Exhibit 17

Company Name: Zynga Inc
Company Ticker: ZNGA US
Date: 2012-07-25
Event Description: Q2 2012 Earnings Call

Market Cap: 3,740.71
Current PX: 5.078
YTD Change($): -4.332
YTD Change(%): -46.036

Bloomberg Estimates - EPS
Current Quarter: 0.070
Current Year: 0.271
Bloomberg Estimates - Sales
Current Quarter: 372.667
Current Year: 1449.111

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Q2 2012 Earnings Call

Company Participants

- Krista Bessinger
- Mark J. Pincus
- John Schappert
- David M. Wehner

Other Participants

- Scott W. Devitt
- Neil A. Doshi
- Ed Silsbee Williams
- Douglas Anmuth
- Colin A. Sebastian
- Doug Creutz
- Heath Patrick Terry
- Justin Post
- Richard Greenfield
- Atul Bagga
- Ben Schachter
- Arvind Bhatia
- Mike J. Olson

MANAGEMENT DISCUSSION SECTION

Operator

Good day, ladies and gentlemen, and welcome to the Zynga's Second Quarter 2012 Results Conference Call. [Operator Instructions]

I would now like to introduce your host for today's conference, Krista Bessinger, Senior Director of Investor Relations. Ma'am, you may begin.

Krista Bessinger

Good afternoon, everyone, and welcome to Zynga's second quarter 2012 earnings conference call. With us are Mark Pincus, Chief Executive Officer; John Schappert, Chief Operating Officer; and Dave Wehner, Chief Financial Officer.

Before we begin, I would like to remind you that during the course of today's call we will make forward-looking statements, which are subject to various risks and uncertainties. These include statements related to, among other things, our outlook for 2012, our ability to launch new games, our ability to sustain bookings from existing games and increase payer conversions, our growth in advertising and mobile revenue, and our operational plans and strategies.

Actual results may differ materially from the results predicted. Factors that could cause or contribute to such differences include, our ability to launch new games in a timely manner and monetize those games, changes in the Facebook platform and our ability to maintain a good relationship with Facebook, intellectual property disputes or other litigation and possible changes in management or corporate strategy.

More information about factors that could affect our results is included under the captions Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations in our quarterly report on Form 10-Q filed with the SEC on May 8, 2012.

Also, I'd like to remind you that during the course of this call, we will discuss certain non-GAAP financial measures. Reconciliations to the most directly comparable GAAP financial measures are provided in the tables in the press release and on our Investor Relations website. These non-GAAP measures are not intended to be considered in isolation from, as a substitute for, or superior to our GAAP results.

This conference call is being webcast on the Internet and is available through Zynga's Investor Relations website, investor.zynga.com. An audio replay of this call will also be available on our Investor Relations website in a few hours.

And with that, I'll turn the call over to Mark.

Mark J. Pincus

Thanks everyone for joining our Q2 earnings call. John and Dave will review the details of our performance. But first, I want to start with some perspectives on the quarter and share with you where we believe the opportunities are for growth across our business.

The company achieved some significant milestones in the quarter, including the launch of Bubble Safari, which is now the number one arcade game on Facebook, and the launch of The Ville, now the number two game overall on Facebook behind Zynga Poker.

Our advertising business continued to show strong growth with revenue up 170% year-over-year. Our games reach record audiences of over 300 million monthly active users. We grew our mobile footprint fivefold in the year to 33 million daily active users, making Zynga today the largest mobile gaming network. We also faced short-term challenges, which led to an 8% sequential decline in bookings. Despite this, we're optimistic about our near-term prospects on Facebook, medium term prospects on mobile and long-term prospects with our network and platform.

Three factors impacted our Q2 results. First, we saw declines in engagement and bookings for our web games due in part to changes Facebook made to their platform. Second, we launched The Ville later than expected in the quarter. And third, Draw Something underperformed versus our early expectations.

In the short term, we're taking a number of steps to address these challenges. First, we're working closely with Facebook to optimize the game ecosystem and drive the best social gaming environment. We're already seeing benefits of this collaboration with the recent introduction of Play Now, which contributed to The Ville achieving a record 4.5 million installed on its first day of promotion. Second we're moving more resources from live games to new games to increase the cadence of launches for the second half of this year and beyond. Third, we're investing in the Draw Something franchise to build on the brand with future games. These challenges also impact our ability to deliver on our previous outlook and Dave will discuss that in more detail later in the call.

We're pursuing three growth strategies on Facebook and mobile platforms. In the near term, we're focused on growing engagement and bookings with our large existing audience on Facebook. Beyond The Ville, we have three more invest and express games in our 2012 pipeline, including ChefVille and FarmVille 2. In addition to this high monetizing category, we're developing new genres that offer equally high engagement and bookings potential by broadening our reach with male audiences and game cells like PvP and sports. We will also continue to grow our advertising business, which enables us to monetize 100% of our audience.

In the medium term, we're expecting our fast growing mobile business to contribute more significantly to our top line. Mobile has been a great accelerator of social gaming growth and engagement and in Q2 we proved the power of our mobile network with several games launching, achieving Top 10 chart status. We also grew our mobile bookings excluding Draw Something threefold over the prior year.

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We have a large audience on the web, which is moving to mobile. We estimate that 21% of our mobile audience is now playing our games on both web and mobile. And the biggest single indicator of our mobile growth potential is that 56% of our mobile gamers are former web players who have reactivated to our network. This highlights the opportunity to bring more of our web IP to mobile and unlock the latent growth potential.

Our greatest growth opportunity in the long term is developing our Zynga With Friends network and platform for mobile social gamers. These players need an easier way to discover new games and people to play them with. Game developers also need a more reliable channel to put great games in front of large audiences who will convert to pay. We plan to work with our partners, Apple, Google and Facebook, to serve this need. Zynga With Friends will be available in data for players and third party developers this year.

