

HAGENS BERMAN SOBOL SHAPIRO LLP

Reed R. Kathrein (Bar. No. 139304)
Lucas E. Gilmore (Bar No. 250893)
715 Hearst Avenue, Suite 300
Berkeley, CA 94710
Tel: (510) 725-3000
Fax: (510) 725-3001
reed@hbsslaw.com
lucasg@hbsslaw.com

Liaison Counsel for the Class

LABATON SUCHAROW LLP

Christine M. Fox (*pro hac vice*)
James M. Fee (*pro hac vice*)
Charles J. Stiene (*pro hac vice*)
140 Broadway
New York, NY 10005
Tel: (212) 907-0700
Fax: (212) 818-0477
cfox@labaton.com
jfee@labaton.com
cstienc@labaton.com

*Lead Counsel for Lead Plaintiffs
Oklahoma Firefighters Pension and
Retirement System and Indiana Public
Retirement System and the Proposed
Class*

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION**

IN RE UNITY SOFTWARE INC.
SECURITIES LITIGATION

Case No. 5:22-cv-03962-EJD

CLASS ACTION

**CONSOLIDATED AMENDED CLASS
ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS**

DEMAND FOR JURY TRIAL

TABLE OF CONTENTS

	<u>Page</u>
GLOSSARY OF TERMS AND ABBREVIATIONS USED IN AMENDED COMPLAINT	iv
I. NATURE OF THE ACTION	1
II. JURISDICTION AND VENUE	8
III. PARTIES	8
A. Plaintiffs	8
B. Defendants	9
1. Company Defendants	9
2. Private Equity Defendants	11
IV. SUBSTANTIVE ALLEGATIONS	15
A. Company Background and Key Segments	15
B. Unity’s Ad Tools - the Unified Auction and Audience Pinpointer	17
C. User Tracking Data and the Loss of User Tracking Data	19
1. Identifier for Advertisers (“IDFA”)	19
2. Apple’s Privacy Changes	20
3. Unity Boasts That the Loss of IDFA Data, Is a “Competitive Advantage” for Its Audience Pinpointer Product	24
4. Mobile Measurement Partners (“MMPs”)	25
D. Confidential Witnesses	28
1. Confidential Witness Descriptions	29
2. How Unity’s Ad Products Work	30
3. Unity Reacts to Apple’s Announced Privacy Changes	32
4. Unity Experiences Massive Problems With Audience Pinpointer After Its Broader Launch; the Company Receives Barrage of Customer Complaints	35
5. Unity Attempts to Respond to Customer Complaints on an Ad-Hoc Basis Because It Is Unable to Fix Audience Pinpointer	38

1	6.	Unity Loses Customers	40
2	7.	Unity Fails to Properly Integrate Acquisitions Made During Class Period	40
3	8.	May 10, 2022 Disclosure	40
4	9.	Acquisition of ironSource and Sunsetting of Audience Pinpointer.....	41
5	E.	Unity's Class Period Acquisition Spree Covers Up Failing Ad Business Performance	42
6	1.	June 22, 2021: Unity Acquires PiXYZ	42
7	2.	July 22, 2021: Unity Acquires SpeedTree	42
8	3.	August 12, 2021: Unity Acquires OTO	42
9	4.	September 2021: Unity Acquires Parsec.....	43
10	5.	November 30, 2021: Unity Acquires SyncSketch.....	43
11	6.	December 1, 2021: Unity Acquires Weta Digital.....	43
12	7.	January 24, 2022: Unity Acquires Ziva Dynamics.....	43
13	F.	ironSource Merger.....	44
14	V.	DEFENDANTS' MATERIALLY FALSE AND MISLEADING STATEMENTS AND OMISSIONS DURING THE CLASS PERIOD	45
15	A.	May 11, 2021: Q1 2021 Results.....	45
16	B.	August 10, 2021: Q2 2021 Results.....	49
17	C.	November 9, 2021: Q3 2021 Results	53
18	D.	February 3, 2022: Q4 and FY 2021 Results	55
19	E.	February 22, 2022: Unity's 2021 10-K	59
20	VI.	THE TRUTH EMERGES: MAY 10, 2022.....	60
21	VII.	POST-CLASS PERIOD EVENTS	65
22	A.	July 13, 2022: ironSource Merger Announced.....	65
23	B.	August 9, 2022: Q2 2022 Results	66
24	VIII.	ADDITIONAL EVIDENCE OF SCIENTER.....	68

1	A.	Sudden Decline in Quarter-Over-Quarter Revenue Growth Within the	
2		Operate Segment Starting No Later than July 2021.....	70
3	B.	The Majority of Unity’s Revenues During the Class Period Came From Its	
4		Operate Segment, and Its Monetization of Ad Placement, and the Individual	
		Defendants Spoke Frequently About the Importance of Audience Pinpointer.....	71
5	C.	Statements By Former Unity Employees Corroborate That Defendants Knew	
6		or Recklessly Disregarded the Serious Problems With Audience Pinpointer	
		During the Class Period and Customer Complaints About Poor ROI	73
7	D.	The Individual Defendants’ Stock Sales During the Class Period Were	
8		Unusual and Suspicious in Timing and Amount	74
9	1.	The Amount and Value of Trading by These Defendants During the	
10		Class Period Were Unusual.....	74
11	2.	The Nominal Amount and Percentage of Unity Stock Sold During the	
		Class Period Were Extremely Large.....	76
12	3.	The Individual Defendants’ Stock Sales During the Class Period Were	
13		Inconsistent With Their Trading Practices in Both the Preceding	
		Period and Post-Class Period	76
14	4.	The Timing of the Individual Defendants’ Stock Sales Was	
15		Suspicious.....	78
16	5.	The Presence of 10b5-1 Trading Plans Adopted by the Individual	
17		Defendants Does Not Absolve Them of Liability	78
18	E.	Challenges Posed by Apple’s Privacy Changes Were Discussed Regularly	
		Among Senior Unity Officers and Directors at IDFA Preparation Meetings.....	79
19	IX.	LOSS CAUSATION/ECONOMIC LOSS.....	80
20	X.	PLAINTIFFS’ CLASS ACTION ALLEGATIONS.....	81
21	XI.	CLAIMS FOR RELIEF	84
22	XII.	PRAYER FOR RELIEF.....	90
23	XIII.	DEMAND FOR TRIAL BY JURY	90

**GLOSSARY OF TERMS AND ABBREVIATIONS
USED IN AMENDED COMPLAINT**

Term	Definition
ATT	App Tracking Transparency
DAUs	Daily Active Users
IDFA	Identifier for Advertisers. IDFA is a unique identifier assigned to a user's iOS device that is used to target a user's online behaviors for marketing and advertising purposes.
KPIs	Key Performance Indicators
LTV	A user's estimated lifetime value based on algorithms which use actual specific user behavior and the preferences to estimate future user behavior. The LTV allows advertisers to make informed decisions on how much to bid for display ads through the Unified Auction. Users with a higher LTV are expected to have a higher probability of engaging with the display ad and, therefore, require a higher bid in the Unified Auction.
MAC	Media Access Control
MAUs	Monthly Active Users. It measures the number of users that have done something meaningful in your product in the last 30 days/calendar month, but it can also power advanced analysis like conversion and retention rates that show how "sticky" or valuable a product truly is.
MMP	Mobile Measurement Partners. Third Parties that aggregate and analyze user behavior.
ROAS	Return on Ad Spend
ROI	Return on Investment
SDK	Software Development Kit
UDID	Apple's Unique Device Identifier. UDID was a 40-character string assigned to Apple devices that third parties, including app vendors, could use to track subscriber behavior such as user likes which the vendors could use to tailor advertising accordingly. Because of mounting privacy concerns on the part of device owners, in 2012, Apple began rejecting apps that make use of UDIDs.

Lead Plaintiffs Oklahoma Firefighters Pension and Retirement System and Indiana Public Retirement System (“Plaintiffs”), individually and on behalf of all others similarly situated, allege the following based on Plaintiffs’ personal knowledge as to its own acts, and on information and belief as to all other matters, such information and belief having been informed by the investigation conducted by and under the supervision of Lead Counsel, which includes a review of: U.S. Securities and Exchange Commission (“SEC”) filings by Unity Software Inc. (“Unity” or the “Company”); securities analysts’ reports and advisories about the Unity; press releases and other public statements issued by the Company; media reports about the Company; interviews with former employees of Unity with knowledge of the matters alleged herein; and consultation with experts in the areas of loss causation and damages.¹ Lead Counsel’s investigation into the matters alleged herein is ongoing and many relevant facts are known only to, or are exclusively within the custody or control of, the Defendants. Plaintiffs believe that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery. On behalf of themselves and the class they seek to represent, Plaintiffs allege as follows:

I. NATURE OF THE ACTION

1. This is a federal securities class action on behalf of a class consisting of all persons or entities who or which, during the period from May 11, 2021 through May 10, 2022, inclusive (the “Class Period”), purchased or otherwise acquired the publicly traded common stock or exchange-traded call options or sold exchange-traded put options of Unity, and were damaged thereby.

2. The claims are alleged against Unity, its CEO and Executive Chairman John S. Riccitiello (“Riccitiello”), its CFO Luis Felipe Visoso (“Visoso”), and its Senior Vice President & General Manager of Operate Solutions, Ingrid Lestiyo (“Lestiyo,” collectively, “the Company Defendants” and together with the Private Equity Defendants (defined below), “Defendants”)² and three of Unity’s largest shareholders, Sequoia, Silver Lake, and OTEE (all defined below in ¶¶ 30-

¹ Confidential witnesses (“CWs”) will be identified herein by number (CW-1, CW-2). All CWs will be described in the masculine to protect their identities.

² Riccitiello, Visoso, and Lestiyo are collectively referred to herein as the “Individual Defendants.”

32).³ The action seeks 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 officers and directors.

3. Unity provides software developers with a platform to create and monetize their video games for mobile phones, computers, and game consoles. 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. Since many of Unity’s clients use the platform to create games and applications (“apps”), the Company offers user acquisition products and monetization products through its Operate Solutions division, allowing clients to grow their users and monetize their content over time. During the Class Period, Unity’s Operate Solutions division generated the majority of its total revenue (approximately 65%), mostly through a revenue-share model.

4. One of the Company’s most important user acquisition ad products offered through the Operate Solutions division during the Class Period was Audience Pinpointer, a technology that employed machine learning to monitor users’ real-time in-app behavior at the moment of an ad request, thereby aiding ad clients in finding users most likely to provide value beyond the initial installation of the game or app. In short, Audience Pinpointer was marketed as an ad tool that placed online ads for Unity’s customers in front of the users who were most likely to buy the customer’s products.

5. Audience Pinpointer’s importance to Unity’s business increased dramatically starting in mid-2020 when Apple Inc. (“Apple”) announced that in 2021 it would allow users to block Identifier for Advertisers (“IDFA”), a unique identifier assigned to a user’s iOS device that had previously been used to target a user’s online behaviors for marketing and advertising purposes.⁴

³ Sequoia, Silver Lake, and OTEE are collectively referred to as the “Private Equity Defendants.”

⁴ As discussed herein, in April 2021, Apple released iPhone software update, iOS 14.5, which required apps in the App Store to obtain permission to track users across apps and websites owned by third parties for advertising and measurement purposes, effectively limiting the amount of app data developers could provide to other companies and changing how users were notified about ad tracking.

1 Thus, following Apple’s announcement, Unity marketed Audience Pinpointer, then only available
 2 to a few of the Company’s ad clients, as a way to circumvent Apple’s privacy changes because
 3 Audience Pinpointer could provide Unity’s customers with user information that did not require
 4 Apple’s IDFA data.⁵ But, from the start of the Class Period on May 11, 2021, Audience Pinpointer
 5 was experiencing serious problems with its machine-learning algorithms and was not a cost-
 6 effective nor functional replacement for the loss of IDFA data.

7 6. Defendants knew or recklessly disregarded this business-critical information and
 8 instead, throughout the Class Period, made materially false and misleading statements and/or failed
 9 to disclose the core functionality problems the Company was experiencing with Audience
 10 Pinpointer, and the negative impact that Apple’s privacy changes were having on Unity’s ability to
 11 provide its ad customers effectiveness from a return on investment (“ROI”) perspective.

12 7. For example, during the Class Period, Defendants falsely stated that Audience
 13 Pinpointer accurately targeted users and provided its customers with “true,” “positive,” and
 14 “superior” ROI. CEO Riccitiello repeatedly touted the Company’s ad monetization capabilities by
 15 asserting, among other things, that Unity “appl[ies] advanced analytics and machine learning
 16 algorithms to create and manage a true ROI on behalf of our customers” and that Unity’s
 17 monetization program was “based on a deep, deep understanding of user-level LTV [lifetime value]
 18 and engagement, and we succeed when we deliver superior ROI for customers. . . And we apply
 19 advanced analytics and machine learning algorithms to create and manage a true ROI on behalf of
 20 our customers.”

21
 22
 23
 24 ⁵ Unity markets Audience Pinpointer as a “machine learning model [which] generates a real-time
 25 valuation of each user at the time of an ad request. The algorithm decides on a bid for specific users
 26 based on their individual valuations. The system updates constantly based on actual user behavior
 27 and the preferences of millions of players across Unity’s platform...Acquire users who are more
 28 likely to stay up to 7 days in your game or based on their predicted value within 7 days. Depending
 on predicted 7-day retention or the ROAS (return on ad spend) target from the advertiser, our
 solution adjusts the CPI dynamically so you pay the right price for each user.” *Target & Price
 Users*, Unity, <https://unity.com/solutions/mobile-business/get-users/audience-pinpointer> (last visited
 Mar. 24, 2023).

