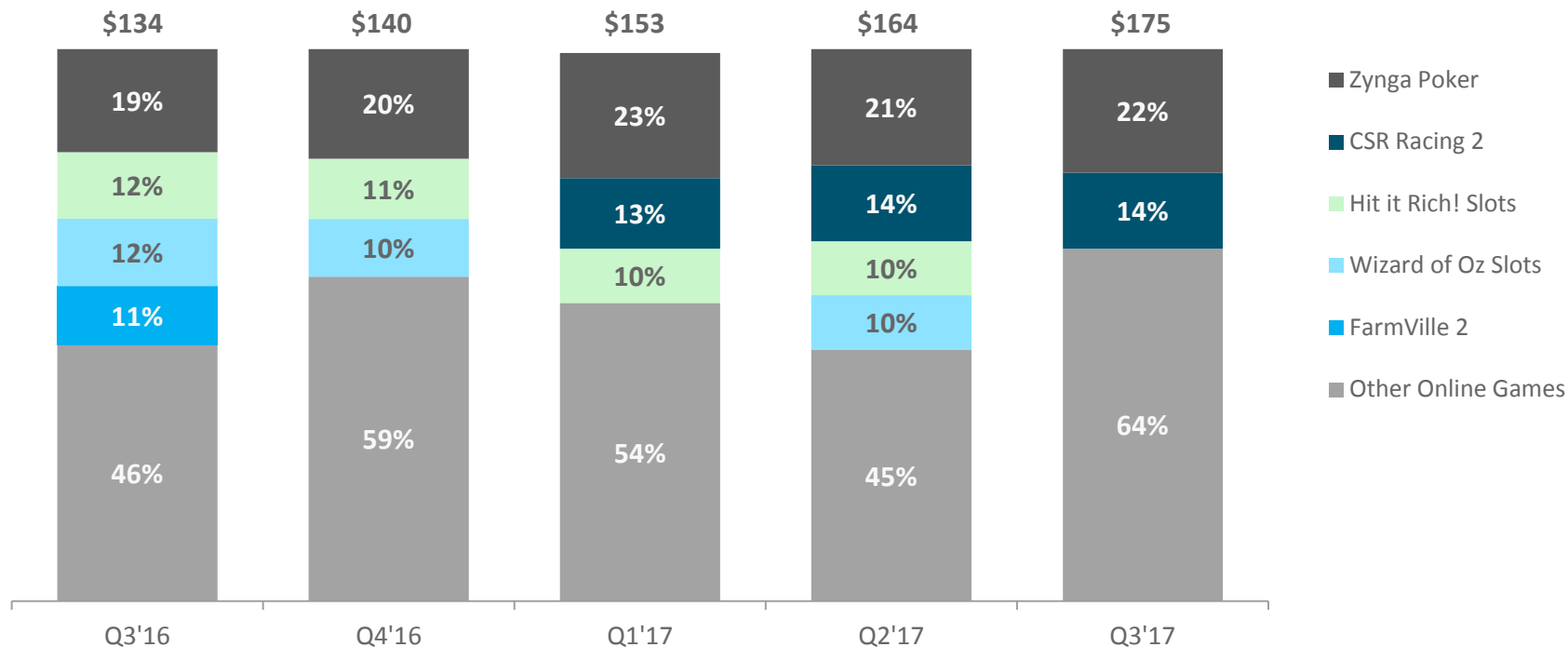
**Note:** Online game bookings/revenue excludes advertising and other bookings/revenue

Footnote:

(1) Online game revenue of \$175 million, plus the change in deferred revenue of (\$10) million, results in online game bookings of \$165 million.

