

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

PLAINTIFF, Individually and On Behalf of
All Others Similarly Situated,

Plaintiff,

v.

UNITY SOFTWARE INC., JOHN S.
RICCITIELLO, KIMBERLY JABAL, and
LUIS FELIPE VISOSO,

Defendants.

Case No.

CLASS ACTION

COMPLAINT FOR VIOLATIONS OF THE
FEDERAL SECURITIES LAWS

DEMAND FOR JURY TRIAL

Plaintiff, individually and on behalf of all others similarly situated, by Plaintiff's undersigned attorneys, for Plaintiff's complaint against Defendants, alleges the following based upon personal knowledge as to Plaintiff and Plaintiff's own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff's attorneys, which included, among other things, a review of the Defendants' public documents, conference calls and announcements made by Defendants, United States ("U.S.") Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding Unity Software Inc. ("Unity" or the "Company"), analysts' reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that

substantial, additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of a class consisting of all persons and entities other than Defendants that purchased or otherwise acquired Unity securities between March 5, 2021 and May 10, 2022, both dates inclusive (the “Class Period”), seeking to recover damages caused by Defendants’ violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder, against the Company and certain of its top officials.

2. Unity creates and operates an interactive real-time 3D content platform. The Company’s platform provides software solutions to create, run, and monetize interactive, real-time 2D and 3D content for mobile phones, tablets, PCs, consoles, and augmented and virtual reality devices. One of the tools on the Company’s product platform is the Audience Pinpointer, a user acquisition service which uses real-time user valuation at the time of an ad request.

3. Throughout the Class Period, Defendants made materially false and misleading statements regarding the Company’s business, operations, and compliance policies. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) deficiencies in Unity’s product platform reduced the accuracy of the Company’s machine learning technology; (ii) the foregoing was likely to have a material negative impact on the Company’s revenues; (iii) accordingly, Unity had overstated the Company’s commercial and/or financial prospects for 2022; (iv) as a result, the Company was likely to have to reduce its fiscal 2022 guidance; and (v) as a result, the Company’s public statements were materially false and misleading at all relevant times.

4. On May 10, 2022, after the market closed, Unity announced its financial results for the first quarter of 2022. The Company also reduced its fiscal 2022 guidance, citing “challenges

with monetization products.” Specifically, Unity stated that “a fault in [Unity’s] platform . . . resulted in reduced accuracy for [its] Audience Pinpointer tool, a revenue expensive issue given that [the] Pinpointer tool experienced significant growth post the IDFA changes.”

5. On this news, Unity’s stock price fell \$17.83 per share, or approximately 37%, to close at \$30.30 per share on May 11, 2022.

6. As a result of Defendants’ wrongful acts and omissions, and the precipitous decline in the market value of the Company’s securities, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

7. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

8. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act.

9. Venue is proper in this Judicial District pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1391(b). Unity is headquartered in this Judicial District, Defendants conduct business in this Judicial District, and a significant portion of Defendants’ activities took place within this Judicial District.

10. In connection with the acts alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the national securities markets.

PARTIES

11. Plaintiff, as set forth in the attached Certification, acquired Unity securities at artificially inflated prices during the Class Period and was damaged upon the revelation of the alleged corrective disclosures.

12. Defendant Unity is a Delaware corporation with principal executive offices located at 30 3rd Street San Francisco, California 94103. Unity's common stock trades in an efficient market on the New York Stock Exchange ("NYSE") under the trading symbol "U".

13. Defendant John S. Riccitiello ("Riccitiello") has served as Unity's Chief Executive Officer, President, and Executive Chairman at all relevant times.

14. Defendant Kimberly Jabal ("Jabal") served as Unity's Chief Financial Officer ("CFO") from prior to the start of the Class Period until April 2021.

15. Defendant Luis Felipe Visoso ("Visoso") has served as Unity's CFO since April 2021.

16. Defendants Riccitiello, Jabal, and Visoso are sometimes referred to herein as the "Individual Defendants."

17. The Individual Defendants possessed the power and authority to control the contents of Unity's SEC filings, press releases, and other market communications. The Individual Defendants were provided with copies of Unity's SEC filings and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or to cause them to be corrected. Because of their positions with Unity, and their access to material information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public, and that the positive representations being made were then materially false and

misleading. The Individual Defendants are liable for the false statements and omissions pleaded herein.