Finally, we're developing a new growth opportunity in real money gaming to build on our strong casino presence with Zynga Poker, the world's largest free poker game, and our new hits, Bingo and Slots. We expect to launch our first real money gaming products in international markets in the first half of 2013, subject to license and approvals.

Now, I'm going to turn it over to John, who can give more details on the quarter.

John Schappert

Thanks, Mark, and good afternoon everyone. Our Q2 bookings came in at 302 million, up 10% year-over-year, but down 8% from Q1. Total average DAUs, which includes both web and mobile DAUs, came in at 72 million, up 23% year-over-year and up 10% over Q1. Our mobile average DAUs were up quarter-over-quarter from 22 million to 33 million, driven by the addition of Draw Something.

Bookings from our core games on the Facebook web platform came in below our expectations. According to our analysis of AppData metrics in the first quarter, the overall Facebook gaming ecosystem DAUs grew by 29% to 168 million. As Mark mentioned, Facebook made changes to their platform that favored new game discovery over wide game engagement, negatively impacting our core games. For the second quarter the overall Facebook gaming ecosystem DAUs declined by 16% to 141 million. Now more specifically, live games, games that were active and playable at the start of the second quarter, dropped even more declining by 34% for the quarter. Additionally, CityVille DAUs and CastleVille DAUs were further impacted by weak feature performance during the quarter.

Second, we delayed the launch of The Ville until very late in Q2. This is a key title for us and is our first new Ville style game in eight months. The Ville remained in open data in June, so it did not meaningfully contribute to bookings in the second quarter.

Third, while Draw Something contributed to bookings during the second quarter, it did not meet our expectations and suffered a significant loss of DAUs. We believe in the evergreen appeal of this franchise and expect it to continue to be a key contributor to our mobile business going forward.

Mark mentioned our near-term growth strategy on the web, our medium-term growth strategy for mobile and our long-term growth strategy for our platform. Now let me share some highlights of how we're executing against each of these growth areas. We launched three web games in Q2, Bubble Safari, Ruby Blast and The Ville, and according to AppData, we currently have seven of the top 10 games on Facebook, including numbers one through four. Our newest arcade game, Bubble Safari, became the number one game on Facebook in terms of DAUs just two weeks after launching cross promotion, reaching over 7 million daily active users.

Since the beginning of the year, we've made significant inroads in two new genres, Arcade and Casino. We now have three arcade games and Bubble Safari is the top arcade game on Facebook. It has very strong engagement and retention and monetizes well for the Arcade category. We've also grown our portfolio in the Casino category, where we have seen large audiences and a high monetization rate. Our first game in the category, Zynga Poker, is over four years old, and is the number one game on Facebook. We have launched two Casino games so far this year, and will soon be releasing Zynga Elite Slots for web-based platforms.

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Jumping to mobile, we launched three mobile games in Q2 and two of the games, Zombie Swipeout and Zynga Slots, broke into the top 10 on the app charts. At the end of Q2, we released our newest title in the With Friends series. Matching With Friends hit number one on the iOS app chart in mid-July and has remained at the top of the chart since.

Our advertising business had a great quarter, delivering $41 million in revenues for Q2. Ad revenue grew strongly in Q2, up 170% year-over-year and up 45% quarter-over-quarter as we continued to ramp up the Zynga advertising platform and our direct sales team.

Turning to our platform, what we've learned from Zynga.com is that our players enjoy playing with a broader community beyond just their real friends. At Zynga Unleashed, we announced that we are now bringing our platform learnings from Zynga.com to mobile through our new brand, Zynga With Friends. Zynga With Friends is built on the social features that we pioneered with Zynga.com and extends them to mobile. Zynga With Friends will be a unified network that connects Zynga players together, regardless of which device they choose to play on. We are optimistic on the long-term opportunity for our platform to increase our footprint and distribution by opening our network to third-party game developers on both the web and mobile.

We're also taking our web publishing program to mobile. With our new mobile publishing program we'll be partnering with external developers to bring their games to market. This gives developers mobile distribution, while also growing the Zynga With Friends network with more games.

In the first half of the year, we launched new games and new categories. For the second half of the year, we have a strong lineup of next-generation Ville style games. We are focused on expanding and reinvigorating the Ville category, and look to take Facebook gaming to the next level with these launches.

First out of the gate is The Ville, our newest entry into the very popular life simulation category. We started promotion of the game last week and The Ville has already reached over 6 million daily active users. Coming soon is ChefVille, our next generation restaurant simulation game. And finally, we are readying the second chapter of our flagship franchise, FarmVille, which launched three years ago and is the most successful social game of all time. The upcoming FarmVille game has been re-imagined from the ground up and looks amazing. Featuring 3D graphics, movie quality animation, engaging game play and social innovation, FarmVille 2 marks a new era in social gaming.

While Q2 was a challenging quarter, we're excited about the back half of the year. We have launched more games in the first half of 2012 than we did for all of 2011 and we still have a strong pipeline of web and mobile games for the remainder of the year. Zynga With Friends is an exciting next step for our platform as players embrace mobile and move to multiplatform gaming. Lastly, we also continue to see strong demand for our advertising products as we aggressively build our ad business across the web and mobile.

With that, let me turn the call over to Dave, who will discuss our financial results in more detail.

David M. Wehner

Thanks, John. Good afternoon, everyone. I will begin by covering our Q2 results and conclude by providing an update for our outlook for 2012. First on reach and engagement in Q2, on a year-over-year basis, MUUs grew 27% to 192 million, MAUs grew 34% to 306 million and DAUs grew 23% to 72 million, including 33 million DAUs from mobile.