# ONLINE GAME REVENUE CONCENTRATION

TOTAL REVENUE IN MILLIONS



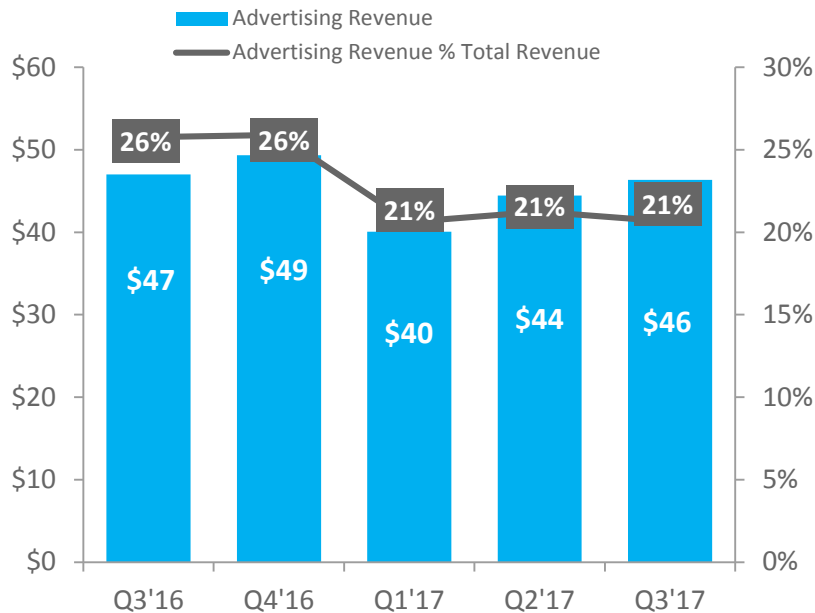
**Note:** Games representing less than 10% of online game revenue in any period are included in “Other Online Games”