SUBSTANTIVE ALLEGATIONS

Background

18. Unity creates and operates an interactive real-time 3D content platform. The Company's platform provides software solutions to create, run, and monetize interactive, real-time 2D and 3D content for mobile phones, tablets, PCs, consoles, and augmented and virtual reality devices. One of the tools on the Company's product platform is the Audience Pinpointer, a user acquisition service which uses real-time user valuation at the time of an ad request.

Materially False and Misleading Statements Issued During the Class Period

19. The Class Period begins on March 5, 2021, when Unity filed an Annual Report on Form 10-K with the SEC, reporting the Company's financial and operating results for the year ended December 31, 2020 (the "2020 10-K"). In providing an overview of the Company, the 2020 10-K stated, in relevant part:

Unity is the world's leading platform for creating and operating interactive, real-time 3D content. We believe the world is a better place with more creators in it. Creators, ranging from game developers to artists, architects, automotive designers, filmmakers, and others, use Unity to make their imaginations come to life.

Our platform provides a comprehensive set of software solutions to create, run and monetize interactive, real-time 2D and 3D content for mobile phones, tablets, PCs, consoles, and augmented and virtual reality devices. In the fourth quarter of 2020, we had, on average, approximately 2.7 billion monthly active end users who consumed content created or operated with our solutions. The applications developed by these creators were downloaded, on average, five billion times per month in 2020.

Content built on the Unity platform offers end-users a fundamentally more engaging and immersive experience than traditional static content. Content made with Unity is interactive, allowing end-users to connect with the content and with one another. Content made with Unity is real-time, allowing it to instantly adapt to end-user behavior and feedback. Content made with Unity allows graphics to be

expressed with 3D shape and depth, permitting multiple viewing angles, and enabling augmented and virtual reality.

Real-time is not just a part of the end-user experience. Building content on Unity offers creators significant advantages in development compared to traditional content creation tools. Creators can visualize and iterate on their 2D and 3D creations in real-time and collaborate with each other to edit content simultaneously.

Unity has built its reputation in gaming, and our scale and reach in this industry are significant. We estimate that in the fourth quarter of 2020, 71% of the top 1,000 mobile games were made with Unity. Unity's platform helps game developers—from the largest publishers in the world with teams of hundreds, to mid-sized, small and independent publishers, to individual creators—build and operate high quality games, rapidly and efficiently. Unity games can be built once and deployed and operated across more than 20 platforms, including Windows, Mac, iOS, Android, PlayStation, Xbox, Nintendo Switch, and the leading augmented and virtual reality platforms, among others. As gaming has proliferated, the business models for content have evolved beyond one-time purchases to include advertising and in-app purchases. Unity enables these new business models by providing creators with the solutions they need to easily run and monetize their content.

Our platform consists of two distinct, but connected and synergistic, sets of solutions. Our Create Solutions are used by content creators—developers, artists, designers, engineers, and architects—to create interactive, real-time 2D and 3D content. Our Operate Solutions offer customers the ability to grow and engage their end-user base, as well as run and monetize their content with the goal of optimizing end-user acquisition and operational costs while increasing the lifetime value of their end-users.

We have experienced rapid growth. Our revenue for the years ended December 31, 2020, 2019, and 2018 was \$772.4 million, \$541.8 million, and \$380.8 million, respectively, representing year-over-year growth of 43% and 42%, respectively.

20. Further, in discussing the Company's "solution," the 2020 10-K stated, in relevant part:

Unity is the world's leading platform for creating and operating interactive, real-time 3D content. Our platform includes our Create Solutions and Operate

Solutions, which complement each other and together provide a comprehensive set of solutions that enable our customers to create, run and monetize their content across a broad range of third-party content distribution platforms.