1 8. However, Defendants’ statements during the Class Period were materially false and
2 misleading when made in that they failed to disclose the following adverse facts which were known
3 to or recklessly disregarded by Defendants:

4 (a) From the start of the Class Period, Audience Pinpointer had serious known
5 technical flaws that the Company has now admitted greatly reduced (or eliminated) Unity’s ability
6 to accurately target users for ads within apps and games and which Defendant Riccitiello has
7 admitted was a “revenue-expensive issue” for Unity;

8 (b) Customers of all sizes, many of whom tracked revenue from their Unity ads
9 in real-time, were complaining to Unity that its ad monetization tool (Audience Pinpointer) was not
10 working and they were not getting an effective ROI;

11 (c) Customers were reducing ad spending with Unity and some customers were
12 leaving for other ad competitors including ironSource Ltd. (“ironSource”) and Facebook;

13 (d) Unbeknownst to investors, starting in July 2021, the Operate Solutions
14 segment experienced a drastic slowdown in quarter-over-quarter revenue growth that went from
15 25% in Q2 2021 to 1% in Q3 2021. This slowdown continued throughout the rest of the Class
16 Period with revenue growth turning negative in Q1 2022; and

17 (e) The Company would be materially negatively affected by the serious and
18 unaddressed Audience Pinpointer problems as ad spending was a major source of revenue for
19 Unity; and

20 (f) As a result, Unity’s financial results would be significantly below
21 expectations due to declining customer spend in the Operate Solutions segment.

22 9. Former Unity employees confirm that Audience Pinpointer, which was “absolutely
23 rushed” to market after the Apple privacy changes were announced, experienced problems
24 throughout the Class Period, as customers from small clients to larger enterprise clients reported
25 complaints to Unity about declining returns on their ad spend, since many of them monitored
26 success and revenue from their in-app ads in real-time. Indeed, there was a “tonal shift” following
27 the broader rollout of Audience Pinpointer when customer feedback turned exclusively negative.
28

Former Unity employees describe customer complaints increasing “fivefold.” Moreover, profits were declining for ad solutions as customers complained about issues with the accuracy of the Audience Pinpointer tool which was not working as intended. Certain of the former Unity employees cited herein summarized these complaints in monthly reports that went directly to Unity leadership, including Defendant Lestiyo and non-defendant senior executive Jules Shumaker (then SVP of Revenue, Operate Solutions), both of whom reported to Defendant Riccitiello. Other witnesses described weekly or biweekly meetings with Lestiyo and Shumaker that would almost always be entirely about Unity’s ads business.

10. Former Unity employees also confirm that the algorithms responsible for showcasing ads on Unity games had “backfired” and had “stopped working.” As a result, Unity began losing customers to ad competitors ironSource and Facebook. Rather than fix Audience Pinpointer and clean up Unity’s data problems, Unity tried to address the problems on an ad hoc basis without success. Eventually, after the Class Period, Unity announced it would acquire one of its competitors in the ad space, ironSource. The witnesses cited herein provide factual support for the falsity of the Company Defendants’ statements during the Class Period and for a strong inference of scienter on the Company Defendants’ part regarding the problems with the Company’s ad products – problems which existed throughout the Class Period.

11. The truth became known on May 10, 2022, when, after the market closed, Unity announced its financial results for Q1 2022. Unity missed analysts’ consensus estimates for Q1 2022, and guided Q2 2022 sales projections down by 20 percent below consensus estimates. The Company also lowered its full-year 2022 revenue guidance to a range of \$1.35 billion and \$1.425 billion from its earlier estimate of \$1.50 billion. The Company disclosed that the revenue shortfall in Q1 2022, and expected revenue shortfall for the rest of 2022, was due to negative Operate trends caused by two major challenges that hit the Company “hard.” According to Defendant Riccitiello, “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

1 part to us ingesting bad data from a large customer. We estimate the impact to our business of
 2 approximately \$110 million in 2022.”⁶

3 12. Defendant Riccitiello explained that one of the early signals about the severity of the
 4 technology problem with Audience Pinpointer was customers spending less money on Unity ad
 5 tools “because they’re getting less performance out of our Audience Pinpointer.” Riccitiello
 6 attributed the source of the problem to Unity sacrificing resiliency within the Pinpointer product for
 7 new features and rapid rollout. In short, with serious technology issues and significantly reduced
 8 usable data, customers were not spending as much money with Unity’s ad tools which was affecting
 9 and would continue to affect Unity’s revenues through 2022.

10 13. On this news, Unity’s stock price plunged \$17.83 per share, or approximately 37%,
 11 from \$48.13 per share at the market’s close on May 10, 2022 to \$30.30 per share at the market’s
 12 close on May 11, 2022.

13 14. Based on the Company’s disclosures about the problems with Audience Pinpointer
 14 and Unity’s corrupted machine learning training data, multiple analysts cut their one-year price
 15 targets on Unity. For example, Oppenheimer & Co., Inc. lowered its price target from \$135 to \$54
 16 per share, citing the Company’s “unforced errors” in Audience Pinpointer. Likewise, Wedbush
 17 Securities lowered its price target to \$55 from \$125 to \$70 per share due to the “self-inflicted
 18 wound” causing “unacceptable error levels” with Audience Pinpointer.

19 15. Moreover, unbeknownst to investors, during the Class Period, Defendants were
 20 cashing out of their Unity stock at all-time highs before the problems with Audience Pinpointer
 21 became known to investors. For example:

22 (a) Defendants Riccitiello, Visoso, and Lestiyo had been heavily selling Unity
 23 stock in amounts totaling more than \$250 million, and at prices as high as \$180 per share, while in
 24 possession of material non-public information about the problems with the user accuracy of
 25 Audience Pinpointer; and

26
 27
 28 ⁶ Unless otherwise noted, all emphasis has been added.

(b) Silver Lake and OTEE (two of the Private Equity Defendants) and their affiliates, each with representatives on Unity’s Board of Directors, collectively sold close to 3.8 million shares of Unity stock during the Class Period, for proceeds of more than \$600 million while in possession of material non-public information about the problems with the user accuracy of Audience Pinpointer.

16. Further exposing the depth of Unity’s unresolved Audience Pinpointer and data problems, following the Class Period, on July 13, 2022, Unity announced a \$4.4 billion all-stock merger with one of its biggest competitors, ironSource. Some analysts viewed the merger as a remedial measure to improve Unity’s ad targeting capabilities that were negatively impacted by (i) the Apple privacy changes, and (ii) the collapse of Unity’s ad solution, Audience Pinpointer. For example, in the *Wall Street Journal* article dated July 13, 2022, Benchmark analyst Michael Hickey called Unity’s merger with its competitor, a “classic coverup deal” whereby Unity “acquire[s] a company that does much of the same thing and change[s] the narrative.” At the same time the ironSource deal was announced, Unity lowered its full year 2022 revenue guidance due, in part, to the fact that Unity’s monetization business (its ad business) was still suffering substantial setbacks.

17. The ironSource merger announcement was not the last sign of trouble, however, as Unity’s data issues persisted and continued to impede Operate’s performance. The Audience Pinpointer problems continued to plague Unity’s Q2 2022 results which were announced on August 9, 2022. Unity’s quarterly revenue missed analysts’ expectations with revenues from the Operate segment declining 14% from Q1 2022. Unity also guided Q3 2022 revenues down from analysts’ expectations. The 14% drop in Operate revenues in Q2 2022 and the reduced Q3 2022 revenues were due, in part, to the Audience Pinpointer issues announced on May 10, 2022, which continued to debilitate the Company and divert the attention of employees within both the Operate and Create segments. Indeed, on Unity’s Q2 2022 Earnings Call, Defendants discussed significant ongoing investments by Unity to address Audience Pinpointer’s reduced targeting capabilities, including creating at least eight different task forces to fix the Audience Pinpointer data issues.

18. As a result of Defendants' wrongful acts and omissions with respect to Unity's ability to effectively deliver results for its customers, following Apple's IDFA changes, through tools like Audience Pinpointer and the precipitous decline in the market value of the Company's stock price once the Company's wrongful acts and omissions were revealed, Plaintiffs and other Class members have suffered significant losses and damages.

II. JURISDICTION AND VENUE

19. 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).

20. 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 (15 U.S.C. § 78aa).

21. 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 maintains its headquarters in this Judicial District, Defendants conduct business in this Judicial District, and a significant portion of Defendants' activities took place within this Judicial District.

22. 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.

III. PARTIES

A. Plaintiffs

23. Court-appointed Lead Plaintiff Oklahoma Firefighters Pension and Retirement System provides retirement, disability, and survivor benefits to its members – retirees and active employees. It is a sophisticated institutional investor that had approximately \$3.1 billion in total pension assets under management as of June 30, 2022. As set forth in the Certification previously submitted to the Court (ECF No. 25-2), Lead Plaintiff Oklahoma Firefighters Pension and

1 Retirement System purchased or otherwise acquired Unity common stock at artificially inflated
2 prices during the Class Period and suffered damages thereby.

3 24. Court-appointed Lead Plaintiff Indiana Public Retirement System provides
4 retirement, disability, and survivor benefits to its members – retirees and active employees. It is a
5 sophisticated institutional investor that had approximately \$36.1 billion in total pension assets under
6 management as of June 30, 2022. As set forth in the Certification previously submitted to the Court
7 (ECF No. 25-2), Lead Plaintiff Indiana Public Retirement System purchased or otherwise acquired
8 Unity common stock at artificially inflated prices during the Class Period and suffered damages
9 thereby.

10 **B. Defendants**

11 **1. Company Defendants**

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

15 26. Defendant John S. Riccitiello has served as Unity’s Chief Executive Officer since
16 October 2014, as Executive Chairman of the Board since June 2014, and as a Company director
17 since November 2013. Defendant Riccitiello’s compensation for FY 2020 was \$22,001,733, of
18 which \$360,014 was in salary, \$11,252,500 was in stock awards, \$9,905,019 was in option awards,
19 and \$484,200 was in non-equity incentive plan compensation. Riccitiello’s total compensation
20 jumped by 160 percent from \$8,450,005 in 2019 to \$22 million in 2020. Defendant Riccitiello’s
21 compensation for FY 2021 was \$12,501,471, of which \$376,682 was in salary, \$5,478,006 was in
22 stock awards, \$6,025,215 was in option awards, and \$621,568 was in non-equity incentive plan
23 compensation. Riccitiello participated in the Company’s quarterly earnings conference calls
24 described herein and was a direct and substantial participant in the fraud.

25 27. Defendant Luis Felipe Visoso has served as Unity’s CFO since April 2021 when he
26 replaced Kimberly Jabal in that position. Visoso served on Unity’s Board of Directors from
27 September 2020 until April 2021 (prior to taking the CFO position). Defendant Visoso’s
28

1 compensation for FY2021 was \$41,580,607, of which \$260,041 was in salary, \$2,000,000 was in
2 bonus, \$35,210,000 was in stock awards, \$3,765,720 was in option awards, \$334,444 was in non-
3 equity incentive plan compensation, and \$10,402 was in all other compensation. During his tenure
4 as CFO, Visoso participated in the Company's quarterly earnings conference calls described herein
5 and was a direct and substantial participant in the fraud.

6 28. Defendant Ingrid Lestiyo has served as Senior Vice President & General Manager of
7 Operate Solutions at Unity since August 2020 (before Unity went public in September 2020).
8 Lestiyo previously served as Unity's Senior Vice President and General Manager, Monetization
9 from July 2018 to August 2020, and as the Company's Vice President of Monetization from July
10 2016 to July 2018. As noted herein, Lestiyo participated in the Q4 2021 and Q1 2022 quarterly
11 earnings conference calls and was a direct and substantial participant in the fraud.

12 29. The Individual Defendants made, or caused to be made, false statements that
13 artificially inflated or artificially maintained the price of Unity securities during the Class Period.
14 The Individual Defendants, because of their positions with the Company, possessed the power and
15 authority to control the contents of Unity's quarterly reports, press releases, and presentations to
16 securities analysts, money and portfolio managers, and institutional investors, i.e., the market. They
17 were provided with copies of the Company's reports and press releases alleged herein to be
18 misleading prior to or shortly after their issuance, and had the ability and opportunity to prevent
19 their issuance or to cause them to be corrected. Because of their positions with the Company and
20 their access to material non-public information available to them but not to the public, the
21 Individual Defendants knew that the adverse facts specified herein had not been disclosed to—and
22 were being concealed from—the public, and that the positive representations being made were then
23 materially false and misleading. The Individual Defendants are liable for the false and misleading
24 statements pleaded herein.

1 **2. Private Equity Defendants**

2 **a. Sequoia**

3 30. Defendants Sequoia Capital Operations, LLC and SC US SSF 2013 (TTGP), LLC
4 (together with the Sequoia affiliates mentioned herein are referred to collectively as “Sequoia”) are
5 part of a venture capital firm headquartered in Menlo Park, California specializing in investments in
6 companies in the technology sector. Roelof Botha, Managing Member at Sequoia, has served on the
7 Board of Directors of Unity since 2009, before Unity’s IPO in September 2020. During the Class
8 Period, Roelof Botha signed Unity’s 2021 Form 10-K which, as detailed herein, contained false and
9 misleading statements and omissions.

10 (a) Sequoia first invested in Unity’s initial Series A investment in 2009. Over the
11 years, Sequoia and its affiliates has increased its Unity investment through Series B (2011), Series C
12 (2016), Series D (2018) and Series E (2019) funding.⁷ In January 2020, “Entities Affiliated with
13 Sequoia Capital” purchased shares of Unity valued at approximately \$59 million.⁸ Then, in March
14 and April 2020, “Entities Affiliated with Sequoia Capital” purchased approximately \$82 million of
15 Unity’s convertible Series E preferred stock at a purchase price of \$22.00 per share.⁹

16 (b) Unity’s 2021 Proxy Statement, filed on April 28, 2021, disclosed that
17 “Entities affiliated with Sequoia Capital” owned more than 57.4 million shares, or 20.6 %, of
18 Unity’s outstanding common stock. These entities include: (1) Sequoia Capital XII, L.P. (“XII”) (21,410,700 shares); (2) Sequoia Capital Global Growth Fund III – Endurance Partners, L.P. (“GGF
19 III”) (13,991,048 shares); (3) Sequoia Capital Global Growth Fund, LP (“GGF”) (12,290,518
20 shares); (4) Sequoia Capital U.S. Growth Fund VI, L.P. (“GFVI”) (6,016,318 shares); (5) Sequoia
21 Capital XII Principals Fund, LLC (“XII PF”) (2,288,320 shares); (6) Sequoia Technology Partners
22 XII, L.P. (“STP XII”) (801,160 shares); (7) Sequoia Capital Global Growth Principals Fund, LP
23 (“GGF PF”) (356,651 shares); and (8) Sequoia Capital U.S. Growth VI Principals Fund, L.P.
24

25
26 ⁷ Danny Crichton, *Sequoia strikes gold with Unity’s IPO filing*, TechCrunch+ (Aug. 24, 2020),
27 <https://techcrunch.com/2020/08/24/sequoia-strikes-gold-with-unitys-ipo-filing/>.