On a consecutive quarter basis, MUUs and MAUs both grew 5% and DAUs grew 10%. Note, however, that without Draw Something, our sequential audience metrics would have been down. Also, as broadly seen on AppData, total DAUs across the web and mobile declined over the course of the quarter. As John and Mark had both noted, web audience declines were due in part to changes Facebook made in their platform and mobile audience weakness was due largely to declines in Draw Something.

On the monetization front, average bookings per DAU or ABPU, was about $0.046, down 10% year-over-year and 17% quarter-over-quarter due to a mix shift to mobile and more casual games.

On mobile, mobile ABPU is lower than web ABPU today because of game mix, specifically Words with Friends and Draw Something, our two most popular mobile titles, monetize at a lower rate than our most popular titles on the web. That said, we see no structural reason that mobile can't monetize as well as the web in the long run. For example, Zynga Poker, one of our most popular titles on both platforms, monetizes as well on mobile as it does on the web.

With our web games, we saw a mix shift in Q2 to more casual gains due to the recent successful Arcade launches like Bubble Safari. Arcade titles in general monetize at a lower rate than traditional Ville-style games. Note that our first half launch schedule was skewed towards more casual titles, while our second half releases will be weighted more towards higher monetizing Ville-style and casino games.

Monthly unique payers, or MUPs, reached 4.1 million, up 16% quarter-over-quarter, driven entirely by Draw Something. Conversion was also up at 2.1%, again driven by Draw Something.

I will now turn to our financial performance. Note that many financial metric measures herein are expressed on a non-GAAP basis. Be sure to look at our earnings release issued this afternoon for a reconciliation of the historical non-GAAP measures discussed on this call to the comparable GAAP metrics.

Q2 bookings were $302 million, up 10% year-over-year, but down 8% quarter-over-quarter. Mobile and advertising were the primary drivers of bookings growth year-over-year. Our Facebook related bookings represented 80% of our bookings in the quarter, down from 93% in the year ago period and 85% in the prior quarter. Revenue in the second quarter was $332 million, up 19% year-over-year. Online game revenue was $292 million, up 10% year-over-year. Advertising revenue was $41 million, up 170% year-over-year.

In the U.S., revenue reached $200 million or 60% of total revenue, this was up 9% year-over-year. International revenue reached $132 million or 40% of total revenue; this was up 38% year-over-year.

In addition, decreases in estimated payer lives in our games resulted in a $6 million increase in current period revenue and a corresponding $6 million decrease to our end of quarter deferred revenue balance.

In the second quarter, we delivered adjusted EBITDA of $65 million, which was flat versus the year ago period, but down 25% from the first quarter due to lower than expected bookings and a relatively fixed cost base. This resulted in a 22% EBITDA bookings margin in Q2.

Turning to tax, our non-GAAP tax expense was higher than forecast. This was driven in large part by additional tax expense from our international tax structure recognized in Q2 as a result of our lower profit outlook, which more heavily weights pre-tax tax income towards the first half of the year. Our non-GAAP effective tax rate was 89% for Q2. This tax rate can be separated into two components. The first relates to taxes on our non-GAAP pre-tax income; the rate associated with this was 25%. The second component relates the incremental tax expense from the international structure. It was this component that increased our overall non-GAAP tax rate.

Non-GAAP net income was down 88% from the prior year at $5 million, or $0.01 per share, primarily due to an increase in our non-GAAP effective tax rate, as I just noted. Excluding the incremental tax costs associated with our structure, our non-GAAP net income would have been $32 million.

I'll now turn to operating expenses. The amounts I'm about to mention exclude stock-based expense. Cost of revenue in Q2 was $92 million, up 18% year-over-year, driven by increased depreciation associated with the buildout of our Z Cloud infrastructure. Amortization of intangibles related to the OMGPOP acquisition and fees related to increased mobile transactions.

R&D expense in Q2 was $106 million, up 31% year-over-year, driven primarily by increased game development head count. Sales and marketing expense was $44 million, up 34% year-over-year driven by an increase in direct marketing spend related to new game launches and increased head count. G&A expense was $34 million, down 18% year-over-year primarily due to lower compensation expense. Overall head count reached 3,202 heads in Q2, up roughly 285 people quarter over quarter, with the vast majority of new employees added in research and development.

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With regard to GAAP results and stock-based expense, please note that our GAAP results for Q2 include stock-based expense of $95 million.

With regard to cash flow, cash flow from operations was $67 million, down 10% year over year, due to an 18% increase in operating expenses, excluding stock-based expense, versus the 10% bookings growth over the same period.

CapEx, excluding the building purchase of $234 million, was $43 million in Q2, down 42% year-over-year due to reduced data center spend after the completion of the Z Cloud buildout. Free cash flow was negative $204 million as reported, and positive $29 million, if you exclude the purchase of our company headquarters.

Turning to our balance sheet, we ended Q2 with cash and marketable securities of $1.6 billion versus $1.5 billion in the previous quarter, up due to a $100 million financing related to the purchase of our corporate headquarters. Restricted cash was down $231 million from the last quarter, driven mainly by the building purchase, which closed in April.

Let me now turn to our 2012 outlook. We are lowering our outlook to reflect delays in launching new games, a faster decline in existing web games gains due in part to a more challenging environment on the Facebook web platform, and reduced expectations for Draw Something. I want to note that our cost base is largely fixed, so reduced bookings will have a significant impact on adjusted EBITDA. As a result, we now expect to deliver bookings in 2012 between $1.15 billion and $1.225 billion, adjusted EBITDA between $180 million and $250 million, and non-GAAP EPS between $0.04 and $0.09 per share, with stock-based expense between $410 million and $430 million, non-GAAP weighted average diluted shares outstanding of approximately 845 million shares at the end of the year, and an effective non-GAAP tax rate of between 50% and 60%, an increase in both our previous 25% to 30% range, reflecting tax expense from our international tax structure, which is now being applied to a lower pre-tax profit forecast.