Our Create Solutions are used to create, edit, run and deploy real-time 2D, as well as high definition, real-time 3D content. Content can be created once and deployed to more than 20 platforms, including Windows, Mac, iOS, Android, PlayStation, Xbox, Nintendo Switch, and the leading augmented and virtual reality platforms, among others. Our products include custom scripting tools and a high-definition render pipeline for developers; graphics, animation and audio tools for artists; and navigation, networking and user interface tools for designers. Delivered as a modular application architecture, creators can leverage our products to easily create, edit, and iterate interactive, real-time 3D content.

Our Operate Solutions offer customers the ability to grow and engage their user bases, and to run and monetize their content—from 2D puzzle games to multiplayer, multi-platform games, or other 3D interactive content—irrespective of whether the content was created in Unity. Our monetization products, Unity Ads and Unity IAP (In-App Purchases), help developers to maximize the revenue potential of their content. We help our customers to maximize the lifetime value of their end users, while optimizing their end-user acquisition and operational costs. Our end-user engagement products, such as deltaDNA, provide developers with the capability to perform deep analytics to optimize end-user engagement and behavior. Finally, we also offer solutions to simplify the delivery of content and provide back-end management, such as Multiplay for multiplayer hosting in games, or Vivox to enable player-to-player communications in games.

21. In addition, in discussing the Company's competitive strengths, the 2020 10-K stated, in relevant part:

Our Competitive Strengths

We believe that we have a number of competitive strengths that will enable our market leadership to grow. Our competitive strengths include:

Our Platform

Our core competitive strength is the breadth and depth of our platform. We offer a comprehensive set of solutions to create, run and monetize real-time 3D games and applications. Creators can onboard through any of our solutions and leverage our platform to serve their needs at every stage of growth. To help our creators succeed, we provide access to comprehensive learning resources and guided onboarding to our extensive community. As a result of the strength of our platform, in the fourth quarter of 2020, we had, on average, approximately 2.7 billion monthly active end users who consumed content created or operated with our solutions on over 20 platforms, up 63% from a year earlier. We saw an average of more than 13,000 new projects each day in 2020.

22. Finally, in discussing the Company's user acquisition and monetization, the 2020 10-K stated, in relevant part:

Our user acquisition products enable advertisers to efficiently acquire new end-users at scale. They operate within our monetization ecosystem, which reached over 2.6 billion monthly active end users as of December 31, 2020, making it one of the largest global user bases for advertisers. Our focus and strength are in pay-for-performance end-user acquisition, where advertisers pay us based on a tangible outcome or set goal, such as an install, rather than on a cost per impression basis. As a result, a large number of our advertisers have open spending limits with us as they can clearly measure the positive return on their spend.

23. Appended to the 2020 10-K as an exhibit was a signed certification pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") by the Defendants Riccitiello and Jabal, attesting that the "information contained in [the 2020 10-K] fairly presents, in all material respects, the financial condition and results of operations of Unity Software Inc."

24. On May 11, 2021, Unity issued a press release announcing the Company's Q1 2021 financial results. The press release stated, in relevant part:

"Our first quarter results are reflective of the powerful transition from linear 2D to real-time 3D, which is one of the most important changes in how people interact with technology," said John Riccitiello, President and Chief Executive Officer, Unity. "We believe that real-time 3D will continue to grow at an accelerated pace and achieve massive scale."

"Execution in the first quarter was very strong with revenue of \$234.8 million, an increase of 41% from last year. We are encouraged by the growth of our customers contributing more than \$100K of trailing twelve-month revenue and the healthy dollar-based net expansion rate during the first quarter," said Luis Visoso, Chief Financial Officer, Unity. "We continue to invest strategically in R&D and vertical expansion to enable Unity to lead the transition to real-time 3D."

25. That same day, Unity hosted an earnings call with investors and analysts to discuss the Company's Q1 2021 results (the "Q1 2021 Earnings Call"). During the scripted portion of the Q1 2021 Earnings Call, Defendant Riccitiello stated, in relevant part:

At Unity, we remain focused on our North Star our guiding principle, which is that we believe the world is a better place with more creators. Our focus, as always, is

to enable these creators and to help them succeed. Our financial results reflect the power of this theme. In Q1, we grew revenue 41% year-over-year to \$235 million. This is the 10th consecutive quarter of 30% plus revenue growth. We believe the transition from linear 2D to real-time 3D is a transformative theme. And one of the most important changes in how creators will tell their stories and bring their visions to life. It's also one of the most important changes in how people interact with technology and many years. We support our customers on many platforms and in numerous geographies, and today are the only high scale solution for creating an operating real-time 3D globally. We believe it's inevitable that a large portion of the world's creators will over time become primarily real-time 3D creators. The role of interactivity through 3D in real-time is so much greater than with alternative forms of media.