28 ⁸ Unity’s 2021 Proxy Statement filed on April 28, 2021, p. 32.

⁹ Unity’s 2021 Proxy Statement filed on April 28, 2021, p. 31.

1 (“GFVI PF”) (301,354 shares). Throughout the Class Period, Sequoia continued to hold a
2 substantial ownership interest in Unity.

3 (c) Unity’s 2022 Proxy Statement, filed on April 20, 2022, disclosed that,
4 “Entities Affiliated with Sequoia Capital” owned approximately 39.1 million shares, or 13.2 %, of
5 Unity’s outstanding common stock.¹⁰

6 **b. Silver Lake**

7 31. Defendant Silver Lake Group, L.L.C. (“Silver Lake”) is a private equity firm
8 headquartered in Menlo Park, California. Egon Durban, Managing Partner and Co-CEO of Silver
9 Lake has served on the Board of Directors of Unity since before Unity’s IPO in September 2020.
10 Egon Durban signed Unity’s 2021 Form 10-K which, as detailed herein, contained false and
11 misleading statements and omissions.

12 (a) In 2017, prior to Unity’s 2020 IPO, Silver Lake invested “up to \$400 million”
13 in Unity.¹¹ Then, in January 2020, “Entities Affiliated with Silver Lake” purchased shares of Unity
14 valued at approximately \$41 million.¹² Then, in March and April 2020, Entities affiliated with
15 Silver Lake purchased approximately \$56.7 million of Unity’s convertible Series E preferred stock
16 at a purchase price of \$22.00 per share.¹³

17 (b) Unity’s 2021 Proxy Statement, filed on April 28, 2021, disclosed that,
18 “Entities Affiliated with Silver Lake” owned more than 40 million shares, or 14.6 %, of Unity’s
19 outstanding common stock. These entities include: (1) Silver Lake Partners IV, L.P. (“SLP IV”)
20 (25,805,254 shares); (2) SLP Union Aggregator, L.P. (“SLP Union”) (4,422,668 shares); (3) Silver
21 Lake Technology Investors IV (Delaware II), L.P. (“SLTI IV”) (478,362 shares); and (4) Silver

22
23
24 ¹⁰ Sequoia’s reported holdings in Unity decreased from 57.4 million pre-Class Period (as reported in
25 Unity’s 2021 Proxy filed on April 28, 2021) to 39.1 million shares (as reported in Unity’s 2022
26 Proxy filed on April 20, 2022). It is not clear if the difference of 18.3 million shares was : (i) sold
27 by Sequoia and its affiliates, (ii) distributed to partners or members of Sequoia and its affiliates
28 during the Class Period and then sold by them, or (iii) a combination of both.

¹¹ Danny Crichton, *Sequoia strikes gold with Unity’s IPO filing*, TechCrunch+ (Aug. 24, 2020),
<https://techcrunch.com/2020/08/24/sequoia-strikes-gold-with-unitys-ipo-filing/>.

¹² Unity’s 2021 Proxy Statement filed on April 28, 2021, p. 32.

¹³ Unity’s 2021 Proxy Statement filed on April 28, 2021, p. 31.

Lake Group, L.L.C. (“SLG”) (73,209 shares). Throughout the Class Period, Silver Lake held a substantial ownership interest in Unity.

(c) Unity’s 2022 Proxy Statement, filed on April 20, 2022, disclosed that, “Entities Affiliated with Silver Lake” owned approximately 35 million shares, or 11.8 %, of Unity’s outstanding common stock.

(d) During the Class Period, Silver Lake and its affiliates (including Board Director Egon Durban) collectively sold 1,885,057 shares of Unity stock for proceeds of more than \$360 million while in possession of material non-public information regarding serious problems with the user accuracy of Audience Pinpointer, one of Unity’s main sources of revenue.

c. OTEE

32. Defendant OTEE 2020 ApS (“OTEE”) is an investment firm headquartered in Copenhagen, Denmark with two sole owners, both co-founders of Unity: (i) David Helgason, and (ii) Chief Technology Officer (“CTO”) of Unity, Joachim Christoph Ante. Helgason has served on the Board of Directors of Unity since before Unity’s IPO in September 2020.¹⁴ During the Class Period, Forms 4 filed by OTEE reported that Helgason and Ante shared voting and dispositive power over the shares held by OTEE.¹⁵ In addition, David Helgason signed Unity’s 2021 Form 10-K which, as detailed herein, contained false and misleading statements and omissions.

(a) Unity’s 2021 Proxy Statement, filed on April 28, 2021, disclosed that as of the Unity IPO in September 2020, OTEE owned more than 29.5 million shares, or 10.6%, of Unity’s outstanding common stock. Throughout the Class Period, OTEE held a substantial ownership interest in Unity.

¹⁴ Unity Board member David Helgason was Unity’s CEO until 2014 when Riccitiello took over the CEO role. Helgason was re-appointed as a Unity Board Member in 2015. At the time, Helgason represented that he was staying on at the Company and would be “heavily involved” in Unity’s future direction. See Eric Johnson, *Unity CEO David Helgason Replaced by John Riccitiello*, Vox (Oct. 22, 2014), <https://www.vox.com/2014/10/22/11632142/unity-ceo-david-helgason-replaced-by-john-riccitiello>.

¹⁵ Helgason and Ante were reported as being “directly and indirectly the sole members of OTEE [with] equal voting and dispositive power” over the Unity shares held by OTEE until October 15, 2021 when OTEE distributed to Helgason more than 9 million Unity shares previously held by OTEE.

(b) Unity's 2022 Proxy Statement, filed on April 20, 2022, disclosed that OTEE, through Joachim Ante, owned approximately 18.5 million shares, or 6.3%, of Unity's outstanding common stock.

(c) During the Class Period:

(i) OTEE and its affiliates collectively sold 1.2 million shares of Unity stock for proceeds of at least \$132.4 million while in possession of material non-public information regarding serious problems with the user accuracy of Audience Pinpointer, one of Unity's main sources of revenue.

(ii) Board Director David Helgason sold 688,629 shares of Unity stock for proceeds of at least \$107.5 million while in possession of material non-public information regarding serious problems with the user accuracy of Audience Pinpointer, one of Unity's main sources of revenue.¹⁶

33. Defendants Sequoia, Silver Lake, and OTEE are referred to herein as the "Private Equity Defendants."

34. According to the Company's most recent annual proxy statement filed with the SEC on April 20, 2022, as of April 1, 2022, Sequoia, Silver Lake, and OTEE continue to be Unity's largest stockholders.

(a) Silver Lake and OTEE (two of the Private Equity Defendants) and their affiliates, each with representatives on Unity's Board of Directors, collectively sold close to 3.8 million shares of Unity stock during the Class Period, for proceeds of more than \$600 million while in possession of material non-public information about the problems with the user accuracy of Audience Pinpointer:

¹⁶ Helgason disposed of much of this stock at near Class Period highs. Indeed, Helgason sold so much Unity stock in such a short period of time (from November 22, 2021 to December 13, 2021), that articles cited Helgason's stock sales as the reason Unity's stock price was decreasing during this time – falling from \$189.75 per share on Friday November 19, 2021 to \$139.75 per share on Monday December 13, 2021. *See* Preeti Singh, *Unity Software slips as director David Helgason sells more shares*, Seeking Alpha (Dec. 9, 2021), <https://seekingalpha.com/news/3778833-unity-software-slips-as-director-david-helgason-sells-more-shares>; Gaurav Batavia, *Unity Software director sells \$26M in common shares*, Seeking Alpha (Dec. 01, 2021), <https://seekingalpha.com/news/3776093-unity-software-director-sells-26m-in-common-shares>.

Unity Insider Seller	Shares Sold	Proceeds
Silver Lake fund (Director Egon Durban)	1,885,057	\$ 360.4 M
OTEE fund (CTO Joachim Ante and Director David Helgason)	1,200,000	\$ 132.4 M
Board Member David Helgason	688,629	\$ 107.5 M
TOTAL	3,773,686	\$ 600.3 M

IV. SUBSTANTIVE ALLEGATIONS

A. Company Background and Key Segments

35. Founded as Over the Edge Entertainment in Denmark in 2004, the Company reorganized in the United States as a Delaware corporation in 2009. At the time of the reorganization, the Company rebranded itself as Unity Software Inc. Today, the Company's principal corporate offices are in San Francisco, California.

36. Unity provides software developers with a platform to create and monetize their video games for mobile phones, computers, and game consoles. The Company focuses on providing real-time 3D development tools and services for creating and growing 2D, 3D, augmented and virtual reality experiences. A significant number of video games developed on Unity's platform are played on devices operating on Apple's operating system, commonly referred to as "iOS."

37. On September 18, 2020, Unity conducted its IPO by selling 25 million shares of common stock to the public at a price of \$52 per share, valuing Unity at approximately \$13.7 billion.¹⁷ Following its IPO, Unity's stock has traded on the NYSE under the ticker symbol "U."

38. The Registration Statement for Unity's IPO stated that:

[M]any of our current directors were appointed by our principal stockholders. As a result, such persons or their appointees to our board of directors, acting together, will have the ability to control or significantly influence all matters submitted to our board of directors or stockholders for approval, including the appointment of our management, the election and removal of directors and approval of any significant transaction, as well as our management and business affairs.

¹⁷ Following the Unity IPO, Sequoia and its affiliates and Silver Lake and its affiliates were Unity's largest shareholders, owning 21.8% and 16.4%, respectively, of the Company's stock.

39. Notwithstanding that it has been operating for nearly two decades, Unity has reported financial losses every year since its founding. Partly because of Audience Pinpointer (described below), Unity has enjoyed modest revenue growth since 2019. For the year ended December 31, 2021, Unity reported \$1.1 billion in revenues; for the year ended December 31, 2020, Unity reported \$772.4 million in revenues; and for the year ended December 31, 2019, Unity reported \$541.8 million in revenues.

40. During the Class Period, Unity derived revenue primarily from two business segments: (1) Create Solutions (“Create”); and (2) Operate Solutions (“Operate”).¹⁸

41. The Create business segment at Unity offers developers tools for designing and building high-definition, real-time 2D and 3D content. According to Unity’s most recent Form 10-K, these “tools are used by artists, designers, and developers across a range of industries ranging from games to aerospace, film to retail, medical to manufacturing, and beyond.”¹⁹ Within the Create segment, Unity generated 30% of its overall revenue during the Class Period by charging subscription fees to developers for access to its tools for creating video game content.

42. The Operate business segment at Unity provides customers with the opportunities to monetize (or derive revenue from) the content they develop while using Create or another platform to design simple 2D puzzle games or complicated, multiplayer, multiplatform games, or other 3D interactive content. According to Unity, the gaming industry has become increasingly competitive, and acquiring users through organic growth is becoming more difficult: “Nowadays, all successful games studios display ads in other games or platforms to reach their desired audience and redirect them to their game. This is what’s called user acquisition.”²⁰ In short, this means Unity helps game developers serve ads on their gaming platforms to generate revenues, a portion of which is shared with Unity in a revenue-sharing model. Within its Operate segment, Unity generated 65% of its

¹⁸ In its 2022 Form 10-K filed on February 27, 2023, Unity announced that it had renamed the Operate business segment “Grow Solutions” following the Company’s merger with ironSource. In this Complaint, Plaintiffs use the term “Operate” or “Operate Solutions” because that was the operative title of the business segment during the Class Period.

¹⁹ Unity 2022 Form 10-K, filed 2/27/23, p. 1.

²⁰ *Attribution Support*, Unity, <https://docs.unity.com/analytics/en/manual/AttributionSupport> (last visited Mar. 24, 2023).

overall revenue, during the Class Period, primarily by facilitating the placement of display ads within the developers' games through revenue-sharing contracts with the game developers.

(a) During the Class Period, Defendants falsely boasted that advertisers could target certain high spending users with Unity's ad solutions, specifically its Audience Pinpointer ad tool which could deliver to the advertiser the type of user the advertiser wanted to target, even in the absence of IDFA data.

(b) Months before the Class Period starts, Unity's then-CFO Kimberly Jabal represented that advertising revenue was the largest piece of the Company's Operate business.²¹

B. Unity's Ad Tools - the Unified Auction and Audience Pinpointer

43. During the Class Period, the Unified Auction and Audience Pinpointer were Unity's key tools for generating Operate segment revenue through display ad placement. These tools allow Unity to recognize revenue when an end user installs an application after seeing an advertisement (contracted on a cost-per-install basis) and when an advertisement starts (contracted on a cost-per-impression basis).²²

44. Unity runs something called the "Unified Auction" which allows advertisers to submit competing bids for the placement of their ads within developers' games on Unity's platform. For online screen space within a Unity game that is being auctioned off to competing advertisers, the highest bidder in the Unified Auction gets to display its ad in front of the user. Once the winning bidder displays its ad on the Unity platform, the Company shares the amount of this bid as an advertising fee with the game developer. In prior SEC filings, Unity had stated that "[o]ur revenue represents the amount we retain from the transaction we are facilitating through our Unified Auction."

²¹ Unity's 2/4/21 Earnings Call – pg.18.

²² In addition to the revenue-share model, during the Class Period, Unity derived a much smaller portion of its Operate revenue through consumption-based model for cloud-based products the Company offers, such as deltaDNA, Multiplay, and Vivox. Unlike the revenue-share model, Unity only recognizes revenue from these offerings as services are provided.

(a) According to CW-2 (discussed below), Unity was “tracking every penny from the ads business and would have been aware of declining revenue in that business.” Put differently, there was no delay between the time of a transaction and when the revenue split would be known to the Company.

45. In the digital advertising world, a high return on investment, known as “ROI,” is crucial to advertisers. Advertisers seek a high ROI for the ads they purchase through the Unified Auction and display within Unity games. In other words, advertisers invest money in online ads with the expectation of a higher return on that investment that is measured by user clicks and product purchases. Therefore, it is critical that Unity accurately track users’ activity on their Apple phones and other devices so that advertisers are paying an economically sensible price for ads that will target specific users who will likely click and purchase the advertisers’ products.