We expect CapEx for the year between $370 million and $380 million. Note that $312 million of CapEx we spent in the first half of 2012 and the remaining $58 million to $68 million will be spent in the second half of the year.

With that, I would like to turn it back to Samia to open up the call for questions. Samia?

Q&A

Operator

Thank you. [Operator Instruction.] Our first question comes from Scott Devitt of Morgan Stanley. Your line is now opened.

<Q - Scott W. Devitt>: Yeah, thanks. Two questions, please, 5he first one related to the negative effects relative to the guidance in the quarter. Mark, you mentioned Facebook, The Ville delay and then Draw Something, I was just wondering if maybe you could walk through order of magnitude of each. And then secondly, given the magnitude of the EBITDA change in the full year guide, how much of that is just the change in the growth of the top line and negative to fixed cost leverage versus changes in spending ramps? And if there's a spending change, can you walk through that? Thanks.

<A - David M. Wehner>: Hi, Scott, it's Dave, I can take those questions. We laid out the impacts in the order of their size; we're not giving specificity around that in terms of the quarter, but the existing games were the largest impact followed by The Ville and then followed by Draw Something. In terms of the year, the big impact is the decrease in the bookings. There's no increase in spend in the year, it's really the decrease in the bookings that's driving the EBITDA outlook.

<Q - Scott W. Devitt>: Thank you.

<A - David M. Wehner>: Samia, next question please.

Operator

Thank you. Our next question comes from Neil Doshi of Citigroup. Your line is now opened.

<Q - Neil A. Doshi>: Great. Thank you. Mark, given that the more challenging environment on Facebook, is there more of a urgency to maybe explore and find other alternatives, or drive users towards mobile or Zynga.com? And then secondly, could you provide a little more insights into your real money gaming efforts? How far along are you? Is it for the U.S. or for international? Any color there? Thanks.

<A - Mark J. Pincus>: Sure. As I said, we – in the near term, we see positive opportunities to continue to grow in our existing categories on Facebook, especially with the pipeline of games we mentioned we have coming this year, and we see opportunities to grow bookings to more male-oriented games and other categories beyond that.

It's really that as we look at the macro environment over the next couple of years, we see a bigger long-term growth opportunity being driven by mobile, and so the data that I gave that we're seeing a lot of users, especially in the U.S., coming back to our network on mobile leads us to believe that getting beyond the Facebook web footprint through mobile is going to give us more growth opportunities. And for games that we're increasingly bringing out multi-platform across Facebook web and mobile, we think that there are opportunities for bigger growth on both through the network effect.

On your second question around real money gaming, what we said – and we have to announce today is that, we have our first products in development and we intend to release them in markets that are regulated and open subject to or getting licensing – the U.S. is obviously an attractive market, but it's not an open regulated environment today. So we don't currently have plans for the U.S.

<Q - Neil A. Doshi>: Great. Thank you, Mark.

<A - David M. Wehner>: Samia, go ahead.

Operator

Thank you. Our next question comes from Edward Williams of BMO Capital Markets. Your line is now opened.

<Q - Ed Silsbee Williams>: Sure. To say, first of all, a clarification, Mark. Can you talk about the licensing? Are you looking to pursue licensing on your own or are you looking to partner with someone who has a license for real money wagering?

<A - Mark J. Pincus>: We're not making more public announcements about how we'll enter those markets today, but obviously it is subject to us having a license.

<Q - Ed Silsbee Williams>: And then just looking at mobile quickly, can you just comment about the monetization that you're seeing in mobile on a average bookings per user and compare that to what you're seeing on Facebook, just to give us a sense of, to where that is now and how that might trend on a going forward basis?

<A - David M. Wehner>: Sure Edward. It's Dave. You can get some sense of that by looking at our bookings. I mentioned that approximately 80% of our bookings are related to the Facebook platform. The largest obviously largest component that's not is the mobile business. That gives you some sense of the scale of that business. And then the DAUs are 33 million DAUs on mobile, and 72 million DAUs on the overall business. That will – if you work that math you can come up with a ratio, but you'll see that mobile is less than half of the monetization rate of the web and that's again, in some games we're seeing that it is comparable, like in poker, where you have comparable games on both platforms.

What we're really seeing is a difference in mix, so we don't have a very large mix of 'invest and express games in terms of DAU on mobile compared to the web. And so the largest impact is mix, and part of our strategy is to come out on mobile with higher monetizing games in the With Friends franchises, as well as to continue to drive bookings and bring our invest and express games from the web to mobile. So we're focused on trying to close that gap by launching a variety of higher monetizing mobile games in the future.

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<A - Mark J. Pincus>: Hi, this is Mark, just to add to that, I stated that the biggest bookings growth driver on mobile is going to be getting to scale of distribution, so we've found, whether it's in our slots and casino games or in our invest and express games, that mobile can, it looks fine in terms of monetization; as we've said it's many of the same players that we saw previously on the web, but we need to drive significant scale of distribution to get to the audience sizes that we want.

<Q - Ed Silsbee Williams>: Okay, great. Thank you.

<A - Krista Bessinger>: Samia, next question please.

Operator

Thank you. Our next question comes from Doug Anmuth of JPMorgan. Your line is now opened.

<Q - Douglas Anmuth>: Great, thanks for taking the question. I just want to ask two things. First, if you could help us understand in more detail exactly what Facebook is in terms of the new changes around new game discovery and also provide a little bit of detail on the timing there. And then secondly, if my math is right, it looks like your cash balance excluding the restricted cash is around $1.6 billion, which is more than, I believe, half the current market cap of the company. Can you talk about how you're thinking about cash right now? Thanks.