Now, what do I mean when I say scale the career throughout their career, but we believe that our commitment to R&D competitively differentiates us from less sophisticated platforms that aspire to catch up with us in terms of technology or market share? For example, with Unity you only write once and can publish anywhere. We build our editors so a full range of users for beginners to advanced developers can build real-time 3D applications. This means you can start with visual scripting, move to C-Sharp programming and for more advanced developers you work directly with Unity source code if needed. With these onramps for Unity, we enable creators to develop and operate many application types from games to car configurators to run high scale AI simulation. It's not easy to make the complexity of this easy.

26. In addition, during the Q&A portion of the Q1 2021 Earnings Call, when asked a question about emerging competitive marketing or digital advertising marketplaces, Defendant Riccitiello responded, in relevant part:

It's on the basis of being competitive in the marketplace that we're going to succeed. And I was answering the last question I said, we increase our take right, by increasing the value we add. We're constantly focused on that. Short term, we can always maybe eke out a few dollars by messing around with pricing or messing around with other things that are hard to lap. Values add is easy to scale. And that's what we're investing at. And I'm highly confident in our monetization platform as part of our rate it's going to continue to win.

27. On August 10, 2021, Unity issued a press release announcing the Company's Q2 2021 financial results. The press release stated, in relevant part:

"At Unity, our goal is to provide creators with the best tools to succeed as RT3D creators," said John Riccitiello, President and Chief Executive Officer, Unity. "Unity is designed to enable creators to build anything digital and to instantly

deploy their work across dozens of platform types and devices, which is to make participating in building the metaverse accessible to all creators.”

“We had another consecutive strong quarter, with revenue for the quarter at \$273.6 million, up 48% year-on-year as we added new customers and expanded our business with existing customers,” said Luis Visoso, Chief Financial Officer, Unity. “While our strong performance is broad based, we are particularly proud of the performance from our Operate Solutions group that expanded market share in a tough environment. Our strong performance gives us confidence to raise guidance for the year, again.”

28. That same day, Unity hosted an earnings call with investors and analysts to discuss the Company’s Q2 2021 results (the “Q2 2021 Earnings Call”). During the scripted portion of the Q2 2021 Earnings Call, Defendant Riccitiello stated, in relevant part:

Unity reported a 48% year-over-year increase in revenue to \$274 million for the quarter. This quarter was the first in Unity’s history as we crossed a \$1 billion revenue run rate. We also raised our revenue guidance for the year by another \$45 million to a range between \$1.045 billion and \$1.060 billion.

We generated strong growth across all our product lines and geographies with important growth in both Operate and Create. Within Operate, both monetization and Multiplay services posted strong growth. And within Create, we saw strong growth both in games and non-game verticals.

Our Operations Solutions help developers solve this equation. We offer an end-to-end platform for content creators to deliver the best player experience and build robust and profitable businesses. We provide a growing suite of services that content creators can use to acquire new users, optimize user engagement and LTV via our monetization platform.

29. On November 9, 2021, Unity issued a press release announcing the Company’s Q3 2021 results. The press release stated, in relevant part:

Unity [. . .] today announced third quarter 2021 revenue of \$286.3 million, which is up 43% from the same period in 2020 and ahead of guidance. The company is increasing full year revenue guidance.

“Unity’s strong performance this quarter was driven by innovation in data science, vertical growth and making significant strides in bringing RT3D technologies and tools to as many creators and artists as possible,” said John Riccitiello, President and Chief Executive Officer, Unity. “And today we are proud to announce our intentions to acquire Weta Digital as we aim to bring their dozens of tools and assets to creators around the world. This sends a powerful message: all types of creators and digital artists can turn to Unity to create rich, interactive content and build experiences regardless of industry.”