46. Audience Pinpointer is Unity’s user acquisition product that allows game developers to acquire players based on a target return on their ad spend. Audience Pinpointer purportedly tracks users’ activity based on a machine-learning algorithm, analyzes that user data, and assigns each user with a real-time lifetime value (“LTV”) at the time of an ad request. The algorithm decides on a bid for specific users based on their individual valuations. The system is dynamic and constantly updates based on actual user behavior and the preferences of millions of players across Unity’s platform. The LTV allows advertisers to make informed decisions on how much to bid for display ads through the Unified Auction. Users with a higher LTV are expected to have a higher probability of engaging with the display ad and, therefore, require a higher bid in the Unified Auction.

47. The ability to accurately track a user’s activity allows Unity to assign a LTV to the user that accurately reflects that users’ behavior, so that advertisers are paying a fair price for user acquisition through the Unified Auction. ***If Pinpointer does not accurately track a user’s activity, it will misstate or overstate that user’s LTV which will cost an advertiser more money for less monetization, causing an advertiser’s ROI to fall.*** Predictably, when advertisers learn that their

ROIs are declining, they will spend less money with Unity, which, as detailed in Section IV(D), is exactly what happened during the Class Period.

C. User Tracking Data and the Loss of User Tracking Data

1. Identifier for Advertisers (“IDFA”)

48. In 2012, Apple introduced the IDFA to its mobile devices.²³ The IDFA gives a unique, anonymous identifier to each mobile device in order to allow advertisers access to data around consumer behavior both in-app and across the web.²⁴ IDFA allows Apple to track a user’s clicking activity including websites visited, downloads, and other specific online interactions. The IDFA can be used to analyze user behavior with the help of in-app events in product analytics. Since the inception of IDFA, Apple users have always had the ability to turn off or reset their IDFA within the privacy settings of their devices.

49. Advertisers use IDFA to deliver custom advertising and measure advertising performance. Advertisers who track IDFAs when running mobile campaigns have better clarity about the qualities of those users and can tell if they installed an app because of the ad campaign. If it is true that the user installed the app because of the ad, the advertiser would know that the user is responsive to ads and choose to track them across the web.

50. Similarly, if an advertiser likes the user behavior or type of user, it can instruct ad networks to help it find more high-quality users with behaviors like the original user. The other benefits that advertisers gain from IDFA include behavioral data to help advertisers deliver personalized ads, retarget ads based on previous user actions, and better optimize or manage their ad

²³ IDFA was a replacement for Apple’s Unique Device Identifier (“UDID”) and Media Access Control (“MAC”) Address. UDID was a 40-character string assigned to Apple devices that third parties, including app vendors, could use to track subscriber behavior such as user likes which the vendors could use to tailor advertising accordingly. Because of mounting privacy concerns on the part of device owners, Apple began discouraging app developers from tracking customers with UDIDs. And in 2012, Apple began rejecting apps that make use of UDIDs. *unique device identifier (UDID)*, TechTarget, <https://www.techtarget.com/whatis/definition/unique-device-identifier-UDID> (last visited Mar. 24, 2023).

²⁴ Joshua Dreiller, *Mobile Marketing 101: What is IDFA? What is ATT? Yes, They’re Different*, Skai (Aug. 10, 2022), <https://skai.io/blog/what-is-idfa-and-att/>.

1 campaigns. IDFA data also helps advertisers recognize when their target users are suffering from ad
2 fatigue and helps them figure out the best ad networks for app installs based on attribution data.²⁵

3 51. This type of precision allowed for very accurate targeting information that Unity
4 used to facilitate the placement of display ads through the Unified Auction. Therefore, advertisers
5 on the Pinpointer platform were getting good ROI for the money they were spending through the
6 Unified Auction.

7 2. Apple's Privacy Changes

8 a. Apple Preannounces Privacy Changes in June 2020

9 52. In June 2020, three months before Unity's IPO, Apple publicly announced new data
10 privacy features that would be rolled out in a future software update in 2021. These features would
11 allow Apple device users to prohibit companies (such as Unity) from using the very data that had
12 been tracked and recorded under IDFA.

13 53. With the knowledge that advertisers would have restricted access to IDFA data once
14 Apple's software update was rolled out, companies were forced to develop alternative tools to target
15 users to preserve their ability to monetize through personalized advertising.

16 54. On June 18, 2020, Facebook published a blog post titled, "The Value of Personalized
17 Ads to a Thriving App Ecosystem," where it shared internal test results – that advertisers would lose
18 50% revenue without personalized targeting and optimization.²⁶ According to the post:

19 In conversations with our advertiser and publisher partners, we hear how
20 important privacy-enabled advertising is in enabling new business models and
21 increasing the diversity of online content in the ecosystem. Many apps cannot rely
22 on other forms of monetization, such as subscriptions and in-app payments. This
23 is especially the case for smaller app developers or specific types of content, such
24 as casual games, which have been on the rise in recent years — where publishers
25 have to rely on personalized advertising to sustain their business.

26 As industry conversations about the future of advertising progress, the Facebook
27 Audience Network team has run tests to better understand the importance of
28 personalized ads to the publisher ecosystem:

25 *What is an Apple IDFA? How Apple's iOS 14 Update Will Impact Your Game Marketing*, Game Marketing Genie, (Dec. 8, 2021), <https://www.gamemarketinggenie.com/blog/apple-idfa-changes-game-marketing>.

26 *The Value of Personalized Ads to a Thriving App Ecosystem* Meta (June 18, 2020), <https://developers.facebook.com/blog/post/2020/06/18/value-of-personalized-ads-thriving-app-ecosystem/>.

Facebook ads use multiple systems to select and deliver personalized ads for people -- and we deploy this personalization on behalf of 3rd party publishers and app developers. We ran a test that constrained delivery to just mobile app install ads for a small portion of Audience Network Traffic, then compared personalized ranking to non-personalized ranking. We observed more than a 50% drop in publisher revenue between these two treatments, with no changes made to targeting. (For an illustration of different factors that influence how ads are selected, see how Facebook Uses Machine Learning to Deliver Ads.)

These results are consistent with others we've seen published by the Interactive Advertising Bureau (IAB) and Google. Dave Grimaldi, IAB EVP for Public Policy notes: "Personalized ads are essential to maintaining a vibrant ecosystem, enabling a wide array of developers and publishers to flourish. For many years we have seen evidence of the value that is created by personalized ads, such as Harvard Business School Professor John Deighton's study published in February 2020, which found personalization contributes billions of dollars to publisher revenue. Facebook's research is yet another data point that underscores the positive impact of personalization." Together, these results demonstrate the immense importance of personalized advertising to the publisher ecosystem.

As we support industry efforts to strengthen privacy online, these examples highlight why it's critical that we also work to preserve publishers' ability to monetize through personalized advertising. We've heard many partners express the importance of sharing their perspectives with the broader industry -- we encourage app developers and publishers to engage with industry groups like the IAB to ensure their voices are heard as digital advertising practices evolve. We are committed to supporting the broader publisher and app ecosystem, and look forward to continued engagement on this important issue.

Facebook CFO David Wehner confirmed that the upcoming changes to Apple's iOS 14 would hurt the social network's ability to target ads to users.²⁷

b. Unity Prepares for Apple Privacy Changes

55. Unity recognized the challenges it was facing with the upcoming privacy changes which it characterized as "a major change" "upending the mobile advertising industry." Indeed, as early as 2019, the Company put together an internal team, including Defendant Visoso who was then a member of Unity's Board of Directors, to prepare for Apple's privacy changes and the loss of IDFA.

²⁷ Eugene Virnik, *The Mobile App Market Leaders About iOS 14 and IDFA changes*, Qonversion, <https://qonversion.io/blog/the-mobile-app-market-leaders-about-ios-14-and-idfa-changes/> (last visited Mar. 24, 2023).

56. In February 2021, Unity released an “iOS 14 App Readiness Guide” which the Company made available on its website.²⁸ The guide noted:

In 2021, new privacy rules are upending the mobile advertising industry. Announced by Apple as part of their iOS 14 update, the ad tracking changes, and data collection declarations will compel developer to prepare their apps technologically and strategically.

To help both app publishers and advertisers prepare, this guide offers a comprehensive checklist of the steps to take to ensure monetization and user acquisition efforts with Unity Ads remain effective under the new rules. This guide also gives an overview of several of the new frameworks and processes publishers and advertisers need to be aware of with iOS 14.

This is a major change affecting the mobile advertising industry at large. Please be assured that Unity is ready to meet the needs of our publisher and advertiser communities and is committed to your success.

57. Unity data scientists attempted to develop solutions to replace the data that would be lost once the Apple privacy changes went into effect, such as trying to track users through analyzing behavioral patterns. These efforts purportedly also involved the development of a contextual ad model that did not rely on IDFA, which ultimately became known as Audience Pinpointer. The intent of this new ad model was to leverage in-game data to deliver relevant advertising despite users opting into stricter privacy settings. Before the Class Period, Audience Pinpointer was still in beta testing with only a small number of customers using it. However, once the Apple privacy changes went into effect, Unity rolled out Audience Pinpointer to a large segment of its Operate ad customers.

c. Apple’s Privacy Changes Go Into Effect in April 2021

58. Apple released its iPhone software update, iOS 14.5, in late April 2021.²⁹ During the week of April 26, 2021, Apple started requiring apps in the App Store to obtain permission to “track” users across apps and websites owned by third parties for advertising and measurement purposes through its App Tracking Transparency (“ATT”) framework which prevents developers from freely accessing client data for targeting purposes. ATT did not replace IDFA. Instead, it

²⁸ *iOS 14 app readiness guide*, Unity, <https://resources.unity.com/ios-14-resources/ios-14-app-readiness-guide> (last visited Mar. 24, 2023).

²⁹ iOS 14 was released in September 2020, but as of February 2021, the second version of the SKAdNetwork attribution framework, initially introduced in 2018, as well as App Tracking Transparency, had not been implemented.

switched consent for tracking – requiring the user to opt-in to sharing data instead of opting out.³⁰

As predicted, ATT effectively limited the amount of app data developers could provide to other companies and changed how users were notified about ad tracking.³¹ ATT also required developers to ask for permission when they used certain information from other companies' apps and websites for advertising purposes, even if they already had user consent.³²

59. Without IDFA tracking, mobile attribution became significantly more difficult especially when running Facebook and Google ads. The IDFA changes meant that publishers would have very little demographic data about the users who opted out of tracking and reduced visibility into key metrics that showed how ads drive conversions (like app installs and sales).³³ As a result, advertisers were losing their ability to attribute their ad spend for different campaigns.³⁴

60. The IDFA changes also had an out-sized impact on app monetization. App monetization depends on knowing your users. When you understand your users and what they want, you can serve high-quality ads and earn more money through impressions and clicks. The IDFA changes kept from publishers the data they needed to serve targeted ads. As a result, users arguably were not interacting as well with their ads.

61. As iPhone users installed the iOS 14 software update and opted into this privacy feature over the following months, IDFA generally became unavailable to Unity and social media platforms such as Facebook, Google, and Twitter which previously tracked clicks through to third-party sites.

³⁰ Apple displays the ATT as the consent notice that appears when users install an app. *Update: how to manage Apple's iOS 14 live changes*, Meta (Apr. 26, 2021).

³¹ Dreier, *supra* note 24, <https://skai.io/blog/what-is-idfa-and-att/>.

³² Christophe Combette, *Preparing our partners for Apple's iOS 14 policy updates*, Google (Jan. 27, 2021), <https://blog.google/products/ads-commerce/preparing-developers-and-advertisers-for-policy-updates/>.

³³ Although some users did not immediately upgrade their operating systems in April 2021 and therefore were still provided IDFA tracking data for a short period of time, those users were not representative of the total body of users, and therefore the information obtained from those non-upgraded users was not very robust.

³⁴ *Supra* note 25, <https://www.gamemarketinggenie.com/blog/apple-idfa-changes-game-marketing>.

62. According to social media platforms like Facebook/Meta:

[P]ublishers monetizing via Audience Network should prepare for ad revenue to decline in the near future. . . Apple’s requirements will likely have implications across targeting, optimization, and measuring campaign effectiveness for businesses that advertise on mobile devices and across the web. We have continued to outline our guidance around iOS 14 in our latest Meta for Developers blog so that developers and publishers can take action and continue monetizing now that Apple has introduced their new requirements.³⁵

63. For a Company like Unity, the IDFA changes affected how advertisers value and bid on ad impressions in the Unified Auction.

3. Unity Boasts That the Loss of IDFA Data, Is a “Competitive Advantage” for Its Audience Pinpointer Product

64. As discussed below, throughout the Class Period, Defendants represented that despite the loss of IDFA data, Audience Pinpointer was “proving to be a competitive advantage” and that Unity was continuing to provide advertisers with “true” and “positive [ROI].”

65. For example, before the start of the Class Period, on February 4, 2021, during Unity’s Q4 2020 Earnings Call, Kimberly Jabal, Unity’s then-CFO stated:

The changes related to IDFA are going to require that our customers recalibrate much of what they’re doing related to their acquisition, their monetization and their marketing strategies. And we’ve been working really closely with customers to help them do this. And I would say that we’ve been preparing for this for a long time. We are leveraging our learnings from GDPR, from our contextual advertising product, which does not rely on IDFA. And we’re working hard to mitigate the risk, both to Unity and to our customers.

So as John mentioned in our earnings release, we estimate that the IDFA changes will impact our revenue by about \$30 million this year, assuming a rollout in the spring. And this estimate is not a perfect science, but we have very detailed models that help us forecast the impact here. We leverage country-by-country data, including impression levels for iOS versus Android. We look at current and historic opt-out rates, the adoption rates of our contextual ad products and our experience with GDPR.

So we feel pretty confident in our estimates here.

66. With respect to preparation for the IDFA changes, Jabal represented that Unity had “honestly for years, we’ve been preparing for this. We knew that this risk -- that this was a risk and that this moment could come. . . we feel very confident in our ability to forecast our business. This does certainly introduce some uncertainty, but we feel confident that we’re able to predict the

³⁵ *Supra* note 30.

1 impact to our business. . . I would just say that there will be a short-term impact. Initially, as
 2 advertisers adjust to the changes, we feel that there will certainly be an impact in the year, and that's
 3 why we've articulated the \$30 million. But we do believe, over time, there's a real opportunity for
 4 us to gain market share."