# ADVERTISING: REVENUE AND BOOKINGS

IN MILLIONS

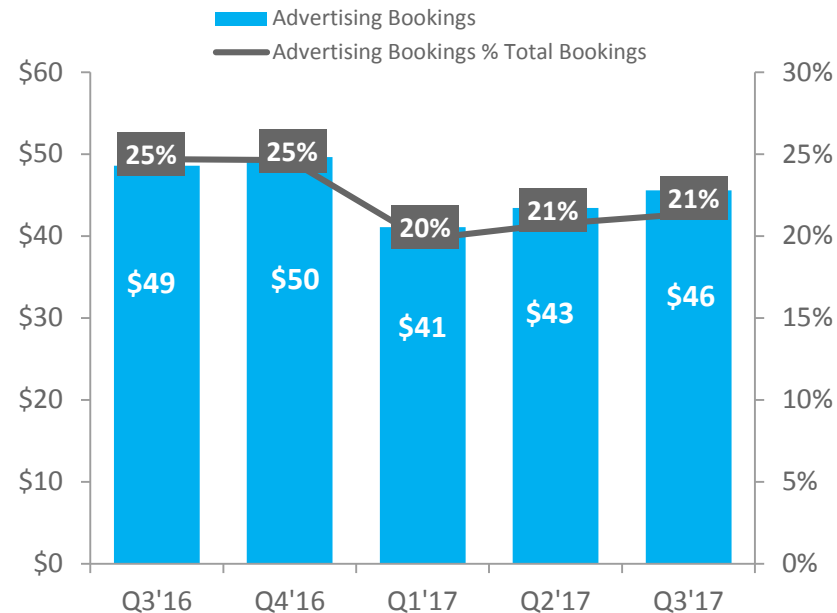
## ADVERTISING REVENUE

21% OF TOTAL IN Q3'17



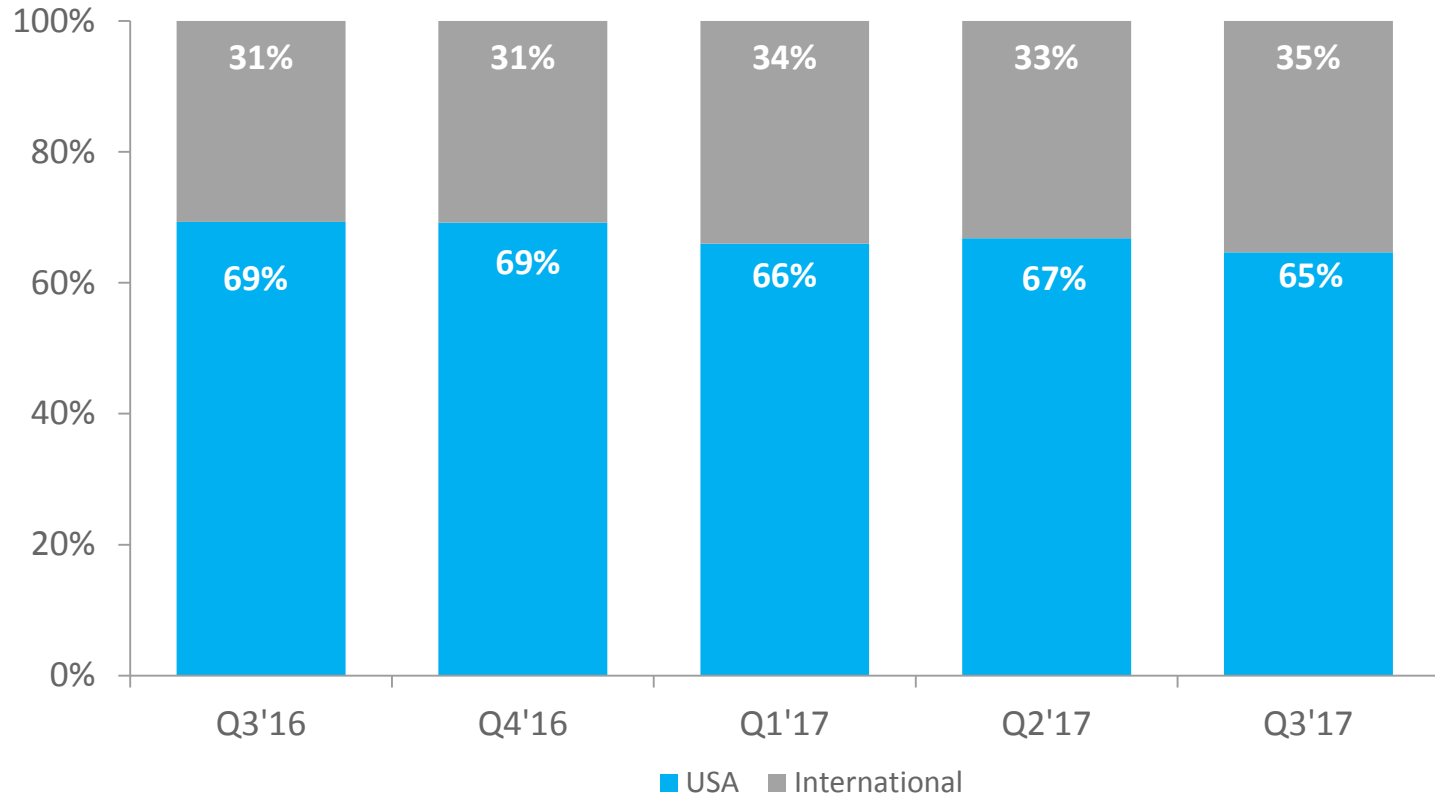
## ADVERTISING BOOKINGS

21% OF TOTAL IN Q3'17



Net Release of (Increase in) Deferred Revenue <sup>(1)</sup>	(\$2)	(\$1)	(\$1)	\$1	\$1
Advertising Bookings	\$49	\$50	\$41	\$43	\$46 <sup>(2)</sup>