“We delivered another strong quarter in Q3 2021 with \$286 million in revenue, continuing to add new customers and expanding our business within existing customers. The strong momentum gives us the confidence to raise our revenue growth guidance to 40% for the full year,” said Luis Visoso, Chief Financial Officer, Unity. “Bringing Weta Digital into the Unity family will materially advance our relevance with artists, and increase our addressable market, setting us up well for our long term growth prospects.”

30. That same day, Unity hosted an earnings call with investors and analysts to discuss the Company’s Q3 2021 results (the “Q3 2021 Earnings Call”). During the scripted portion of the Q3 2021 Earnings Call, Defendant Riccitiello stated, in relevant part:

We are really happy with our third quarter results and we have great news to share. We reported another strong quarter with results well above our expectations, we delivered 43% revenue growth as revenue hit a record \$286 million in the quarter. We continue to invest to drive future growth resulting in a non-GAAP operating margin of a -4% flat to the same quarter last year. Since we went public in September last year, our revenue growth has averaged 45%. We're encouraged by the execution loss across all of our business clients and geographies. And as you will hear later from Luis, we're raising our revenue guidance again, this quarter.

31. In addition, during the Q&A portion of the Q3 2021 Earnings Call, when asked to explain sequential growth in Q3 2022, Defendant Riccitiello responded, in relevant part:

So on the Operate side and particularly monetization, it -- I'd be remiss if I didn't point out that outside of monetization, the rest of our Operate stock is working extremely well. So it's across-the-board [Indiscernible] of our Operate portfolio, so we're gaining scale everywhere. So we feel really good about our business there. But specifically to Operate, I think topical right now and challenging for investors is, you see a lot of quarterly results and some companies pop up as a winner and some companies haven't popped up as a winner post the roll-through of -- via the pay changes introduced by Apple. Something I've been saying for a very long time is that Unity benefits from a very unique dataset driven by over 3 billion people. MAU in our analytics platform. And hundreds of millions on our IAP platform. I'm going to introduce something that I think -- probably most of you think it's pretty

obvious, but I want to emphasize it again. Most ad networks, their business is based on the identity -- the specific identity of the user interacting with the application.

32. On February 3, 2022, Unity issued a press release announcing the Company's Q4 and full year 2021 financial results. The press release stated in relevant part:

Unity [. . .] today announced fourth quarter 2021 revenue of \$315.9 million, which is up 43% from the same period in 2020 and ahead of guidance. Additionally, the company announced full-year 2021 revenue of \$1.1 billion, a growth of 44% year-over-year.

"Unity's strong fourth-quarter and full-year results were driven by exceptional execution and innovation by the Unity teams," said John Riccitiello, President and Chief Executive Officer, Unity. "We believe that the transition from linear 2D to interactive real-time 3D, presents a massive growth opportunity for the next decades. These are strong tailwinds that help us drive growth for years to come."

Since becoming a public company in September 2020, Unity has averaged 43% revenue growth. Customers contributing \$100,000 or more in revenue in the trailing 12 months increased 33%, from 793 as of December 31, 2020 to 1,052 as of December 31, 2021.

"We are encouraged by our performance in 2021 with strong results across Create and Operate Solutions," said Luis Visoso, Chief Financial Officer, Unity. "The business momentum coupled with the quality of our innovation plans gives us confidence to guide to a revenue growth range of 34% to 36% in 2022 as we continue to improve margins."

33. That same day, Unity hosted an earnings call with investors and analysts to discuss the Company's Q4 2021 results (the "Q4 2021 Earnings Call"). During the scripted portion of the Q4 2021 Earnings Call, Defendant Riccitiello stated, in relevant part:

We delivered another really good quarter, October to December to close out 2021 with great momentum. For the quarter, revenue grew 43% year-over-year to \$316 million and our non-GAAP operating margin was minus 3.8%, expanding 530 basis points from a year earlier.

These results have been and will continue to be driven by excellence and execution by the Unity team. We have built our business on a strong foundation based on very healthy customer metrics and structural economics. We enter 2022 with momentum across both Create and Operate, which gives us confidence in our outlook. For the year, we expect to grow revenue to be between \$1.485 billion and \$1.505 billion, which represents growth between 34% and 36% from 2021.