5 67. Similarly, on the Q4 2020 Earnings Call, on February 4, 2021, Defendant Riccitiello
 6 stated:

7 On IDFA, there's -- as important as this is, and it's certainly made a lot of crash
 8 [sic], from our perspective, the -- it's 1 of 3 -- one way to think about it, 1 of 3
 9 factors. One is overall growth in the industry around user acquisition-driven
 engagement and growth. I don't see that going anywhere. The game industry is
 very robust. It's growing. We feel confident in that.

10 Within that world, we're gaining market share and have been growing market
 11 share based on a better product and better service. And within that, there is a bit of
 12 a shift in the force with IDFA, and we've quantified for that. And as you can tell,
 it's not a major part of our revenue stream in terms of its impact. So we feel pretty
 confident that we're in the right place doing the right things.

13 68. On that same call, on February 4, 2021, Defendant Riccitiello boasted about the
 14 monetization side of Unity's business, the robustness of Unity's data in the ad space, and low rate of
 15 IDFA opt-outs:

16 When we do a forecast, we're very analytical at Unity... We're even better at that
 17 when it comes to the monetization and services side because we have a lot more
 18 data. In this case, I just wanted to give you a couple of highlights, just to let you
 19 know. We did build our model up in a very detailed way. We have a handle on
 20 this. Point to start with in the beginning of the model is only about 30% of our
 21 impressions are from iOS. In many of these, a significant portion have already
 opted out for limited ad tracking. So we take data like that. We take information,
 extreme detail on our experience with opt-outs when people are presented with
 new user flows for a game or other application, and we build it up step by step.
 We have a good understanding... We've got a very detailed model in place, and
 we think we understand where we're going.

22 4. Mobile Measurement Partners ("MMPs")

23 69. On its website, Unity informs customers that "[t]o correctly run Unity ad campaigns,
 24 you must have a third party or in-house attribution service provider," which is more commonly
 25 known as a mobile measurement partner or "MMP."³⁶ This means that, large portions of a Unity
 26

27 ³⁶ *Track installs with a server-to-server integration*, Unity,
 28 <https://docs.unity.com/acquire/en/manual/s2s-install-tracking> (last visited Mar. 24, 2023).

customer's business on the Unity platform involves the work of a third party whose data, among other things, is necessary for Unity's products to function properly.

70. An MMP is a third-party company that collects and organizes app data to deliver an overview of an ad campaign's performance. MMPs help app marketers to determine which channels, media sources, publishers, or campaigns are leading to user conversions. Advertisers use MMPs to understand the ROI of their ad campaigns and how to further optimize them.

71. MMPs can offer server-to-server connections or a Software Development Kit ("SDK"), which can be integrated into an app for the purpose of linking ad engagements with app installs and in-app events. The SDK serves to attribute app installs and other post-install events to the specific user acquisition source and ad campaign. This provides the advertiser with insights such as which ad delivers which users, and which particular ad won those users over.

72. MMPs utilize something called "multi-touch attribution" to identify every touchpoint that influenced a user's decision to install. An MMP can offer analytics on how users interact with ads via impressions, clicks, installs, session lengths, in-app events, and in-app revenue. MMPs can also identify users and campaigns with most value via user lifetime value ("LTV"), conversion rate, and return on ad spend ("ROAS"). These analytics are helpful to understanding the success of an ad campaigns.

73. According to its website, Unity uses data sent by MMPs (including Appsflyer, Adjust, Singular, Kochava, Branch, and Tenjin) for assessing post-install ad campaign performance.³⁷ As noted above, Unity customers rely on the data from MMPs and SDKs for a variety of information is used to paint a picture of the success of their monetization efforts.

74. For example, Unity provides explicit thresholds to its customers for when they are eligible to unlock information about ROAS and retention campaigns.³⁸ A retention campaign acquires users who are more likely to use a Unity customer's app for seven or more days whereas a ROAS campaign acquires users based on their predicted value in a Unity customer's app and return

³⁷ *Pass post-install events using an MMP*, Unity, <https://docs.unity.com/acquire/en/manual/APP-post-install-events-MMP> (last visited Mar. 24, 2023).

³⁸ *FAQ: Launching User Acquisition Campaigns with Unity*, Unity, <https://unity.com/resources/gaming-services/user-acquisition-faqs> (last visited Mar. 24, 2023).

on ad spend during their first seven days in that app.³⁹ On its website, Unity explains there are different user thresholds necessary to obtain this information depending upon whether a customer is passing data through an SDK, MMP, or a combination of the two:

	SDK only	MMP only	SDK and MMP
Retention campaign	Minimum 10 retained users in a geography over 30-day cohorts. This is counted over all installs, not just Unity-attributed installs.	Minimum 100 retained users in a geography over 30-day cohorts.	Minimum 10 retained users in a geography over 30-day cohorts. This is counted over all installs, not just Unity-attributed installs.
In-app purchases (IAPs) – ROAS campaigns	Minimum 10 paying users in a geography over 30-day cohorts. This is counted over all installs, not just Unity-attributed installs.	Minimum 10 paying users in a geography over 30-day cohort. This is counted over Unity-attributed installs.	Minimum 10 paying users in a geography over 30-day cohort.
In-app advertising (IAA) revenue campaigns	N/A	Minimum 200 installs (attributed to Unity) in a geography over 30-day cohort. The cohort must have generated some ad revenue passed to Unity via MMP, but the cohort can also include users who have not generated revenue.	N/A

75. According to user guides published by MMPs for Unity customers using their service, Unity users can “[c]hoose which data Unity Ads receives [] by customizing your setup.”⁴⁰ Among the data customizations available to Unity users on MMP Adjust, for example, are the options to: (1) only forward data attributed to Unity Ads; (2) forward ad revenue; (3) forward

³⁹ *Audience Pinpointer campaigns*, Unity, <https://docs.unity.com/acquire/en/manual/APP-campaigns> (last visited Mar. 24, 2023).

⁴⁰ *See, e.g., Set up Unity Ads*, Adjust, <https://help.adjust.com/en/integrated-partners/unity-ads> (last visited Mar. 24, 2023).

1 sessions; and (4) forward in-app events. However, MMP Adjust also informs users that there are 36
 2 data points that Unity Ads requires MMPs to send to Unity. Among the data Unity Ads requires the
 3 MMP to send are the device model number, device type, device operating system, revenue in whole
 4 currency units, revenue in US dollars, name of the app, ad network that displayed the add, and ad
 5 unit that generated the revenue.⁴¹

6 76. Thus, during the Class Period, Unity relied on both the game developers and MMPs
 7 to track user activity and provide Unity with user data. Audience Pinpointer used that data from the
 8 MMPs and game developers and analyzed it in terms of number of users, impressions, and similar
 9 data, to determine the value of the data for game advertisers.

10 77. However, Unity's heavy reliance on MMPs for user data (including user activity and
 11 user impressions for advertisers) introduced another potential vulnerability for Unity - any bad data
 12 ingested by Unity could negatively impact the Audience Pinpointer algorithms rendering them less
 13 accurate. And, if the integration of the tracking software with the game was poor, or there were any
 14 anomalies (or bugs) in a game developer's integration, then the data transmitted to Unity would be
 15 in poor condition and could gum-up the Pinpointer algorithms rendering them less accurate.

16 78. Indeed, bad data transmitted to Unity from one of its third parties was purportedly
 17 one of "several" problems affecting Pinpointer's accuracy during the Class Period. On May 10,
 18 2022, Unity revealed that it lost a portion of its Audience Pinpointer machine learning training data
 19 "due in part to us ingesting bad data from a large customer."⁴²

20 **D. Confidential Witnesses**

21 79. Former Unity employees confirm that Audience Pinpointer, which was "absolutely
 22 rushed" to market after the Apple privacy changes were announced, experienced problems
 23 throughout the Class Period, as customers from small clients to larger enterprise clients reported
 24 complaints to Unity about declining returns on their ad spend, since many of them monitored
 25 success and revenue from their in-app ads in real-time. Indeed, there was a "tonal shift" following
 26 the broader rollout of Audience Pinpointer when customer feedback turned exclusively negative.

27 ⁴¹ *Id.*

28 ⁴² Unity's Q1 2022 Earnings Call Transcript (May 10, 2022).

Former Unity employees describe customer complaints increasing “fivefold.” Moreover, profits were declining for ad solutions as customers complained about issues with the accuracy of the Audience Pinpointer tool which was not working as intended. Certain of the former Unity employees cited herein summarized these complaints in monthly reports that went directly to Unity leadership, including Defendant Lestiyo and non-defendant senior executive Jules Shumaker (then SVP of Revenue, Operate Solutions), both of whom reported to Defendant Riccitiello. Other witnesses described weekly or biweekly meetings with Lestiyo and Shumaker that would almost always be entirely about Unity’s ads business.

80. Former Unity employees also confirm that the algorithms responsible for showcasing ads on Unity games had “backfired” and had “stopped working.” As a result, Unity began losing customers to ad competitors ironSource and Facebook. Rather than fix Audience Pinpointer and clean up Unity’s data problems, Unity tried to address the problems on an ad hoc basis without success. Eventually, after the Class Period, Unity announced it would acquire one of its competitors in the ad space, ironSource. The witnesses cited herein provide factual support for the falsity of the Company Defendants’ statements during the Class Period and for a strong inference of scienter on the Company Defendants’ part regarding the problems with the Company’s ad products – problems which existed throughout the Class Period.

1. Confidential Witness Descriptions

81. CW-1 was a Senior Business Intelligence Manager focused on Customer Insights and worked at Unity throughout the Class Period. CW-1 was hired by former Senior Manager, Product Research and was under Jules (Julie) Shumaker who at the time was the Vice President of Revenue, Operate Solutions who reported directly to CEO John Riccitiello. CW-1 explained that he was hired to help build out Unity’s resources to assess its customer data. CW-1 noted that other Vice Presidents of Operate included SVP & GM Operate Solutions Ingrid Lestiyo and Jeff Collins, then SVP Engineering, Operate Solutions. CW-1 noted that in January 2022, he transitioned to another role within Unity. CW-1 noted that the Company’s two segments, Operate and Create,

were “constantly at war” and there was a “clear misalignment between the two halves of the business strategically.”

82. CW-2 was a Senior Manager, Product Research at Unity from May 2020 until August 2022. CW-2 was tasked with starting Unity’s Client Journey Team. According to CW-2, his team was tasked with looking at the customer experience by product and tracking the customer journey. CW-2 explained that the team was focusing on the day-to-day customer experience and getting customer feedback or “pain points” and providing this information to the Unity’s product teams. CW-2’s team was creating a “voice of the customer” database and handling the qualitative customer data.

83. CW-3 was a Senior Software Engineer at Unity from before the Class Period through January 2022. CW-3 worked in the In-App Purchases division where the engineers responsible for Audience Pinpointer and Unified Auction worked. CW-3 reported to Jean-Francois Paradis, (then Manager, Monetization Software Development, and Matthieu Smith, then Senior Lead, In-App Purchasing Team. According to CW-3, Paradis and Smith reported to Vice President of Engineering Shanti Gaudreault.

84. CW-4 worked in the Operate Segment for more than 70% of the Class Period.⁴³

85. CW-5 was formerly employed at Unity as a Software Engineer from before the Class Period through September 2021. CW-5 reported to an Engineering Manager who reported to the Director of Unity’s Technical Organization. CW-5 worked in the Operate segment creating user authentication programs for Unity’s game services.

2. How Unity’s Ad Products Work

86. CW-4 reported that Audience Pinpointer was dependent on the bid, target, and outcome clients wanted. According to CW-4, the algorithm searches for “whales,” or users most likely to click on an ad and download a game, and that “everyone is looking for whales.” CW-4 explained that “whales” make up less than 4% of total players. CW-4 stated that supply and demand

⁴³ Plaintiffs believe that the details of the responsibilities of all of the CWs contained herein are sufficient to satisfy the requirements of the PSLRA. However, Plaintiffs can provide additional specificity, including exact titles for CW-4 and CW-5, to the Court through an *in camera* submission.

1 was an important aspect of Audience Pinpointer as there were only so many “whales” and they
2 would only download so many games.

3 87. CW-4 explained that the algorithm used for Audience Pinpointer would continuously
4 adapt based on the data put into it. CW-4 also explained that the stored data has evolved over the
5 months to become iOS compliant by using only data whose sharing has been legally consented by
6 the users or anonymized. According to CW, Audience Pinpointer was initially launched in
7 approximately late 2018, and was gradually expanded to more clients. CW noted that Audience
8 Pinpointer was still in beta for many users.

9 88. According to CW-4, a client has to run a “CPI” initial campaign for a certain period
10 of time before it could activate Audience Pinpointer. CW explained that this was so the algorithm
11 could “learn from” a large amount of data and then make assessments regarding performance. CW-
12 4 noted that there were also dependencies on other teams within Unity and third-party data sources
13 that were necessary to make sure Audience Pinpointer was effective.

14 89. CW-3 explained that analysis of the performance of customers’ ad spending could
15 come from either the customers themselves or from Unity’s internal data scientists or data
16 engineers. CW-3 noted that the data scientists tracked longer-term and near real-time analysis of
17 customer advertising, including whether and how the customers’ ad spending was performing in
18 terms of end-user impressions and, more importantly, end-user engagement with the ads. CW-3 also
19 explained that engagement meant the end-user clicking through on the ads, as clicking on the ads
20 showed that the ads were relevant to the user. CW-3 noted that Unity used machine learning to
21 gauge advertising performance based on users’ history of engagement or click-throughs, and based
22 on users’ collective history, made predictions for how effective similar ads would be in the future.

23 90. CW-3 explained that he and his colleagues worked on a now-defunct product called
24 IAP Promo, which was separate from ad solutions Auctioneer and Audience Pinpointer, although it
25 “plugged into” the Auction function. CW-3 noted that IAP Promo was a program that was used to
26 enable gamers to purchase in-game tokens, player upgrades, and other benefits within the games,
27 also called “in-app purchases,” to improve the gaming experience or give the user playing
28

1 advantages. CW-3 stated IAP Promo “plugged in” to Unity’s advertising software backend and
 2 included client and services components, in which the services component included a series of
 3 servers with connection to the internet and other services, including Auctioneer.