<A - David M. Wehner>: Sure, why doesn't John take the first part of the question about Facebook changes and timing and then I'll follow up with that, Doug.

<A - John Schappert>: Sure, Doug, Facebook made a number changes in the quarter and we saw the cumulative effect of those changes throughout the quarter. As we mentioned, these changes, we believe, favored new game installations over live game engagement. And we saw the ecosystem decline 16% overall, but 34% for the live games.

Specifically, the changes that were made impacted the surfacing of discovery for games – feeds, requests, bookmarks and the like. So basically, our users did not remain as engaged, did not come back as often. Instead, new games were promoted. Now, on the flip side, what we did see is we saw the launch of Bubble Safari. So that was a new game and we saw that quickly rise up to the chart and become the number one arcade game. Likewise, we've also seen, with the launch of The Ville, a week ago, we turned on cross promotion and marketing, and in the first day, it set a record for Zynga and we believe a record for the industry, having 4.5 million installs in a single day. So it's good for new games and it was challenging for existing games.

<A - David M. Wehner>: All right, Doug. On the cash, you're correct. We do have approximately $1.6 billion of cash and marketable securities. In the midpoint of our guidance, we expect to continue to be free cash flow positive in the back half of the year. We don't have any specific plans that we're announcing in terms of use of use of the cash at this time. But obviously Mark outlined the growth initiatives that we have for the company around the near-term opportunities on Facebook, the longer-term opportunities on mobile and with the platform. So we continue to be committed to investing to grow those areas and having the cash position that we have is obviously helpful to us to make those investments.

<Q - Douglas Anmuth>: Thank you.

<A - David M. Wehner>: Samia, you can go ahead to next question, please.

Operator

Thank you. Our next question comes from Colin Sebastian of Robert W Baird. Your line is now opened.

<Q - Colin A. Sebastian>: Thank you. Following up on the expense question from earlier, I was just wondering how you're thinking about head count levels, given the underperformance of several titles, and in particular, if you see the

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slowdown on Facebook continuing or accelerating into the back half of the year. And then secondly, since obviously a lot changed in May and June in the business, and you mentioned that you are working more closely now at Facebook to bring up monetization levels, I wonder if you're seeing any progress real time there in stabilizing the legacy games. Thanks.

<A - David M. Wehner>: Yes. Hi, Colin, it's Dave. I'll have John take the second part of that question and I can take the expense question and head count question.

Consistent with the guidance that we've provided, we expect to have relatively stable cost structure in the back half of the year. We'll obviously be looking at discretionary expenditures, but we're continuing to invest in the business and to grow the business and bring people on to help go after the growth opportunities that we see with the business. And so we're focused on continuing to drive growth, but we don't anticipate a significant ramp-up in expenses, as outlined in the guidance.

And likewise on the CapEx front, we've been ramping down CapEx as we've completed the main phases of our Z Cloud buildout, so on a CapEx front; we are decreasing expenses in the back half of the year.

<A - John Schappert>: And I'll take the second one, which was what are we doing to work with Facebook to help on the ecosystem and stabilize things. And I can tell you right now, what we're seeing is obviously, we just launched The Ville, and so we are seeing nice pickup in DAUs as a result of that launch.

We continue to work very closely with Facebook. We believe we have a joint mission of creating a healthy social gaming ecosystem and I'll just remind you that they're always making changes, hopefully for the betterment of their platform, inclusive of games. And when you look at Q1, they did so and we saw a growth on the ecosystem. In Q2, we saw some decline, notably for live games, but we are also seeing some uptick on new games.

So what we're focused on is delivering a great second half of Ville games for the back half of the year, inclusive of The Ville, which I've mentioned before has already hit over 6 million DAUs. We have ChefVille coming out in just a few weeks and FarmVille coming out later this year. So we've got a great lineup of titles. And by the way one additional title, as Mark alluded to that we didn't mention, too. So we're focused on continuing to invest in our core games and bring out some great new Ville games for the back half of the year.

<A - David M. Wehner>: Samia, you can go ahead and go to the next question, please.

Operator

Thank you. Our next question comes from Doug Creutz of Cowen & Co. Your line is now opened.

<Q - Doug Creutz>: Thanks. I wonder if you could talk about the – what the bookings contribution was from Zynga.com in the quarter. And then just clarify, since it is on Facebook credits, is that counted in with your Facebook bookings or your non-Facebook bookings? Thanks.

<A - David M. Wehner>: Yes, that is counted in our Facebook bookings, given that is on Facebook credits, so we don't break out the bookings related to Zynga.com.

<Q - Doug Creutz>: And can you give any color about is it becoming meaningful yet or is it still sort of not meaningful in the context of the larger bookings number?

<A - David M. Wehner>: I think at this point we're not breaking out any color around that.

<A - John Schappert>: But what I will add, Doug, though is that Zynga.com remains in open beta. So we launched it earlier this year and we continue to take player feedback, take that feedback and launch new features. Specifically this last quarter, we launched the multiplayer feature, if you've played Bubble Safari, you can play head-to-head with up to four players. So we continue to take that learning and refine the system, refine the site to deliver the best social gaming experience you can. So it's still in open beta; we've not turned on meaningful cross-promotion or marketing for the site

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yet.

<Q - Doug Creutz>: Okay, thank you.

<A - David M. Wehner>: Samia, you can just go ahead and go to the next question, please.

Operator

Thank you. Our next question comes from Heath Terry of Goldman Sachs. Your line is now opened.

<Q - Heath Patrick Terry>: Great. Mark, John, with the changing economics in the business, there are likely to be a lot of smaller game companies looking at strategic options, companies that either have assets or have talent that may be an interest. Curious to what degree you've got the appetite for that and how your experience with OMG has maybe impacted the way you're thinking about acquisitions like that. And then, David, just to the extent that you can share and how has the current environment impacted your view on the long-term margin structure for the model, if at all?