The Unity platform design -- is designed is designed to help creators through the entire lifecycle of a runtime application from ideation, to launch, to monetization, hosting and going -- and ongoing analytics to drive growth. So point number two, we think our leadership position is strong and we'll growing it and we'll continue to do that.

We believe that we have a unique platform that will endure the test of time. And as I've said earlier, the process of building our platform is at the very center of our strategic process, where we add value to our platform, while increasing our total addressable market.

Unity is an innovation machine. Monetization is a great example. We entered this business in 2014 and have not stopped innovating ever since. We hire the best and brightest product leaders, engineers, data scientists and focus on improving player experience. We operate with the developer's interest in mind and ensure our products contribute to the long-term success.

Now I'm proud of what we've achieved so far at Unity and I'm excited about the future that we can and will create. We are executing with excellence in a large and growing market that we are strategically expanding through internal innovation and acquisition. We have a defensible platform that has significant value to our customers and keeps on getting better.

34. Also during the scripted portion of the Q4 2021 Earnings Call, Defendant Visoso stated, in relevant part:

We also saw strong performance from our sophisticated analytics tools and products such as Audience Pinpointer that delivers strong return on investment to our customers without manual guesswork.

To win in a highly competitive market, we're constantly innovating, optimizing our machine learning models, improving our campaign and performance models, and generating actionable insights for our customer's campaigns and enabling them to make and form decisions.

As a result, we estimate that our monetization business has been over each of the last five years, including 2021, consistently growing about twice as fast as the market. Innovation, we're focused on providing infrastructure for synchronous Multiplayer experiences and community service for vibrant social interactions.

35. On February 22, 2022, Unity filed an Annual Report on Form 10-K with the SEC, reporting the Company's financial and operating results for the year ended December 31, 2021 (the "2021 10-K"). The 2021 10-K contained substantively similar descriptions of the Company's business, solution, competitive strengths, and user acquisition and monetization, as discussed *supra*, in ¶¶ 19-22.

36. Appended to the 2021 10-K as an exhibit was a signed certification pursuant to SOX by Defendants Riccitiello and Visoso, attesting that the "information contained in [the 2021 10-K] fairly presents, in all material respects, the financial condition and results of operations of Unity Software Inc."

37. The statements referenced in ¶¶ 19-36 were materially false and misleading because Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and compliance policies. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) deficiencies in Unity's product platform reduced the accuracy of the Company's machine learning technology; (ii) the foregoing was likely to have a material negative impact on the Company's revenues; (iii) accordingly, Unity had overstated the Company's commercial and/or financial prospects for 2022; (iv) as a result, the Company was likely to have to reduce its fiscal 2022 guidance; and (v) as a result, the Company's public statements were materially false and misleading at all relevant times.

The Truth Emerges

38. On May 10, 2022, after the market closed, Unity issued a press release announcing the Company's Q1 2022 financial results. The press release provided that the Company was reducing its fiscal 2022 guidance, stating, in relevant part, "Unity is providing the following guidance for the second quarter and lowering guidance for the full year ending December 31, 2022 due to challenges with monetization products that we expect to impact 2022."

39. That same day, Unity hosted an earnings call with investors and analysts to discuss the Company's Q1 2022 Earnings Call (the "Q1 2022 Earnings Call"). During the scripted portion of the Q1 2022 Earnings Call, Defendant Riccitiello stated, in relevant part:

Our report today is a tale of two cities; first, we experienced challenges in monetization of negatively affected revenue in February and March and more persists through the third quarter with minimal impact on the fourth. Second, we continue to perform very well in Create both with our gaming customers and with our non-game digital twins business where we saw meaningful growth, a trend we expect to continue.

For the total company, revenue of \$320 million was up 36% from a year earlier and came in at the top end of our guidance range. Upside to the forecast in Create was offset by challenges in Operate's monetization business. Non-GAAP operating margin of minus 7.2% improved 280 basis points from the first quarter of last year as we continued to invest in innovation to capture the very large opportunity in front of us, while improving non-GAAP operating margins.