4 91. CW-3 reported that IAP Promo was a microservice that ran in the same software
 5 environment as Auctioneer and communicated with Auctioneer both internally and, through related
 6 components, through semi-public channels. CW-3 noted that, while his product was integrated with
 7 the advertising software and pipeline for the games, it was not external to the game; it only
 8 advertised features for sale within the games themselves. In contrast, according to CW-3, Unified
 9 Auction and Audience Pinpointer were used to advertise products and services external to the
 10 games. CW-3 explained that Audience Pinpointer was used to track who were the best end-users to
 11 be targeted by certain advertisers, while Unified Auction was used to determine the value of those
 12 users to a particular advertiser.

13 92. CW-1 recalled that, in November 2020, and after speaking with internal stakeholders
 14 and reviewing issues, he identified problems within Unity’s Operate segment including in its ads
 15 business. CW-1 described Unity’s data in the Operate segment as “definitely unclean” and “in such
 16 a bad way.”

17 93. According to CW-2, the ads business was a “race to the bottom” as competitors
 18 constantly undercut each other on price, such that eventually there would be no more money to be
 19 had. CW-2 said that Unity had enjoyed great success during COVID when people were at home
 20 playing games on their phones. CW-2 said the Company was aware of this and “panicked” once
 21 Apple instituted their new privacy changes. CW-2 added that “money and ego” got in the way of
 22 helping Unity’s customers and making good business decisions.

23 3. Unity Reacts to Apple’s Announced Privacy Changes

24 94. CW-4 confirmed that Apple’s privacy changes had a “huge impact” on the industry
 25 and forced it to “completely rethink” how it was going to handle advertising. CW-4 explained that
 26 before the changes, the Adtech industry knew it was “you” behind your device, but afterwards they
 27 no longer had the visibility to administer personalized ads. According to CW-4, Apple is still
 28

1 sending some anonymized data to Adtech actors, such as device specifics (laptop or phone, model,
2 iOS) and the installation information if a user clicked on an ad and downloaded a game, including
3 the game name and ID. CW-4 explained that prior to the privacy changes Apple sent more specific
4 data, such as a user's IP address, but after the changes, the IP address received was always
5 anonymized. CW-4 noted that additional data received was now anonymized, including encrypted
6 e-mail address, so Adtech actors had no way to directly contact users.

7 95. CW-3 recalled that when Apple announced changes to its privacy policies which
8 would affect IDFA, the new policy immediately was recognized within Unity as being "terrible" for
9 the company and caused "panic." According to CW-3, the "tone and concern" within Unity shifted
10 after Apple's announcement. CW-3 confirmed that Apple delayed implementation of its new
11 privacy policy, and that one of Unity's software engineers proposed an idea to deal with the
12 problem caused by Apple's policy changes and the resulting lack of data for advertisers.

13 96. According to CW-5, after Apple's privacy policy changes, Unity switched to
14 different programs to obtain user information for its advertisers, such as using the anonymized user
15 authentication tokens which eliminated references to specific user devices. CW-5 explained that
16 Unity provided this service to developers, so the developers would not have to create their own
17 system to authenticate users of their games or applications. CW-5 stated that the authentication
18 system created an anonymized "token" for each user when that user signed in to access the game or
19 app. CW-5 confirmed that the advertising team at Unity used information from the authentication
20 tokens that his team created.

21 97. CW-5 clarified that, initially, Unity experimented with programs which tried to
22 differentiate mobile users from desktop or laptop computer users, but that that plan was scrapped in
23 favor of using the anonymized user tokens. CW-5 explained that the anonymized user
24 authentication tokens did not have much information about the users. CW-5 noted that the user
25 authentication tokens tracked user behavior, not characteristics, so that users' activities across
26 different games or apps were tracked, but the tokens provided no personal information on the users.

1 98. CW-2 recalled that Unity told “the street” that Audience Pinpointer was the solution
2 to Apple’s privacy changes that went into effect in April 2021.

3 99. CW-1 confirmed that the Apple privacy changes instituted with iOS14 were a “big
4 focus” of the teams. CW-1 explained that the teams at Unity had been working on Apple’s privacy
5 changes “for some time,” which included the period between the announcement of the changes and
6 their implementation in April 2021.

7 100. According to CW-1, in November or December 2020, he realized Operate did not
8 have visibility into: (i) its sales pipeline; or (ii) a holistic view of revenue by customer across all
9 Operate products. CW-1 stated that his team built a back-end system to better assess and account
10 for customer data in approximately one month, but then Ingrid Lestiyo, VP & GM Operate
11 Solutions, informed the team that Unity was no longer interested in this information and had
12 pivoted. CW-1 explained that this was common and expectations for his team’s work and their
13 goals changed frequently during his tenure with Unity’s Operate segment. CW-1 recalled trying to
14 train clients on the sales pipeline they were trying to build, but they were preoccupied with
15 addressing the privacy changes.

16 101. According to CW-4, Unity created “cohorts” of users, based on what type of device
17 they used and what type of games they were playing. CW-4 noted that the Audience Pinpointer
18 algorithm was trained to predict which ads you were likely to click on and Unity determined ad
19 placement by “in-game behavior”. According to CW-4, the cohorts continued to become more and
20 more specific from the initial population.

21 102. CW-4 also reported that Unity collected data on games created with Unity and games
22 created on other game engines needed to include Unity’s Software Developer Kit (SDK). CW-4
23 recalled that Unity was working to address losses in visibility through the use of their SDK, an issue
24 that also involved Unity’s legal team to assess data concerns. According to CW-4, if a user clicked
25 on an ad that brought them to an installation screen for a game that did not use Unity’s game engine
26 or SDK, the Company would not know if a download occurred, which is legally expected of Adtech
27 actors in the context of global privacy compliance.

4. Unity Experiences Massive Problems With Audience Pinpointer After Its Broader Launch; the Company Receives Barrage of Customer Complaints

103. CW-3 recalled hearing in February 2021 that Audience Pinpointer had problems. CW-3 confirmed that in February 2021, he attended an all-hands engineering team status meeting, a biweekly meeting led by Jeff Collins (Senior Vice President of Engineering, Operate Solutions), during which the Audience Pinpointer problems were discussed, and where it was discussed that Pinpointer's engineers needed to "re-route" certain data which would take approximately two weeks to analyze and fix. CW-3 indicated that his understanding was that Audience Pinpointer was having problems with its ability to gather and transmit data for analysis and that to fix it, the engineers needed to disconnect the data pipeline from one point and reconnect it to another point which they ultimately were able to do. CW-3 recalled that those working to fix the problems included the same engineers who created Audience Pinpointer.

104. According to CW-3, Jeff Collins (Senior Vice President of Engineering, Operate Solutions), collaborated closely with Ingrid Lestiyono and communicated frequently with CEO John Riccitiello. CW-3 explained that Jeff Collins frequently spoke about collaborating with Lestiyono on various projects and business activities. CW-3 noted that there were not very many "intermediaries" among that level of management and that everyone at that level was very "hands-on."

105. According to CW-2, his team was immediately seeing customer complaints that Audience Pinpointer was not working. CW-2 explained that Unity's customers monitor the success of their ads in "real time" and noticed "pretty quick" after the privacy changes that they were having issues.

106. CW-2 recalled a "tonal shift" following the broader use of Audience Pinpointer. According to CW-2, customer feedback previously contained a combination of positive and negative sentiment, but after Audience Pinpointer was launched more broadly customer feedback was exclusively negative. CW-2 recalled issues coming from customers of all sizes, from SMB (small and medium-sized businesses) to Enterprise customers. According to CW-2, Unity was witnessing a "massive" increase in complaints which he recalled increased "fivefold." CW-2

1 confirmed that profits were declining for ad solutions as customers complained about issues with
2 the “accuracy” of the Audience Pinpointer tool which was not working as intended. CW-2
3 confirmed that complaints continued throughout his tenure.

4 107. CW-2 explained that Audience Pinpointer “absolutely rushed” to market and
5 explained that given his team’s awareness of the problems with the tool, other teams with even
6 more direct access to Audience Pinpointer would have had their “circuit board[s]” on “fire.” CW-2
7 reiterated that when you “rush” technology to market and do not “pressure test” it, problems like
8 what happened with Audience Pinpointer will occur.

9 108. According to CW-2, his team had weekly or biweekly meetings with Ingrid Lestiyo
10 and Jules (“Julie”) Shumaker that would last for approximately one hour. CW-2 explained that
11 while the meetings were about a variety of topics, they would almost always be entirely about the
12 ads business.

13 109. CW-2 confirmed that his team prepared reports on at least a monthly basis, and on an
14 ad-hoc basis, for things such as major complaints from a customer. CW-2 confirmed the reports
15 were sent to Unity leadership including Lestiyo and Shumaker, and to the Product and Customer
16 Service Teams. According to CW-2, if leadership was interested in the report topic, they would be
17 “very engaged,” but if not, they would not follow-up on the reports. CW-2 recalled feeling like
18 complaints pertaining to Audience Pinpointer were “being sent into the abyss” while voice chat and
19 multiplayer issues got more attention. CW-2 added that all resources went to ad solutions and that
20 Lestiyo and Shumaker were not listening to the customers or the market.

21 110. In Summer 2021, CW-1’s team presented to Defendant Lestiyo, Jules Shumaker, and
22 approximately 100 employees on the Customer Success side an analysis they had prepared
23 regarding cross-selling products within the Operate segment. CW-1 said that during that
24 presentation, Defendant Lestiyo told him to “just take it down” and that she did not want to see the
25 presentation on the screen any longer. CW-1 added that Shumaker told employees not to be
26 “distracted” by any of what was being presented by CW-1 and urged participants in the meeting to
27 “stay narrow and deep” with individual product lines. CW-1 explained that Unity’s interests
28

1 continued to pivot throughout his tenure, but after the May 2022 disclosure, a new team was tasked
2 with tackling similar issues.

3 111. According to CW-1, he and his team had created a “sentiment analysis” program for
4 customers which showed “significant” low customer sentiment “for a while.” Specifically, CW-1’s
5 team conducted a review of complaints in September or October 2021 that involved manually
6 reviewing thousands of customer complaint tickets from approximately May or June 2021 through
7 the following three months, to help train the machine learning portion of the ad tool.

8 112. CW-1 explained that his team found there was low sentiment and customer
9 complaints across all Operate products, including within the ads business. CW-1 explained that
10 some of the issues detailed in complaints from customers involved things not working within
11 Operate, algorithms not performing as intended or not matching up, and the system itself not
12 working properly. CW-1 reiterated that these complaint tickets were from a three-month period
13 starting in May/June 2021.

14 113. CW-1 also described complaints about the algorithm outputs not being as effective
15 as customers wanted. CW-1 explained that she became aware in September/October 2021, through
16 her customer sentiment analysis, that the algorithms responsible for showcasing ads on games had
17 “backfired” and the algorithms “stopped working” and were now having the opposite effect as
18 intended.

19 114. CW-1 confirmed that Unity’s ads business was what kept Unity afloat during her
20 tenure, so fixing the data problem should have been on someone’s radar before May 2022.

21 115. According to CW-1, there also was an imbalance in hiring as leadership needs and
22 business needs were not aligned. According to CW-1, Unity leadership pushed for sales and
23 revenue drivers, such as hiring additional salespeople, while the Company really needed additional
24 employees in data analysis, product development and engineering, and IT.

1 **5. Unity Attempts to Respond to Customer Complaints on an Ad-Hoc Basis**
2 **Because It Is Unable to Fix Audience Pinpointer**

3 116. CW-1 explained that he became aware of faults in Unity’s data after collecting
4 internal discovery and analyzing external data from customers. CW-1 explained that no one
5 “synthesized” this data, instead the Customer Success teams were focused narrowly on their clients
6 and only addressing each customer issue. CW-1 said game developers also were complaining
7 because of the problems with the ads.

8 117. CW-1 explained that each issue was being treated on an individual customer basis
9 rather than conducting any holistic analysis on wider issues related to Operate’s services and
10 offerings. According to CW-1, the main issue was that there was data available and complaint
11 tickets were being addressed, but only individually and that there was no “holistic view” of the data
12 or wholesale effort to fix the source of the problems. CW-1 explained that his team was working on
13 segmenting the customer complaints by product within Operate.

14 118. CW-1 noted that there was an automated system in place for customers to send their
15 complaints in to Unity electronically and then the complaints would be collected in a report and
16 routed to the relevant team. CW-1 explained that his team pulled all of the “raw data” to provide a
17 more “bird’s eye view across the board” in relation to complaints. CW-1 added that while his team
18 was looking at issues on the data side, former Senior Manager, Product Research and his team were
19 doing “in-depth” interviews with customers.

20 119. CW-1 explained that he prepared a monthly report regarding his work he believes was
21 titled Monthly Customer Insights which included customer information from a data perspective. CW-1
22 confirmed that Lestiyo was aware of the work his team was doing and that Lestiyo receive these
23 monthly reports and findings from his team. According to CW-1, in addition to Lestiyo, Operate
24 leadership and directors from Customer Success, Marketing, and Products, including Felix The (then-
25 VP Product Management – Operate Solutions) also received the reports. CW-1 thought maybe CEO
26 John Riccitiello received her team’s monthly reports too, but she couldn’t be certain.

27 120. Regarding customer complaints, CW-3 explained that, when a problem occurred –
28 whether discovered internally by Unity or as a result of a customer notifying the company – it is

1 logged as an “incident,” and an incident channel is created in Slack. CW-3 explained that the
2 incident channel would be used to address that incident only, and that no other chat (such as small
3 talk or other discussions) was permitted in the channel.

4 121. CW-3 described that Unity had a “multi-layered” response plan for handling real-
5 time service issues, and that the plan included both automated elements and site reliability
6 engineers, or SREs. CW-3 explained that SREs were brought in for problems or issues that were
7 larger or beyond the scope of specific features, such as issues that affected multiple features,
8 network issues, or other problems. According to CW-3, SREs were generally charged with making
9 sure that software services were operating as expected.

