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8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA

10 _____, Individually and On Behalf of
11 All Others Similarly Situated,

12 Plaintiff,

13 v.

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

17 Defendants.

Case No.

CLASS ACTION

COMPLAINT FOR VIOLATIONS OF THE
FEDERAL SECURITIES LAWS

DEMAND FOR JURY TRIAL

18
19 Plaintiff _____ (“Plaintiff”), individually and on behalf of all others similarly situated, by
20 Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants, alleges the
21 following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information
22 and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through
23 Plaintiff’s attorneys, which included, among other things, a review of the Defendants’ public
24 documents, conference calls and announcements made by Defendants, United States (“U.S.”)
25 Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and
26 regarding Unity Software Inc. (“Unity” or the “Company”), analysts’ reports and advisories about
27 the Company, and information readily obtainable on the Internet. Plaintiff believes that
28

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

3 NATURE OF THE ACTION

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

11 2. Unity creates and operates an interactive real-time 3D content platform. The
12 Company’s platform provides software solutions to create, run, and monetize interactive, real-time
13 2D and 3D content for mobile phones, tablets, PCs, consoles, and augmented and virtual reality
14 devices. One of the tools on the Company’s product platform is the Audience Pinpointer, a user
15 acquisition service which uses real-time user valuation at the time of an ad request.
16

17 3. Throughout the Class Period, Defendants made materially false and misleading
18 statements regarding the Company’s business, operations, and compliance policies. Specifically,
19 Defendants made false and/or misleading statements and/or failed to disclose that: (i) deficiencies
20 in Unity’s product platform reduced the accuracy of the Company’s machine learning technology;
21 (ii) the foregoing was likely to have a material negative impact on the Company’s revenues; (iii)
22 accordingly, Unity had overstated the Company’s commercial and/or financial prospects for 2022;
23 (iv) as a result, the Company was likely to have to reduce its fiscal 2022 guidance; and (v) as a
24 result, the Company’s public statements were materially false and misleading at all relevant times.
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26 4. On May 10, 2022, after the market closed, Unity announced its financial results for
27 the first quarter of 2022. The Company also reduced its fiscal 2022 guidance, citing “challenges
28

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

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

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

9
10 **JURISDICTION AND VENUE**

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

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

16 9. Venue is proper in this Judicial District pursuant to Section 27 of the Exchange Act
17 (15 U.S.C. § 78aa) and 28 U.S.C. § 1391(b). Unity is headquartered in this Judicial District,
18 Defendants conduct business in this Judicial District, and a significant portion of Defendants’
19 activities took place within this Judicial District.

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

1 **PARTIES**

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

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

8 13. Defendant John S. Riccitiello (“Riccitiello”) has served as Unity’s Chief Executive
9 Officer, President, and Executive Chairman at all relevant times.

10 14. Defendant Kimberly Jabal (“Jabal”) served as Unity’s Chief Financial Officer
11 (“CFO”) from prior to the start of the Class Period until April 2021.

12 15. Defendant Luis Felipe Visoso (“Visoso”) has served as Unity’s CFO since April
13 2021.

14 16. Defendants Riccitiello, Jabal, and Visoso are sometimes referred to herein as the
15 “Individual Defendants.”

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

3 SUBSTANTIVE ALLEGATIONS

4 Background

5 18. Unity creates and operates an interactive real-time 3D content platform. The
6 Company's platform provides software solutions to create, run, and monetize interactive, real-time
7 2D and 3D content for mobile phones, tablets, PCs, consoles, and augmented and virtual reality
8 devices. One of the tools on the Company's product platform is the Audience Pinpointer, a user
9 acquisition service which uses real-time user valuation at the time of an ad request.
10

11 Materially False and Misleading Statements Issued During the Class Period

12 19. The Class Period begins on March 5, 2021, when Unity filed an Annual Report on
13 Form 10-K with the SEC, reporting the Company's financial and operating results for the year
14 ended December 31, 2020 (the "2020 10-K"). In providing an overview of the Company, the 2020
15 10-K stated, in relevant part:
16

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

22 Our platform provides a comprehensive set of software solutions to create,
23 run and monetize interactive, real-time 2D and 3D content for mobile phones,
24 tablets, PCs, consoles, and augmented and virtual reality devices. In the fourth
25 quarter of 2020, we had, on average, approximately 2.7 billion monthly active end
26 users who consumed content created or operated with our solutions. The
27 applications developed by these creators were downloaded, on average, five billion
28 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

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

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

8 ***

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

22 ***

23 Our platform consists of two distinct, but connected and synergistic, sets of
24 solutions. Our Create Solutions are used by content creators—developers, artists,
25 designers, engineers, and architects—to create interactive, real-time 2D and 3D
26 content. Our Operate Solutions offer customers the ability to grow and engage their
27 end-user base, as well as run and monetize their content with the goal of optimizing
28 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

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

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

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

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

27 **Our Competitive Strengths**

28 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.