<A - Mark J. Pincus>: Okay. I'll answer the first part, Heath. I'd say that our M&A strategy has always been much more focused on adding entrepreneurial, high-performing development teams than whole product lines. And so, as we said on the last quarterly call, the OMG acquisition we saw as a rare instance for us, only the second time that we've acquired a product line, and so we're committed to growing primarily through organic development.

And when we – the two instances when we bought product lines, with the Words With Friends product line and Draw Something, in both cases, we saw an opportunity, a breakthrough kind of mainstream brand that we could continue to extend our product footprint with and you've seen us do that and you should expect to see us continue.

In terms looking at other small companies and teams, we stay actively engaged in the market and there's just an incredible proliferation of entrepreneurial teams out there. And so we'll continue to look at them and see if there's any that are good cultural fits and fits with our forward strategies. And Dave can answer the -

<A - John Schappert>: Well, actually, I just wanted to add, Mark. Heath, I mean you know the industry well. What you certainly are seeing is that there are a lot of those folks out there from traditional gaming and looking around and seeing the opportunities in social and mobile. And in addition to acquisitions, as Mark just spoke to, what we're also excited about, and which is why we launched our program, is our publishing program that we just brought out this past quarter for mobile as well. We launched that earlier this year on the web; we announced four partners then. We have nine partners now, over 30 games in development on the web and we just announced our web publishing program at Unleashed with five partners. So that's another avenue by which we are interfacing with that group of entrepreneurs and creative leaders in the industry.

<A - David M. Wehner>: Heath, just on the long-term margin structure, can you comment more about the 2012 structure where we're providing guidance? Obviously the margin structure has come down. We're investing in the mobile growth opportunity; that's a big factor in that. In the long run, the mobile cost structure will be slightly different from the web cost structure, given the fact that there is a cost of goods component in the cost of sales line related to mobile because it's recognized on a gross basis, not a net basis.

So that's going to be the one item that, given that I think now our outlook would be that we would be substantially more leveraged in the long run against mobile, that will factor into the cost structure, but we're not at this point providing specific guidance around that.

<Q - Heath Patrick Terry>: Great. Thank you.

<A - David M. Wehner>: Samia, you can go ahead and go to the next question, please.

Operator

Thank you. Our next question is from Justin Post of Bank of America Merrill Lynch. Your line is now opened.

<Q - Justin Post>: Thank you, I had two questions. First, can you talk about the relationship with Facebook and has that changed at all since you launched Zynga.com and maybe try to explain what they're doing there? And then second, on FarmVille 2, I know you launched Mafia Wars 2; it was a little disappointing. Maybe if you could talk about what you learned from the Mafia Wars 2 launch and what you think will compel the 30 million people that were at one time on FarmVille to kind of get back into the game? Thank you.

<A - Mark J. Pincus>: Thank you. On the first question, relationship with Facebook, we continue to work closely together and collaborate on creating a better ecosystem. The launch of Zynga.com was envisioned in the agreement that we entered into together as companies, and both of us saw it as an opportunity for us to build a sandbox where we could move more quickly on innovating on the network around the game experience.

On your second question about sequels, we were obviously disappointed with Mafia Wars 2. We think that we didn't bring out a high quality enough game to serve that audience. Our belief is that that we have audiences and game playing audiences that are interested in certain genres and styles of play. Some of those games themselves can be evergreen, like our Poker game and we hope some of our more casual arcade games, and in some cases we think that the genre can be evergreen if we do a good enough job of bringing out next generation sequels that significantly move the production value, the experience and deliver exciting new mechanics that re-engage and re-excite people.

And in the case of FarmVille, you mentioned, we actually, I think at the peak, had 32 million daily active users, but there's several hundred million people who played the game. And so we're more excited about bringing a sequel of that game out for the hundreds of millions of people who no longer play FarmVille, in addition to people who currently play the game.

<Q - Justin Post>: Thank you.

<A - David M. Wehner>: Thanks Samia, you can go ahead and go to the next question, please.

Operator

Thank you. Our next question comes from Richard Greenfield of BTIG. Your line is now opened.

<Q - Richard Greenfield>: Hi, I've actually got a few questions. Mark, I wanted to explore, you talked about the fact that I think you missed EBITDA, at least in terms of our expectations or Street expectations, by $25 million to $30 million, but you're lowering the full-year guidance by somewhere around $200 million. You mentioned that you are excited about your prospects for the second half, but trying to just walk through how do you put those two statements, given the significant reduction in the back half relative to what happened during the second quarter and even what would happen during the third quarter?

I'd also love to get your sense, you sold stock, I think, on March 28 at $12 a share. The company raised guidance in late April when you reported the first quarter, and now you've cut guidance by a pretty large amount. Just you didn't pre-announce; is there any reason for not pre-announcing and just how do you react, or how should we react to this?

And then lastly, you spoke at Pando Daily last week and said it wasn't your place, I think, to comment on how the market was valuing your stock. That was when it was trading at $5; it's now sub $3, or right around $3 in the after-market. Can you just give us why should people buy your stock at $3 a share? That would be helpful. Thanks.

<A - David M. Wehner>: Rich, hi, it's Dave. Why don't I take the first two at least on that? I think there are three questions there.

In terms of the full-year guidance and how it relates to what we experienced in the second quarter, we are factoring in the experience that we had in the second quarter on the impact that the weakness that we saw in existing games as well as delays in new game launches and the underperformance of Draw Something. So all of those things are factoring into the outlook that we're providing for the full year. The full-year outlook in terms of bookings has obviously been

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reduced and that has a dramatic impact on EBITDA, given the relatively fixed cost structure of the business, given that we're continuing to invest for long-term growth. So that's what's leading to the change in guidance on EBITDA that is obviously significant.