# REVENUE BY GEOGRAPHY





# NET INCOME (LOSS) AND CASH FLOW

*(in millions, except per share data)*

	Q3'17	Q2'17	Q1'17	Q4'16	Q3'16
<b>GAAP</b>					
Net income (loss)	\$ 18.1	\$ 5.1	\$ (9.5)	\$ (35.4)	\$ (41.7)
Diluted net income (loss) per share	\$ 0.02	\$ 0.01	\$ (0.01)	\$ (0.04)	\$ (0.05)
<b>Operating cash flow</b>	\$ 35.1	\$ 37.8	\$ (4.7)	\$ 27.7	\$ 21.0
<b>Free cash flow (non-GAAP)</b>	\$ 32.4	\$ 36.0	\$ (7.0)	\$ 24.1	\$ 18.4
<b>Cash, cash equivalents, and marketable securities</b>	\$ 772.2	\$ 739.0	\$ 720.4	\$ 852.4	\$ 870.8

# 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.

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

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

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

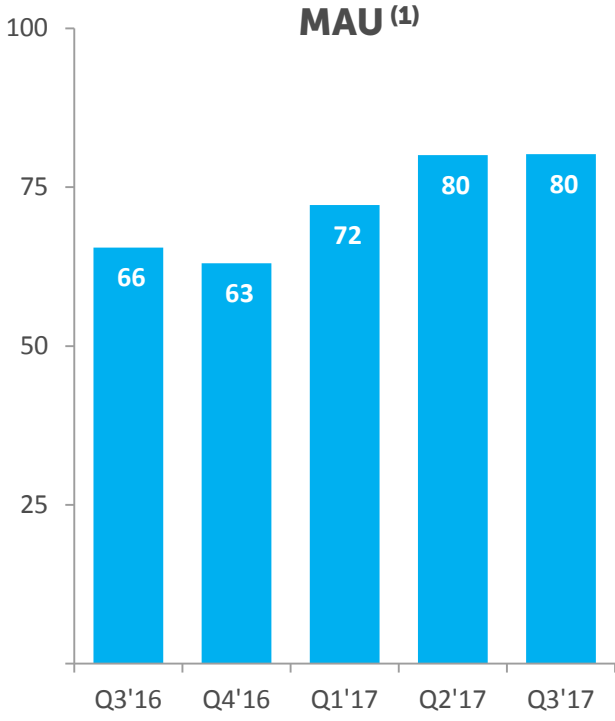
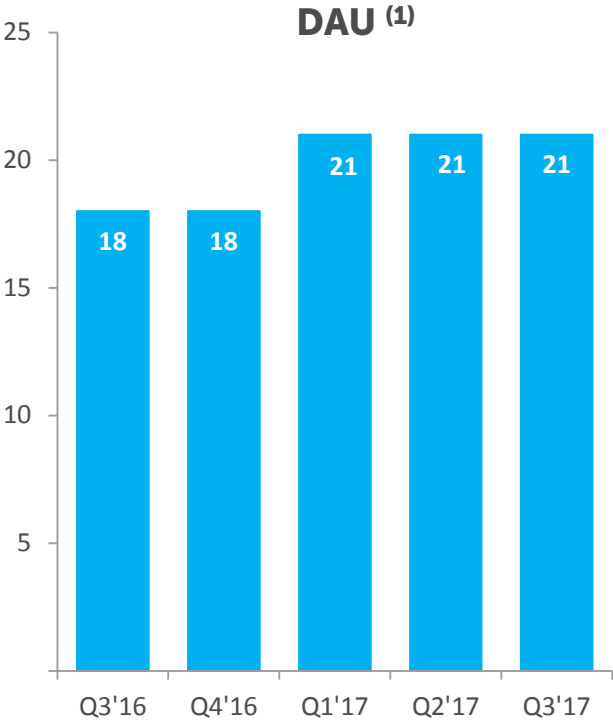
**MUPs.** We define MUPs as the number of individuals who made a payment at least once during the applicable 30-day period through a payment method for which we can quantify the number of individuals, including payers from certain mobile games. MUPs does not include individuals who use certain payment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