10 122. According to CW-3, the SREs were tasked with responding to both internal (such as
11 software) and external (such as system outages) problems. CW-3 further explained that Unity had
12 checklists of people to be notified and steps to be taken to address problems, and that the SREs
13 would not always be the first people to be notified, depending on the situation. CW-3 indicated that
14 sometimes the engineer on call would be first to be notified. CW-3 added that the SREs or
15 engineers on call addressing the incident had the implicit authority to “rope in” any other resources
16 – including bringing in other engineers – to fix the problem. CW-3 noted that Unity did not
17 maintain a separate team of engineers whose sole purpose was to respond to incidents or problems
18 and that the SRE role was in addition to these engineers’ normal work functions. CW-3 confirmed
19 that, as part of the incident response checklist, there were procedures for escalating incidents and
20 notifying more senior management at Unity.

21 123. According to CW-3, Jeff Collins (Senior Vice President of Engineering, Operate
22 Solutions) created a structure for accountability which was rolled out in phases during CW-
23 Richard’s employment (from before the Class Period through January 2022). CW-3 explained that a
24 color scheme of white, yellow, red, and green was used to report project status to upper
25 management which “bubbled” through Jeff Collins to Ingrid Lestiyo. CW-3 explained that the
26 document containing color-coded project status was reviewed in regular meetings and reported up
27 to senior management. CW-3 added that the engineering teams responsible for the specific projects
28

1 would have contributed the document. CW-3 stated that most issues were communicated to director
2 level and higher through less formal channels than a document checklist process.

3 **6. Unity Loses Customers**

4 124. CW-1 confirmed that the Company was seeing “a lot” of ads clients moving to
5 Unity’s competitors, including ironSource and Facebook. CW-1 discussed with his colleagues how
6 Lestiyo and Shumaker were aware of Unity’s customers leaving them for competitors.

7 125. CW-2 confirmed it was “impossible” that Unity was not aware of the declining
8 revenue growth in the Operate segment starting in the summer of 2021 because “Unity is an ads
9 business” and they were “tracking every penny” from the ads business and would have been aware
10 of declining revenue in that business. CW-2 confirmed that Lestiyo would have known. CW-2
11 stated, “without debate,” Unity could have told “the street” that there was a problem as it was
12 occurring.

13 **7. Unity Fails to Properly Integrate Acquisitions Made During Class Period**

14 126. CW-1 noted that the Company did not have an onboarding or training program for
15 Unity hires and had no method to integrate the many acquisitions Unity made on the Operate side of
16 the business. CW-1 explained that a “proper effort” was not made to integrate acquisitions into
17 Unity’s existing tech stack. According to CW-1, there were issues such as multiple versions of
18 Salesforce running for Unity and the acquired entities. CW-1 explained that IT was working on this
19 issue in what was described as a 2-year long process.

20 127. According to CW-1, Unity was focused on acquiring companies to “get our [Unity’s]
21 share [price] up” while they “shunned,” or ignored, their own internal problems. CW-1 explained
22 that Unity failed to integrate its acquisitions on any level and implementation and integration
23 became a big issue for Unity’s customers. CW-1 explained that all of the Company’s data was kept
24 separate, including information acquired through acquisitions.

25 **8. May 10, 2022 Disclosure**

26 128. CW-1 recalled that in May 2022, Lestiyo’s team was in the middle of the “biggest
27 fire Unity had ever faced” and Operate was taking people from Create to help assist with the data
28

1 ingestion issue that had corrupted Unity’s algorithms. According to CW-1, it was “all hands-on
2 deck” and everyone was told to “drop what you’re doing” in the town halls and impromptu
3 meetings that followed. CW-1 confirmed that in the weeks prior to the issue being made public,
4 Unity employees were told that it was a “big problem” and that “we [Unity] need to keep quiet
5 about this.”

6 129. CW-2 recalled that once *SeekingAlpha* and the *Wall Street Journal* were publishing
7 articles about Unity following the May 2022 admission of issues with Audience Pinpointer, the
8 Company was in “bail water out of the ship mode” and internally began circulating “nonsensical PR
9 letters.” CW-2 said that at this point he could tell that Unity “got caught” and the Company held an
10 all-hands meeting that was “very hand-wavey.” According to CW-2, the issue was discussed as an
11 “engineering hiccup” and there was a “mad scramble” with employees being pulled from multiple
12 teams to address it.

13 130. CW-2 noted that, contrary to the Company’s public disclosure, the data problems
14 announced in May 2022 did not appear to be caused by a single customer. CW-2 explained that he
15 was “not surprised” by the layoffs that followed and that he could tell that, “things were not going
16 [according] to plan.” CW-2 added that Unity subsequently turned into “an internal
17 [expletive]show.”

18 131. CW-1 added that “we [Unity] were too late” and that they had attempted to fix the
19 problem in the eleventh hour. CW-1 recalled current members of the Operate team reaching out to
20 him and other members of his team that had remained with the Company following their
21 redundancies and asking for their research.

22 9. Acquisition of ironSource and Sunsetting of Audience Pinpointer

23 132. CW-2 explained that following the Audience Pinpointer issues, the acquisition of
24 ironSource was a “wag the dog” and a “bait and switch,” stating that the Company purchased
25 another ads business so that they could “sunset” or bury their screw-up product (Audience
26 Pinpointer), rather than try to fix it and instead could rely on ironSource’s ads products. According
27
28

1 to CW-2, Unity wanted to be able to say the issues were addressed; it was all about getting the ads
2 business back on track.

3 **E. Unity’s Class Period Acquisition Spree Covers Up Failing Ad Business**
4 **Performance**

5 133. During the Class Period, as the problems with Audience Pinpointer mounted, yet
6 remained uncorrected, Unity was highly acquisitive, purchasing no fewer than seven entities and
7 absorbing them into the Company. This more than \$2.1 billion spending spree masked the
8 deteriorating state of affairs at Unity as the problems caused by Audience Pinpointer’s failures and
9 shortcomings grew in severity and cost. In the midst of this highly acquisitive period, on Unity’s
10 November 9, 2021 earnings call, Defendant Visoso stated, “We do not see M&A as a strategy per
11 se, but as a way to execute our business strategies.”

12 **1. June 22, 2021: Unity Acquires PiXYZ**

13 134. On June 22, 2021, Unity acquired Metaverse Technologies Limited (“PiXYZ”), an
14 Ireland-based provider of software solutions for optimizing 3D data through its PiXYZ products.
15 PiXYZ is part of Unity’s Create suite of products. Unity had originally formed a partnership with
16 PiXYZ in 2018 to enable industrial and automotive designers to quickly import, prepare and
17 optimize large computer-assisted design, mesh and point cloud models for real-time visualization in
18 Unity. Unity paid \$45.7 million in cash for PiXYZ.

19 **2. July 22, 2021: Unity Acquires SpeedTree**

20 135. On July 22, 2021, Unity announced its acquisition of Interactive Data Visualization,
21 Inc. (“SpeedTree”), a provider of graphics tools for rendering 3D animated plants and trees, based
22 in South Carolina and founded in 2000, and the creator of the popular SpeedTree environmental
23 creation suite. SpeedTree is part of Unity’s Create suite of products. A review of publicly available
24 records indicates that Unity did not disclose the price it paid to acquire SpeedTree.

25 **3. August 12, 2021: Unity Acquires OTO**

26 136. On August 12, 2021, Unity acquired OTO, an artificial intelligence-based provider
27 of conversation intelligence services, founded in 2017 and based in New York. Unity purchased
28 OTO’s voice recognition technology, which is “able to detect a wider and more accurate range of

disruptive behavior” in Unity games’ voice chat. Unity integrated OTO into its pre-existing Vivox platform within the Operate segment at the Company. A review of publicly available records indicates that Unity did not disclose the terms of the deal to acquire OTO.

4. September 2021: Unity Acquires Parsec

137. In September 2021, Unity completed its acquisition of Parsec Cloud, Inc. (“Parsec”), a Utah-based provider of cloud gaming and remote working solutions founded in 2016, for approximately \$333 million. Parsec designs and develops remote access streaming technology, including a proprietary desktop capturing application primarily used for playing games through video streaming.

5. November 30, 2021: Unity Acquires SyncSketch

138. On November 30, 2021, Unity acquired SyncSketch, a provider of services for a workflow management platform, based in California and founded in 2016. SyncSketch is a collaboration software for visual artists that allows a team to view, review, and provide feedback on each other’s work. SyncSketch is part of Unity’s Create segment. A review of publicly available records indicates that Unity did not disclose the terms of its deal for SyncSketch.

6. December 1, 2021: Unity Acquires Weta Digital

139. On December 1, 2021, Unity acquired Weta Digital, an established player in the visual effects space that had been in operation since 1993, with its headquarters in Wellington, New Zealand. Weta Digital is a visual effects studio for the media and entertainment industry. Unity acquired Weta’s tools, pipeline, technology, and engineering talent for \$1.625 billion in a combination of cash and stock. Weta has become part of Unity’s Create segment.

7. January 24, 2022: Unity Acquires Ziva Dynamics

140. On January 24, 2022, Unity announced that, in December 2021, it had acquired Ziva Dynamics (“Ziva”), a Vancouver, Canada-based provider of VFX animation software, founded in 2015. Ziva is a part of Unity’s Create segment. Unity paid approximately \$127.7 million in cash for Ziva.

F. ironSource Merger

141. No later than February 2022, Unity reached out to ironSource, an Israeli advertising monetization technology company with products similar to Unity’s Audience Pinpointer. By that point, Unity was already experiencing almost-insurmountable technological problems with Pinpointer.

142. In early March 2022, executives from Unity participated in additional meetings with executives from ironSource during which the details of a merger were further discussed. Indeed, according to documents filed in connection with the ironSource merger, in early March 2022, Defendant Lestiyo met with ironSource’s co-founder, Chairman, and CEO, to discuss what the Registration Statements describe as “future opportunities of collaboration between the two companies.” Later in March 2022, Lestiyo met with ironSource cofounder and Chief Revenue Officer, “to discuss a potential partnership between the two companies.” Discussions between members of the two companies’ management teams continued through late March and April 2022.

143. On April 22, 2022, the parties “agreed that continued exploratory discussions regarding a potential business combination would be appropriate.”

144. Management-level discussions continued through the first weeks of May 2022. On May 17, 2022, Unity and ironSource entered into a mutual nondisclosure and confidentiality agreement. On May 19 and 20, 2022, the parties’ management teams met in person at ironSource’s headquarters in Tel Aviv for diligence meetings.

145. On June 2, 2022, the Unity Board of Directors held a regularly scheduled Board meeting attended by the Company’s outside lawyers. Unity’s management team provided an overview of the potential ironSource transaction to the Board. Following that discussion, the Unity Board approved resolutions authorizing the creation of a special committee and “vested it with the authority to review the potential business combination with ironSource and to consult with Unity’s management team regarding the potential business combination.” Additional discussions and meetings with financial advisors, lawyers, senior management and directors of Unity, and its largest shareholders Sequoia and Silver Lake continued through June 2022.

146. On July 13, 2022, Unity formally announced the \$4.4 billion all-stock agreement to merge with ironSource. Upon completion of this deal, Unity's shareholders would own 73.5% of the combined company, with ironSource's shareholders owning the balance.⁴⁴ The deal closed on or about November 7, 2022.

V. DEFENDANTS' MATERIALLY FALSE AND MISLEADING STATEMENTS AND OMISSIONS DURING THE CLASS PERIOD

147. Plaintiffs allege that the statements *highlighted in bold and italics* within this section were materially false and misleading because, among other reasons, they omitted to disclose material information of which Defendants were aware or were reckless in not knowing. As alleged herein, such statements artificially inflated or artificially maintained the price of Unity securities and operated as a fraud or deceit on all persons and entities that purchased or otherwise acquired those securities during the Class Period. Because Defendants chose to speak on the issues described below, it was important that they not mislead investors or withhold material information. As described below, Defendants created an impression of a state of affairs at Unity that differed in a material way from the one that actually existed.

A. May 11, 2021: Q1 2021 Results

148. The Class Period begins on May 11, 2021, when Unity issued a press release announcing the Company's Q1 2021 financial results which beat consensus estimates.

149. That same day, after the market closed, Unity hosted an earnings call with investors and analysts to discuss the Company's Q1 2021 results (the "Q1 2021 Earnings Call"). Among others, Defendants Riccitiello and Visoso participated in the Q1 2021 Earnings Call. During the scripted portion of the Q1 2021 Earnings Call, Unity raised its revenue guidance for full year 2021 from \$950 million - \$970 million to \$1.0 billion - \$1.015 billion and stated, "In summary, we are encouraged by a strong start to the year with Q1 results above expectations. This strong start gives us confidence to raise our guidance for the year as we continue to lead the 2D to realtime 3D

⁴⁴ According to the updated information in an Amended Registration Statement filed on September 8, 2022, upon consummation of the Merger, current Unity stockholders would own approximately 72.9% and former ironSource shareholders would own approximately 27.1% of the combined company, respectively.

1 transformation. We're well positioned in the industry and continue to invest to capture new
2 opportunities."

3 150. During the Question & Answer (Q&A) portion of the Q1 2021 Earnings Call,
4 Defendants Riccitiello and Visoso discussed Unity's Pinpointer product. Visoso said, "[Pinpointer]
5 *which very importantly does not rely on IDFA, is working well,*" while Riccitiello stated that Unity
6 *"understand[s] the LTV of our customers."*

7 151. Defendant Visoso also said that the Company was well prepared for Apple's privacy
8 changes because the "team has been preparing for IDFA for at least the last 2 years. I was part of
9 several of these conversations as a Board member before joining Unity, and I was always very
10 impressed by the quality of the thinking. But now that I'm on the other side, I've been even more
11 impressed and see the plans in detail." Visoso also represented that "*we work with every network*
12 *and none of them are able to compete with Unity when it comes to . . . readiness and reactivity*
13 *[to the Apple changes]."*

14 152. Defendant Visoso also touted Audience Pinpointer and Unity's ability to manage
15 Apple's privacy changes stating, in relevant part:

16 Our Operate organization captures and analyzes 50 billion in-app events each day.
17 If you do the math, that's about 35 million in-app events every minute, and we do
18 this across 20 platforms. This includes roughly 1 billion in-app events in iOS 14.5
19 each day. *We believe that the ability to analyze this data positions us very well in*
20 *the industry.* So as we talk to the teams, there are probably 5 key takeaways that I
21 would like to leave you with. First, spending on our platform is very strong.

22 There is a shift towards ROI-based campaigns on our platform through Audience
23 Pinpointer . . . when advertisers determine the outcome that they want from the
24 campaign, and *we determine the right channels and price for them to achieve*
25 *their KPIs.* So that's point number one.