In terms of the pre-announcement, we do not provide quarterly guidance as a policy. We provide annual guidance and so we didn't pre-announce on the basis of quarterly guidance. At the end of the quarter, we go through a reforecasting process where we evaluate what the new forecast will be, and at that time, we establish new guidance for the year, and we're providing that at this time.

<Q - Richard Greenfield>: But I think just before you go to Mark on the last question, you specifically said that you were excited about your second half prospects. Given the magnitude of the decline in EBITDA in the back half of the year in the guidance, it just, I guess the question is you've always said the year is very back half weighted, It seems that you were always excited about the back half of the year and all the things that were going on in the back half of the year. Yet, almost the entire majority of the downgrade to guidance, is due to the back half of the year and it's just, it's very hard to foot those two statements.

<A - David M. Wehner>: Well, Rich, the reason is the trends that we're seeing on existing games that we experienced in the second quarter we believe will persist into the back half of the year. That's the largest impact, the existing game performance, that's the largest impact on our guidance in the back half of the year. We did not expect those trends going into Q2; we expect those trends will persist into the back half of the year. So that's the biggest impact on guidance.

<Q - Richard Greenfield>: Could you give us any sense of what your profitability was on games like FarmVille or CityVille? I know it's in your Q, whenever you file it, but any way you could give us any of that now?

<A - David M. Wehner>: We don't break out profitability in the Q on our existing games, but those games obviously are high-margin games.

<Q - Richard Greenfield>: You give percentage of bookings, though?

<A - David M. Wehner>: We give percentage of revenue.

<Q - Richard Greenfield>: Could you do that for right now, for some of them?

<A - David M. Wehner>: Why don't I ...

<A - John Schappert>: Why don't we have Mark answer the last part and you can dig that up and come back?

<A - Mark J. Pincus>: Okay so the last question you had was why – repeating the Pando Monthly question of why people should buy our stock, what I'd say, and I think I said then, is that we are the most optimistic long-term believer in the opportunity for social gaming and play to be a mass market activity as it's already becoming, and an even bigger business in the future. We think that we have consistently, if you look back over our history over the last five plus years, we've consistently invested more than any other company in this opportunity and in where the opportunity was headed.

And so I think that we've been a good, we've executed over the past well in growing the market for social gaming. And today, we have the leading position on web and mobile and we will continue to pursue that strategy and keep investing and building the best social game mechanics that drive the next generation of engagement and social for people. And we've said beyond that, we want to bring to market the leading network and platform that enables everybody on mobile first to participate in social gaming both at a consumer level and even enable other developers to have better market opportunities to bring their games to market.

We really believe that that is a very big opportunity. In the future, we think that gaming is the number one activity that people do on mobile and we think that social gaming is just starting to grow quickly on mobile. And we think it has the potential to be the most important part of the gaming experience on mobile. So if you are optimistic about that future and you believe in our approach to the market, then we think you should consider our stock.

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<Q - Richard Greenfield>: And is there a level where you would actually use the company's cash to buy stock, given where it's trading?

<A - David M. Wehner>: Well Rich, it's Dave. We discuss this with our board on an ongoing basis, but we have no announcements to make at this time on that.

<Q - Richard Greenfield>: Thank you very much for the questions.

<A - David M. Wehner>: Just following up on the 10% revenue concentration games in the second quarter, Farm represented 29% of revenue in the quarter, Poker represented 18% and CityVille represented 13%. So those were the three games that represented more than 10% of revenue in the quarter.

<Q - Richard Greenfield>: Thank you. Thank you very much.

<A - David M. Wehner>: Okay. Thank you. Samia, if we can go to the next question, please.

Operator

Thank you. Our next question comes from Atul Bagga of Lazard Capital. Your line is now opened.

<Q - Atul Bagga>: Hey, guys. Thanks for taking my question. Two questions for you. I was wondering, if you can share some thoughts on how the Facebook changes impacted, especially when you think about the legacy games, the high paying user versus non-paying user and somewhere in the middle. How are those three categories of users were impacted because of the changes in Facebook policy?

And second, this time, we didn't hear anything much about the international opportunity. Can you – is there any change in how you view opportunities, especially in Japan and China? Thank you.

<A - David M. Wehner>: So we'll let John take the second question. On the first question, in terms of the Facebook changes. We saw that impact some of our higher monetizing games, such as CityVille. So that was an impact that the changes have in terms of impacting engagement for those players. So it did impact some of our higher monetizing games and that's had an impact on valuable players and that's why we saw some of the challenges in Q2.

<A - John Schappert>: With respect to international, there wasn't a significant callout, which is why we didn't even mention it. What we did with respect to Japan and China, we launched two new apps in Japan in the quarter, Montopia and [ph] Ayakacha (53:43). We also in China, launched Draw Something with SINA; we partnered with SINA and brought Draw Something to SINA, and we also localized Draw Something in a number of languages as well. So that was certainly a highlight too. But we remain pretty, pretty, early on in our Japan and China pursuits.

<Q - Atul Bagga>: Thank you.

<A - David M. Wehner>: Samia, you want to go to next question please?

Operator

Thank you. Our next question comes from Ben Schachter of Macquarie. Your line is now opened.

<Q - Ben Schachter>: I was wondering if I could hit on a couple of topics, first mobile, second advertising. On mobile, can you explain the differences in cross-promotion on what works on mobile versus Facebook. Now Facebook, you had a first mover advantage and it worked out, but what is your competitive advantage for cross0promotion on mobile?

And then separately on advertising, can you just talk about what the growth should look like there in the second half of the year and into 2013, and also what percentage of ad dollars are actually happening on mobile versus web? Thanks.