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

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

# AUDIENCE METRICS

IN MILLIONS



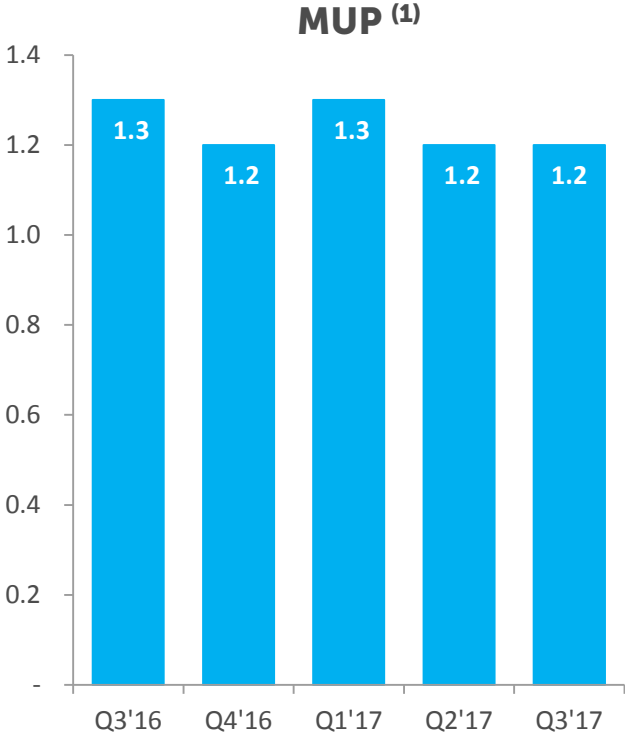
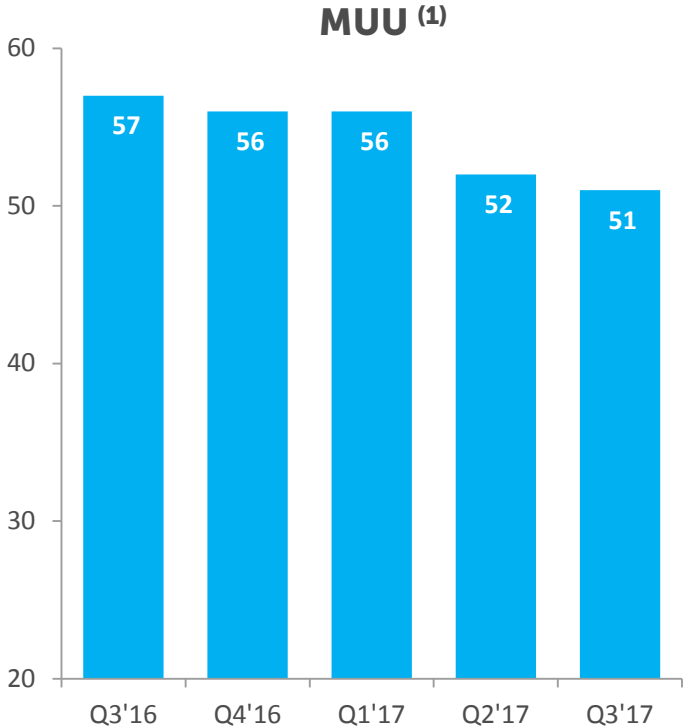
Footnote:

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



# AUDIENCE METRICS

IN MILLIONS

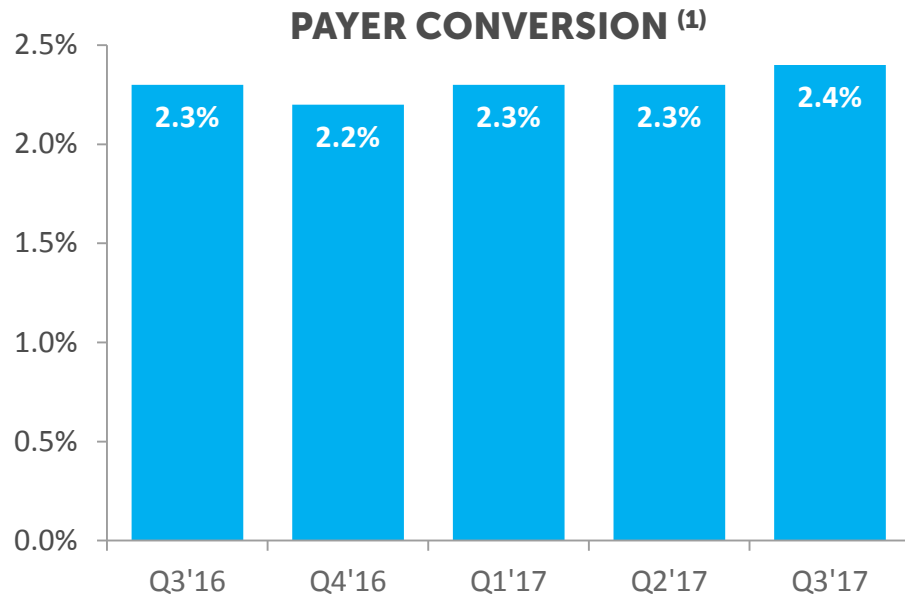
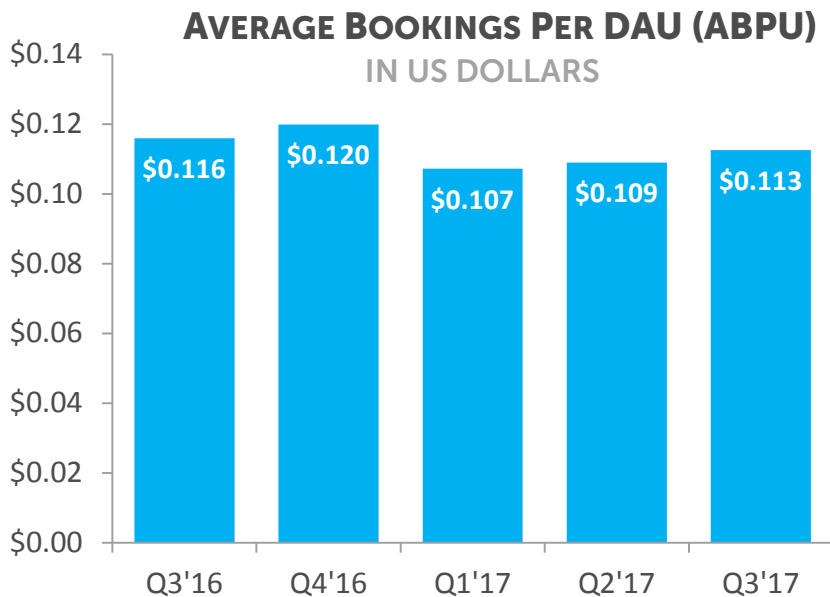


Footnote:

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



# MONETIZATION



Footnote:

- (1) For the first, second, and third quarters of 2017, payer conversion excludes *Daily Celebrity Crossword*, our Solitaire games and our Facebook Messenger games. For the third and fourth quarters of 2016, payer conversion excludes *Daily Celebrity Crossword* and *Vegas Diamond Slots*.



## **Q4 2017 FINANCIAL GUIDANCE**

# Q4 2017 FINANCIAL GUIDANCE

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*(in thousands, except per share data)*

<b>GAAP</b>	<b>Q4'17 Guidance</b>
Revenue	\$ 215,000
Net release of deferred revenue <sup>(1)</sup>	\$ 5,000
Net income	\$ 13,000
Diluted share count	900,000
Diluted net income per share	\$ 0.01
<b>Non-GAAP</b>	
Bookings	\$ 210,000
Adjusted EBITDA	\$ 35,000

Footnote:

<sup>(1)</sup> For clarity, a net release of deferred revenue results in revenue being higher than bookings and is a positive impact to Adjusted EBITDA as reported; a net increase in deferred revenue results in revenue being lower than bookings and is a negative impact to Adjusted EBITDA as reported.