1 22. Finally, in discussing the Company’s user acquisition and monetization, the 2020
2 10-K stated, in relevant part:

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

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

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

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

22 ***

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

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

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

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

13 ***

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

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

28 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.

29 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

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

3 ***

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

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

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

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

22 ***

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

28 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.

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

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

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

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

27 31. In addition, during the Q&A portion of the Q3 2021 Earnings Call, when asked to
28 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

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

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

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

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

14 Since becoming a public company in September 2020, Unity has averaged 43%
15 revenue growth. Customers contributing \$100,000 or more in revenue in the trailing
16 12 months increased 33%, from 793 as of December 31, 2020 to 1,052 as of
17 December 31, 2021.

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

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

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

30 ***

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

1 ***

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

7 ***

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

12 ***

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

18 ***

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

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

26 We also saw strong performance from our sophisticated analytics tools and
27 products such as Audience Pinpointer that delivers strong return on investment to
28 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.

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

7 36. Appended to the 2021 10-K as an exhibit was a signed certification pursuant to
8 SOX by Defendants Riccitiello and Visoso, attesting that the "information contained in [the
9 2021 10-K] fairly presents, in all material respects, the financial condition and results of operations
10 of Unity Software Inc."

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

23 38. On May 10, 2022, after the market closed, Unity issued a press release announcing
24 the Company's Q1 2022 financial results. The press release provided that the Company was
25 reducing its fiscal 2022 guidance, stating, in relevant part, "Unity is providing the following
26 guidance for the second quarter and lowering guidance for the full year ending December 31, 2022
27 due to challenges with monetization products that we expect to impact 2022."
28

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

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

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

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

23 The most succinct framing for the challenges we are facing is that we built more
24 for growth and less for resiliency. Following years of rapid growth and working
25 through the challenges of Apple's privacy changes, we got hit hard by two issues.
26 The first was a fault in our platform that resulted in reduced accuracy for our
27 Audience Pinpointer tool, a revenue expensive issue given that our Pinpointer tool
28 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.

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

4 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

5 42. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
6 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise
7 acquired Unity securities during the Class Period (the "Class"); and were damaged upon the
8 revelation of the alleged corrective disclosures. Excluded from the Class are Defendants herein,
9 the officers and directors of the Company, at all relevant times, members of their immediate
10 families and their legal representatives, heirs, successors or assigns and any entity in which
11 Defendants have or had a controlling interest.
12

13 43. The members of the Class are so numerous that joinder of all members is
14 impracticable. Throughout the Class Period, Unity securities were actively traded on the NYSE.
15 While the exact number of Class members is unknown to Plaintiff at this time and can be
16 ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or
17 thousands of members in the proposed Class. Record owners and other members of the Class may
18 be identified from records maintained by Unity or its transfer agent and may be notified of the
19 pendency of this action by mail, using the form of notice similar to that customarily used in
20 securities class actions.
21

22 44. Plaintiff's claims are typical of the claims of the members of the Class as all
23 members of the Class are similarly affected by Defendants' wrongful conduct in violation of
24 federal law that is complained of herein.
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1 45. Plaintiff will fairly and adequately protect the interests of the members of the Class
2 and has retained counsel competent and experienced in class and securities litigation. Plaintiff has
3 no interests antagonistic to or in conflict with those of the Class.

4 46. Common questions of law and fact exist as to all members of the Class and
5 predominate over any questions solely affecting individual members of the Class. Among the
6 questions of law and fact common to the Class are:
7

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

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

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

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

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

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

13 50. Alternatively, Plaintiff and the members of the Class are entitled to the presumption
14 of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v.*
15 *United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in
16 their Class Period statements in violation of a duty to disclose such information, as detailed above.
17

18 COUNT I

19 **(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder** 20 **Against All Defendants)**

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

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

25 53. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and
26 course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions,
27 practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other
28

1 members of the Class; made various untrue statements of material facts and omitted to state
2 material facts necessary in order to make the statements made, in light of the circumstances under
3 which they were made, not misleading; and employed devices, schemes and artifices to defraud in
4 connection with the purchase and sale of securities. Such scheme was intended to, and, throughout
5 the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members,
6 as alleged herein; (ii) artificially inflate and maintain the market price of Unity securities; and (iii)
7 cause Plaintiff and other members of the Class to purchase or otherwise acquire Unity securities
8 and options at artificially inflated prices. In furtherance of this unlawful scheme, plan and course
9 of conduct, Defendants, and each of them, took the actions set forth herein.
10

11 54. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the
12 Defendants participated directly or indirectly in the preparation and/or issuance of the quarterly
13 and annual reports, SEC filings, press releases and other statements and documents described
14 above, including statements made to securities analysts and the media that were designed to
15 influence the market for Unity securities. Such reports, filings, releases and statements were
16 materially false and misleading in that they failed to disclose material adverse information and
17 misrepresented the truth about Unity's finances and business prospects.
18

19 55. By virtue of their positions at Unity, Defendants had actual knowledge of the
20 materially false and misleading statements and material omissions alleged herein and intended
21 thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, Defendants
22 acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose
23 such facts as would reveal the materially false and misleading nature of the statements made,
24 although such facts were readily available to Defendants. Said acts and omissions of Defendants
25 were committed willfully or with reckless disregard for the truth. In addition, each Defendant
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1 knew or recklessly disregarded that material facts were being misrepresented or omitted as
2 described above.