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<A - Mark J. Pincus>: Sure, I'll answer the first question on mobile. I'd say that on mobile, it's really a different platform and it's a different approach to growing your footprint, because there aren't any prevalent distribution channels outside of the App Store or advertising, which is limited. And so the mobile ecosystem remains highly fragmented and you see a kind of single – some single product companies rise and fall on the charts. Our approach on mobile is somewhat is to, we need to build out the kinds of channels that have been key, not just to distribution for us on Facebook, but key to enabling it to be a highly social experience, which is also key to driving ongoing engagement for people. So we're making the deep investment to build that on mobile and we think that it will enhance the experience for all mobile players.

And we're starting to see the beginnings of that. If you look at our With Friends games, where you see very good crossover between our With Friends titles and you see people starting to play more of our With Friends games with – moving game to game with some of the same friends and people. And is really through seeing the success there of the With Friends game approach turn-based and making that a broad social experience that we saw, we organically saw the mobile opportunities to grow that experience into the kind of network that we think people are going to need to experience social gaming.

And I'm going to turn it over to Dave on the advertising question.

<A - David M. Wehner>: Yeah, Ben, we're not providing breakout on mobile versus web advertising, but advertising is a larger component of our mobile bookings than it is for the web, given the importance of advertising some of our larger titles like Words With Friends and Draw Something. But we're seeing good year-over-year performance on both web and mobile, so we're seeing strength in both parts of our advertising business.

Samia, do you want to go to the next question please?

Operator

Certainly. Our next question comes from Arvind Bhatia of Sterne Agee. Your line is now opened.

<Q - Arvind Bhatia>: Right. Great. Thanks for taking my question. I wanted to go back to your reasons for the lowered guidance, I think your number one reason you're saying is the changes on Facebook. And our understanding is that these changes went into place fairly late in the quarter, some time in early June, late May. And so I'm wondering how that is, then, the biggest impact for the guidance. And maybe you can walk us through that, and I have a follow-up.

<A - David M. Wehner>: Yeah. Arvind, it's Dave. I want to clarify that the largest reason for us decreasing our guidance has to do with the performance of our existing games. And I think we were clear that is in part due to changes that Facebook made to its ecosystem. But we're not saying that that's the only reason. It's hard to make an exact correlation of all of that, but we saw challenges to those existing games earlier in the quarter, not at the end of the quarter, and they persisted through the quarter. So it's not something that we saw starting in June.

<Q - Arvind Bhatia>: Okay. So the games were not performing up to par and then the changes further exacerbated those, that impact. So what I would like to understand is do you think the changes that Facebook has made to the App Center, the discovery process for new games, et cetera, do you think longer term that's going to be a net positive for your upcoming new games or do you think that at the end of the day, this creates a more competitive environment that you had in the past?

<A - John Schappert>: I'll take that. Arvind, I think, actually the changes that Facebook is making – by the way, something to keep mind, it's not like Facebook makes changes and they stop. They're always fine tuning, tweaking, testing their platform, just like we are doing with our games. So the changes are not permanent and static; they will be dynamic. They will continue to change. So, in fact, I'm sure they've already made changes since the changes we've been referencing.

I think that the new game discovery is a good thing for everyone. It's a good thing for us. It's a good thing for the industry. It's great when people make great social games and people play social games. So we think part of the reason

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why, as we mentioned, that we saw softness this quarter, was because we delayed the launch of The Ville. So we think, we are optimistic about the launch of The Ville and ChefVille and FarmVille 2 later this year, and we certainly hope that those will be well received by players and hopefully will grow our ecosystem and hopefully grow the Facebook ecosystem.

So I think what they're doing to favor new game launches is positive today for us and certainly for others. We are certainly happy that we have a network of 72 million daily active users and over 300 million monthly active users, which does give us an advantage when we go to launch a game like The Ville, where we can have 4.5 million installs on day one.

<Q - Arvind Bhatia>: And one follow-up on the monthly unique player number. I just want to get some clarification there. I think I heard you guys say that the increase that you had this quarter from 3.5 million to 4.1 million was entirely due to Draw Something. So is that saying that the rest was flat, or are you saying that Draw Something was not only just the increase but more than that. I just want to understand outside of Draw Something what the trends were for monthly unique players?

<A - John Schappert>: Monthly unique players would have been down if it were not for the acquisition of Draw Something.

<Q - Arvind Bhatia>: Can you give us some – maybe just how the magnitude might have been?

<A - John Schappert>: We're not giving more specifics than that.

<Q - Arvind Bhatia>: Okay, great. Thank you, guys.

<A - David M. Wehner>: Samia, let's go to the last question, please.

Operator

Thank you. Our final question comes from Mike Olson of Piper Jaffray. Your line is now opened.

<Q - Mike J. Olson>: Great. Thanks. Good afternoon. You just said a few minutes ago that you don't talk about the monetization on a per game level, but could you talk about the early monetization trends for The Ville relative to others? Like, is this game following the same sort of early stage lifecycle monetization trends that we saw from previous Ville games?

<A - John Schappert>: Hi, Mike. We don't break out the individual monetization of a single game. And I would tell you that it's still – while I am encouraged to see 4.5 million installs on a single day, I'm encouraged that it's the number two game on Facebook and it's over 6 million DAUs, it's still very, very early for The Ville, and this is something we're going to continue to tweak and tune and I can't break that out for you on an individual game basis. I can tell you that it's early days and I'm encouraged by the DAUs that we've seen and the installs.

<Q - Mike J. Olson>: Okay. Thanks.

David M. Wehner

Great. All right. Well, thank you everyone for joining our second quarter conference call, and we will look forward to speaking with you next quarter.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes today's program. You may all disconnect. Everyone, have a great day.

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