## **GAAP TO NON-GAAP RECONCILIATIONS**



# NON-GAAP FINANCIAL MEASURES

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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, or superior to, our GAAP financial statements. We believe that both management and investors benefit from referring to our non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. We believe our non-GAAP financial measures are useful to investors because they allow for greater transparency with respect to key financial measures we use in making operating decisions and because our investors and analysts use them to help assess the health of our business.

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

Because of the following limitations of our non-GAAP financial measures, you should consider the non-GAAP financial measures presented in this presentation with our GAAP financial statements. Key limitations of our non-GAAP financial measures include:

- Bookings does not reflect that we defer and recognize online game revenue and revenue from certain advertising transactions over the estimated average life of durable virtual goods or as virtual goods are consumed;
- Adjusted EBITDA does not include the impact of stock-based compensation expense, acquisition-related transaction expenses, contingent consideration fair value adjustments, impairment of intangible assets, and restructuring expense;
- Adjusted EBITDA does not reflect provisions for or benefits from income taxes 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 tangible and intangible assets. Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized may have to be replaced in the future; and
- Free cash flow is derived from net cash provided by operating activities less cash spent on capital expenditures.

# REVENUE TO BOOKINGS: TOTAL

<i>(in thousands, unaudited)</i>	3 months ended		9 months ended	
	9/30/17	9/30/16	9/30/17	9/30/16
<b>Reconciliation of Revenue to Bookings</b>				
Revenue	\$ 224,595	\$ 182,424	\$ 628,110	\$ 550,880
Change in deferred revenue	(11,108)	14,299	1,913	2,121
Bookings	\$ 213,487	\$ 196,723	\$ 630,023	\$ 553,001

# REVENUE TO BOOKINGS: MOBILE

<i>(in thousands, unaudited)</i>	3 months ended		9 months ended	
	9/30/17	9/30/16	9/30/17	9/30/16
<b>Reconciliation of Revenue to Bookings: Mobile</b>				
Revenue	\$ 194,390	\$ 145,906	\$ 535,871	\$ 419,697
Change in deferred revenue	(7,848)	16,413	8,416	18,017
Bookings: Mobile	<u>\$ 186,542</u>	<u>\$ 162,319</u>	<u>\$ 544,287</u>	<u>\$ 437,714</u>

# REVENUE TO BOOKINGS: ADVERTISING

<i>(in thousands, unaudited)</i>	3 months ended		9 months ended	
	9/30/17	9/30/16	9/30/17	9/30/16
<b>Reconciliation of Revenue to Bookings: Advertising</b>				
Revenue	\$ 46,352	\$ 47,004	\$ 130,836	\$ 139,154
Change in deferred revenue	(773)	1,583	(726)	(1,964)
Bookings: Advertising	\$ 45,579	\$ 48,587	\$ 130,110	\$ 137,190

# NET INCOME (LOSS) TO ADJUSTED EBITDA

	3 months ended		9 months ended	
	9/30/17	9/30/16	9/30/17	9/30/16
<i>(in thousands, unaudited)</i>				
<b>Reconciliation of Net Income (Loss) to Adjusted EBITDA</b>				
Net income (loss)	\$ 18,091	\$ (41,737)	\$ 13,710	\$ (72,741)
Provision for (benefit from) income taxes	4,544	(2,782)	10,733	204
Other income (expense), net	(1,181)	(980)	(4,231)	(4,985)
Interest income	(1,502)	(800)	(3,548)	(2,266)
Restructuring expense, net	995	(49)	1,572	2,129
Depreciation and amortization	7,610	10,511	23,889	32,158
Acquisition-related transaction expenses	443	75	630	274
Contingent consideration fair value adjustment	–	(5,810)	(901)	(18,170)
Impairment of intangible assets	–	20,677	–	20,677
Stock-based compensation expense	15,589	24,475	49,346	80,982
Adjusted EBITDA	\$ 44,589	\$ 3,580	\$ 91,200	\$ 38,262