I'd like to address our Operate business first. Operate started the year strong in January, but then significantly slowed down in February and March. This resulted in first quarter revenue of \$184 million, an increase of 26% year-on-year. While there are external factors to consider, the Operate challenge is mostly caused by internal factors in Unity monetization in an otherwise healthy market. We see these challenges as temporary and not structural and do not expect them to impact future prospects of our business beyond 2022.

The most succinct framing for the challenges we are facing is that we built more for growth and less for resiliency. Following years of rapid growth and working through the challenges of Apple's privacy changes, we got hit hard by two issues. The first was a fault in our platform that resulted in reduced accuracy for our Audience Pinpointer tool, a revenue expensive issue given that our Pinpointer tool experienced significant growth post the IDFA changes.

The second is that we lost the value of a portion of our data, training data due in part to us ingesting bad data from a large customer. We estimate the impact to our business of approximately \$110 million in 2022 with no carryover impact to 2023. Luis will provide a more granular update to our guidance in a few minutes.

40. On this news, Unity's stock price fell \$17.83 per share, or approximately 37%, to close at \$30.30 per share on May 11, 2022.

41. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

42. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Unity securities during the Class Period (the "Class"); and were damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are Defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

43. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Unity securities were actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Unity or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

44. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

45. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

46. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the federal securities laws were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Unity;
- whether the Individual Defendants caused Unity to issue false and misleading financial statements during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the prices of Unity securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

47. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

48. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

- the omissions and misrepresentations were material;
- Unity securities are traded in an efficient market;
- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NYSE and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiff and members of the Class purchased, acquired and/or sold Unity securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

49. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

50. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

COUNT I

(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants)

51. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

52. This Count is asserted against Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

53. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other

members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Unity securities; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire Unity securities and options at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

54. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to influence the market for Unity securities. Such reports, filings, releases and statements were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about Unity's finances and business prospects.

55. By virtue of their positions at Unity, Defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, Defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to Defendants. Said acts and omissions of Defendants were committed willfully or with reckless disregard for the truth. In addition, each Defendant

knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

56. Information showing that Defendants acted knowingly or with reckless disregard for the truth is peculiarly within Defendants' knowledge and control. As the senior managers and/or directors of Unity, the Individual Defendants had knowledge of the details of Unity's internal affairs.

57. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of Unity. As officers and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to Unity's businesses, operations, future financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of Unity securities was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning Unity's business and financial condition which were concealed by Defendants, Plaintiff and the other members of the Class purchased or otherwise acquired Unity securities at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities and/or upon statements disseminated by Defendants, and were damaged thereby.

58. During the Class Period, Unity securities were traded on an active and efficient market. Plaintiff and the other members of the Class, relying on the materially false and misleading statements described herein, which the Defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares of Unity securities at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the truth, they would not have purchased or otherwise acquired said

securities, or would not have purchased or otherwise acquired them at the inflated prices that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value of Unity securities was substantially lower than the prices paid by Plaintiff and the other members of the Class. The market price of Unity securities declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

59. By reason of the conduct alleged herein, Defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

60. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases, acquisitions and sales of the Company's securities during the Class Period, upon the disclosure that the Company had been disseminating misrepresented financial statements to the investing public.

COUNT II

(Violations of Section 20(a) of the Exchange Act Against the Individual Defendants)

61. Plaintiff repeats and re-alleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

62. During the Class Period, the Individual Defendants participated in the operation and management of Unity, and conducted and participated, directly and indirectly, in the conduct of Unity's business affairs. Because of their senior positions, they knew the adverse non-public information about Unity's misstatement of income and expenses and false financial statements.

63. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Unity's

financial condition and results of operations, and to correct promptly any public statements issued by Unity which had become materially false or misleading.

64. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Unity disseminated in the marketplace during the Class Period concerning Unity's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Unity to engage in the wrongful acts complained of herein. The Individual Defendants, therefore, were "controlling persons" of Unity within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Unity securities.

65. Each of the Individual Defendants, therefore, acted as a controlling person of Unity. By reason of their senior management positions and/or being directors of Unity, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Unity to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Unity and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

66. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Unity.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment against Defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;

C. Awarding Plaintiff and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and

D. Awarding such other and further relief as this Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.