3 56. Information showing that Defendants acted knowingly or with reckless disregard
4 for the truth is peculiarly within Defendants' knowledge and control. As the senior managers
5 and/or directors of Unity, the Individual Defendants had knowledge of the details of Unity's
6 internal affairs.
7

8 57. The Individual Defendants are liable both directly and indirectly for the wrongs
9 complained of herein. Because of their positions of control and authority, the Individual
10 Defendants were able to and did, directly or indirectly, control the content of the statements of
11 Unity. As officers and/or directors of a publicly-held company, the Individual Defendants had a
12 duty to disseminate timely, accurate, and truthful information with respect to Unity's businesses,
13 operations, future financial condition and future prospects. As a result of the dissemination of the
14 aforementioned false and misleading reports, releases and public statements, the market price of
15 Unity securities was artificially inflated throughout the Class Period. In ignorance of the adverse
16 facts concerning Unity's business and financial condition which were concealed by Defendants,
17 Plaintiff and the other members of the Class purchased or otherwise acquired Unity securities at
18 artificially inflated prices and relied upon the price of the securities, the integrity of the market for
19 the securities and/or upon statements disseminated by Defendants, and were damaged thereby.
20

21 58. During the Class Period, Unity securities were traded on an active and efficient
22 market. Plaintiff and the other members of the Class, relying on the materially false and misleading
23 statements described herein, which the Defendants made, issued or caused to be disseminated, or
24 relying upon the integrity of the market, purchased or otherwise acquired shares of Unity securities
25 at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiff and the other
26 members of the Class known the truth, they would not have purchased or otherwise acquired said
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1 securities, or would not have purchased or otherwise acquired them at the inflated prices that were
2 paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value of
3 Unity securities was substantially lower than the prices paid by Plaintiff and the other members of
4 the Class. The market price of Unity securities declined sharply upon public disclosure of the facts
5 alleged herein to the injury of Plaintiff and Class members.

6
7 59. By reason of the conduct alleged herein, Defendants knowingly or recklessly,
8 directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5
9 promulgated thereunder.

10 60. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the
11 other members of the Class suffered damages in connection with their respective purchases,
12 acquisitions and sales of the Company's securities during the Class Period, upon the disclosure
13 that the Company had been disseminating misrepresented financial statements to the investing
14 public.
15

16 **COUNT II**

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

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

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

24 63. As officers and/or directors of a publicly owned company, the Individual
25 Defendants had a duty to disseminate accurate and truthful information with respect to Unity's
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1 financial condition and results of operations, and to correct promptly any public statements issued
2 by Unity which had become materially false or misleading.

3 64. Because of their positions of control and authority as senior officers, the Individual
4 Defendants were able to, and did, control the contents of the various reports, press releases and
5 public filings which Unity disseminated in the marketplace during the Class Period concerning
6 Unity's results of operations. Throughout the Class Period, the Individual Defendants exercised
7 their power and authority to cause Unity to engage in the wrongful acts complained of herein. The
8 Individual Defendants, therefore, were "controlling persons" of Unity within the meaning of
9 Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct
10 alleged which artificially inflated the market price of Unity securities.
11

12 65. Each of the Individual Defendants, therefore, acted as a controlling person of Unity.
13 By reason of their senior management positions and/or being directors of Unity, each of the
14 Individual Defendants had the power to direct the actions of, and exercised the same to cause,
15 Unity to engage in the unlawful acts and conduct complained of herein. Each of the Individual
16 Defendants exercised control over the general operations of Unity and possessed the power to
17 control the specific activities which comprise the primary violations about which Plaintiff and the
18 other members of the Class complain.
19

20 66. By reason of the above conduct, the Individual Defendants are liable pursuant to
21 Section 20(a) of the Exchange Act for the violations committed by Unity.
22

23 **PRAYER FOR RELIEF**

24 **WHEREFORE**, Plaintiff demands judgment against Defendants as follows:

25 A. Determining that the instant action may be maintained as a class action under Rule
26 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;
27

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

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

5 D. Awarding such other and further relief as this Court may deem just and proper.
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7 **DEMAND FOR TRIAL BY JURY**

8 Plaintiff hereby demands a trial by jury.
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