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

<i>(in thousands, unaudited)</i>	3 months ended		9 months ended	
	9/30/17	9/30/16	9/30/17	9/30/16
<b>Reconciliation of net cash provided by (used in) operating activities to free cash flow</b>				
Net cash provided by (used in) operating activities	\$ 35,087	\$ 21,032	\$ 68,197	\$ 32,273
Acquisition of property and equipment	(2,737)	(2,674)	(6,878)	(6,621)
Free cash flow	<u>\$ 32,350</u>	<u>\$ 18,358</u>	<u>\$ 61,319</u>	<u>\$ 25,652</u>

# GAAP TO NON-GAAP COSTS AND EXPENSES

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

## Three months ended September 30, 2017

	GAAP measure	Restructuring expense, net	Amortization of intangible assets from acquisitions	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 65,907	\$ -	\$ (2,654)	\$ -	\$ -	\$ (435)	\$ 62,818
Operating expenses:							
Research and development	60,966	(867)	-	-	-	(10,097)	50,002
Sales and marketing	53,944	-	(814)	(45)	-	(1,891)	51,194
General and administrative	23,826	(128)	-	(398)	-	(3,166)	20,134
Total operating expenses	138,736	(995)	(814)	(443)	-	(15,154)	121,330
Total costs and expenses	\$ 204,643	\$ (995)	\$ (3,468)	\$ (443)	\$ -	\$ (15,589)	\$ 184,148

## Nine months ended September 30, 2017

	GAAP measure	Restructuring expense, net	Amortization of intangible assets from acquisitions	Acquisition- related transaction expenses	Contingent consideration fair value adjustment	Stock-based compensation expense	Non-GAAP measure
Cost of revenue	\$ 194,956	\$ -	\$ (9,603)	\$ -	\$ -	\$ (1,425)	\$ 183,928
Operating expenses:							
Research and development	194,783	(1,200)	-	-	901	(32,293)	162,191
Sales and marketing	151,765	-	(3,272)	(246)	-	(5,429)	142,818
General and administrative	69,942	(372)	-	(384)	-	(10,199)	58,987
Total operating expenses	416,490	(1,572)	(3,272)	(630)	901	(47,921)	363,996
Total costs and expenses	\$ 611,446	\$ (1,572)	\$ (12,875)	\$ (630)	\$ 901	\$ (49,346)	\$ 547,924

# 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 compensation expense	Non-GAAP measure
Cost of revenue	\$ 62,675	\$ -	\$ (6,018)	\$ -	\$ -	\$ -	\$ (1,049)	\$ 55,608
Operating expenses:								
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 operating expenses	166,048	49	(1,257)	(75)	5,810	(20,677)	(23,426)	126,472
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 compensation expense	Non-GAAP measure
Cost of revenue	\$ 175,917	\$ -	\$ (19,382)	\$ -	\$ -	\$ -	\$ (2,825)	\$ 153,710
Operating expenses:								
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 operating expenses	454,751	(2,129)	(2,737)	(274)	18,170	(20,677)	(78,157)	368,947
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>



# Q4 2017 FINANCIAL GUIDANCE: GAAP TO NON-GAAP RECONCILIATION

*(in thousands, except per share data)*

## Reconciliation of Revenue to Bookings

	Q4'17
Revenue	\$ 215,000
Change in deferred revenue	(5,000)
Bookings	<u>\$ 210,000</u>

## Reconciliation of Net Income to Adjusted EBITDA

Net income	\$ 13,000
Provision for income taxes	5,000
Other income, net	(2,000)
Interest income	(2,000)
Depreciation and amortization	6,000
Stock-based compensation expense	15,000
Adjusted EBITDA	<u>\$ 35,000</u>

GAAP diluted shares	900,000
Diluted net income per share	\$ 0.01