26 Point number two, our contextual model, which very importantly does not rely on
27 IDFA, is working well. We need to perform for our customers even in a more
28 privacy-aware environment. Unity's game engine leadership is a strength, and it
provides us with deep context for our ads business.

Third point, our scale and depth provides us access to a vast amount of end user
engagement and platform performance data, which is the point I was mentioning
earlier. It's about this 50 billion in-app events every day and across these 20
platforms.

The fourth point, which is probably one of my favorites, is the customer
feedback we're getting is very strong

* * *

So if I look at everything with this customer feedback, I'm fairly confident that we're in a very strong competitive position.

And the last point I wanted to make on this is we're raising our guidance by \$50 million, and the driver of that increase is the Operate business. So, we have momentum. We beat Q1 expectations and are raising our forecast for the year. ***So IDFA will most likely impact the ads industry, but we believe that our data and analytics advantage plus this advanced preparation that I was mentioning, position us very well to manage the IDFA.*** And we'll obviously keep you informed as we learn more.

153. During the Q&A portion of the Q1 2021 Earnings Call, Defendant Riccitiello stated, in relevant part:

We understand engagement, LTV, cost to acquire. Literally, in every country in the world, minute to minute, ***our data understanding is huge.***

* * *

What we've done well in this market is take our data advantage to better understand and build a network around the optimization of LTV versus CAC. So, we understand the cost to acquire. ***We understand the LTV of our customers.*** We understand the interplay at a level of nuance, it really helps us do a better job for our customers, and that's what our network really is.

* * *

Now to amplify on some of the data that Luis highlighted, we had 50 billion app events on over 20 platforms. ***And that's the important reason why we're able to develop these deep insights into customer behavior. We work behind the scenes to recommend what would be interesting or new to an existing customer base on multiple factors. And that's the core tenet in how we built our marketplace for consumers to drive recommendations.***

154. When asked a question about emerging competitive marketing or digital advertising marketplaces, Defendant Riccitiello responded:

It's on the basis of being competitive in the marketplace that we're going to succeed. When I was answering the last question I said, ***we increase our take rate, 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. Value add is easy to scale. And that's what we're investing in. And I'm highly confident in our monetization platform as part of Operate is going to continue to win.

155. Analysts credited Defendants' representations that Unity would not be impacted negatively by the IDFA changes because they were so well-prepared.

(a) For example, in a note published on May 12, 2021 titled “Impressive Start to 2021: Expected Positive Momentum Leads to Significant Guidance Raise,” analysts at William Blair reported, “We believe the scale and depth of [Unity's MAUs] is unparalleled in the gaming industry . . . and presents an expanding competitive moat as Unity can more effectively generate value through outcome-based ad campaigns.”

(b) That same day, analysts at D.A. Davidson issued a report titled, “Beat & Raise Quarter; Recent Selloff Creates Buying Opportunity,” and stated, “[Unity] is doing a good job at mitigating the impact from IDFA deprecation.”

156. Some analysts even upgraded their estimates and ratings for Unity based on the Company’s May 11, 2021 statements about IDFA’s lack of impact on the Company.

(a) For example, on May 12, 2021, analysts at Piper Sandler published a note titled, “Solid Start to 2021 for Real-Time 3D Pioneer; IDFA Headwinds Less Than Feared,” in which they said of Unity, “IDFA headwind less than feared, raising estimates.”

(b) Similarly, on May 14, 2021, Oppenheimer analysts published a note titled, “Upgrading U to Outperform; Good 1Q21 Results,” in which they wrote, “IDFA headwind is expected to account for <3% of FY21E revenues, as Unity’s contextual model is not reliant upon IDFA,” and upgraded their rating for Unity stock to Overperform from Perform.

157. As a result of Defendants’ misrepresentations and omissions, Unity’s stock price was artificially inflated and/or artificially maintained.

158. Defendants’ statements, contained in ¶¶ 150-154, were materially false and misleading when made in that they failed to disclose the following adverse facts which were known to or recklessly disregarded by Defendants:

(a) From the start of the Class Period, Audience Pinpointer had serious known technical flaws that the Company has now admitted greatly reduced (or eliminated) Unity’s ability to accurately target users for ads within apps and games and which Defendant Riccitiello has admitted was a “revenue-expensive issue” for Unity;

(b) Customers of all sizes, many of whom tracked revenue from their Unity ads in real-time, were complaining to Unity that its ad monetization tool (Audience Pinpointer) was not working and they were not getting an effective ROI;

(c) Customers were reducing ad spending with Unity and some customers were leaving for other ad competitors including ironSource Ltd. (“ironSource”) and Facebook; and

(d) The Company would be materially negatively affected by the serious and unaddressed Audience Pinpointer problems as ad spending was a major source of revenue for Unity; and

(e) As a result, Unity’s financial results would be significantly below expectations due to declining customer spend in the Operate Solutions segment.

B. August 10, 2021: Q2 2021 Results

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

“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.”

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

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...***

* * *

Now let’s turn our sight to the Operate business. If I had to distill the business challenge most game developers face every day, it’s one equation. It would be how to ensure that . . . the cost of user acquisition is less than his or her lifetime value to the game. That [] cost [has] got to be below LTV. This is not an easy equation to master. ***Our operations solutions help developers solve this vision. We offer an end-to-end platform for content creators to deliver the best player***

1 *experience and build robust and profitable businesses. We provide a growing*
 2 *suite of services that content creators can use to acquire new users, optimize*
 3 *user engagement and LTV by our monetization platform.*

4 * * *

5 *Another critical part of this integrated system has been our ability to leverage*
 6 *contacts and data insights effectively through ML-driven optimization from a*
 7 *reach of 3.4 billion monthly active users as of June '21 and can deliver the best*
 8 *ROI for our customers.* This, combined with the tight linkage to our Create
 9 platform, have enabled us to gain share across these important markets.

10 161. During his prepared remarks, CFO Visoso asserted that *“we were well prepared for*
 11 *the Apple’s privacy changes. And as a result of excellence in execution, we build market share*
 12 *this quarter”* and *“[o]ur advanced analytics, context and insights are proving to be a competitive*
 13 *advantage.”*

14 162. During the Q&A portion of the Q2 2021 Earnings Call, Defendant Riccitiello also
 15 touted the Company’s ad monetization capabilities by asserting that Audience Pinpointer was
 16 *“proving to be a competitive advantage”* and that *“we apply advanced analytics and machine*
 17 *learning algorithms to create and manage a true ROI on behalf of our customers.”*

18 163. Riccitiello also stated, in relevant part:

19 Our monetization is -- program is based on a deep, deep understanding of user-
 20 level LTV and engagement, and we succeed when we deliver superior ROI for
 21 customers. This means it's really about data.

22 We leveraged 3 billion. You heard me announce earlier, it was 3.4 billion at the
 23 end of last quarter. 3 billion MAUs producing petabytes of data for Unity's SDKs
 24 and integration with our engine. *And we apply advanced analytics and machine*
 25 *learning algorithms to create and manage a true ROI on behalf of our*
 26 *customers. So what we’re optimizing for is engagement in LTV, not spread. It’s*
 27 *a really different business.*

28 Now there’s more going on out there. It’s complicated and really intermediate
 lately. It seems like the world may be moving into more of a closed and silent
 platform based on first-party data. Here, we have an advantage. We’ve got our
 own proprietary data. But I believe creators want options, so they can choose the
 tools, services and monetization partners that are best for them.

It’s important to note that our monetization tools are open. We have over 50
 partners at our unified [auction], and *we have the goal of maximizing revenue for*
publishers. That’s our North Star. And at Unity, we believe more choices are
 better than less, better than fewer. *And ultimately, if we optimize for the success*
of our creators, our publishers will be rewarded with their business growth. We
 saw that this last quarter and the last several years. Our near- and long-term
 results have improved, but it’s true so far, and we continue down that path.

* * *

Now our view is advertisers, publishers are going to continue to spend as long as they're getting quality payers at a positive ROI, that's what we do. In fact, we've got tools like Audience Pinpointer that allows advertisers to find what ROAS they'd like to target or based on retention or IAP or ad revenues, so they can get a guaranteed return regardless of what's happening or changes in attribution. That's what we are delivering. Our results reflect continued increase in ad spending on the Unity network, something we've been consistent with.

* * *

The harsh reality is when you change some of the monetization mechanisms that are out there, as IDFA did and as GDPR did before, it affects the relative fortunes who's at the top of the stack, who is second, who is third. *I am happy to say through this, whether it was GDPR or IDFA, we've anticipated well enough to be net winners in those equations.*

* * *

I think the longer term-- let me be really clear. I think the longer term for Unity is a bigger box than we're operating with in monetization. We're experimenting constantly. The-- we have a more data-centric play in advertising that all but a few of the players you learned to love and admire like a Google and a Facebook. *There are precious few companies anywhere with our sophistication around advertising and data. And those are skills that we want to apply more broadly and will.* But when you're posting 60% quarters, you're focused on the core, and that's what we're doing now outside of our business.

164. During the Q&A portion of the Q2 2021 Earnings Call, Defendant Visoso stated, in relevant part:

And we talked about IDFA last quarter. And if you remember what I said back then is that we prepare for IDFA for over 2 years. And I also mentioned that our Operate organization captures and analyzes 50 billion in-app events each day. And that's, whatever, 35 million every single minute. So that's pretty amazing. And we do that across these 20 platforms.

And I mentioned that our spending across our platform was really strong, and I expected some market growth. *And really, the reason for that is our contextual models, which actually do not rely on IDFA, we're working very well.* Our scale and depth provide us access to vast amounts of data, which is really based on end users' engagement and platform performance data. *And the feed[back] that we were getting even back then was very strong from our customers.*

Now I think some of our customers were saying things like, "Hey, we partner with every single network out there, and Unity's readiness and guidance are far above anybody else. And that allowed us a quarter ago to raise our guidance by about \$50 million.

And really, what we continue to see is exactly the same things as we saw last quarter, the same advantages. And as John mentioned, IDFA is clearly having an impact in the industry, but it's impacting different players in different way. Some

1 of them are accelerating, some of them are decelerating. *We are fortunate to be*
 2 *prepared and to have the data and all of this analytics, Audience Pinpointer*
 3 *being one at Q1 where we're actually accelerating. And that is, again, allowing*
 4 *us to raise our guidance by this \$45 million that we talked earlier.*

5 So it's the same message that we talked, Matt, a quarter ago, we just continue to
 6 see it play out. And it's – *we're performing very strongly in this environment.*

7 165. Defendant Visoso also stated: “While our strong performance is broad-based, *we are*
 8 *particularly proud of the performance from our Operate Solutions group that expanded market*
 9 *share in a tough environment. Our strong performance gives us the confidence to raise guidance*
 10 *for the year, again.”*

11 166. Analysts reacted favorably to Unity's Q2 2021 results. On August 10, 2021, Piper
 12 Sandler analysts published note titled, “‘Howling at Nothing’; Share Gains Boost Operate Growth
 13 to 63%; Top 2H Idea,” in which they raised their price target and revenue estimates for Unity
 14 because they “believe the company's ability to achieve durable gains despite the impact of IDFA,
 15 expanded footprint in a diverse set of digitizing industries, and continued Create & Operate strength
 16 warrant a premium valuation.”

17 167. The next day, August 11, 2021, analysts continued to praise Unity's ability to
 18 withstand the pressures of the IDFA changes and herald its prospects for success.

19 (a) For example, analysts at Credit Suisse published a note titled, “Gaining Share
 20 in the Operate Business,” and said, “Unity is emerging as a net beneficiary of IDFA for now and
 21 appears to be gaining market share.”

22 (b) In a noted titled “Gaining Share in the Midst of IDFA,” analysts at Barclays
 23 struck a similar tone and declared, “We think that Unity will likely stand to continue to benefit from
 24 the changing advertising ecosystem due to being able to leverage data from 3B+ [Monthly Active
 25 Users] using Unity developed apps to generate better ROI compared to its peers.”

26 (c) Likewise, analysts at D.A. Davidson published a note titled, “IDFA Who?
 27 Unity Gains Share in Post-IDFA Era,” and credited Unity's purported “several quarters of
 28 preparation” as having “clearly bore fruit” and allowing “Unity [to] successfully navigat[e] the sea
 of uncertainty in the market that was created by the privacy changes in iOS.”

(d) Analysts at William Blair published a note titled, “Blowout Quarter as Business Momentum Continues; Conservative Guide Implies 45% Normalized Growth,” and wrote, “[M]anagement commentary suggested continued strength in its Operate segment, despite the recent rollout of Apple’s IDFA changes, which we believe highlights the value and differentiation of the company’s unique data asset and contextual focus... that is less reliant on device-level identifiers.”

168. As a result of Defendants’ misrepresentations and omissions, Unity’s stock price was artificially inflated and/or artificially maintained. Indeed, Defendants’ statements drove the price of Unity’s shares up by 13.25 % percent, to close on August 11, 2021, the following trading day, at \$121.35 per share.

169. Defendants’ statements at ¶¶159-165 were materially false and/or misleading when made for the reasons described in ¶158.

170. In addition, Defendants knew or recklessly disregarded a drastic slowdown in revenue growth within the Operate segment starting as early as July 2021, when quarter-over-quarter revenue growth in Operate went from 25% to 1%. (¶¶221-223). This breakneck slowdown continued throughout the rest of the Class Period. When Defendants started to see such an abrupt slowdown in advertiser spending in mid-2021, they knew or recklessly disregarded the severity of the Audience Pinpointer issues at that time. At a minimum, they should have further investigated the problems with Unity’s data which, according to former Unity employees, they did not.

C. November 9, 2021: Q3 2021 Results

171. On November 9, 2021, Unity issued a press release announcing the Company’s Q3 2021 financial results. In the press release, CFO Visoso, was quoted as saying: “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,”

172. That same day, after the market closed, Unity hosted an earnings call with investors and analysts to discuss the Company’s Q3 2021 results (the “Q3 2021 Earnings Call”). Among

others, Defendants Riccitiello and Visoso participated in the Q3 2021 Earnings Call. During the Q&A portion of the Q3 2021 Earnings Call, Defendant Riccitiello stated, in relevant part:

So on the Operate side and particularly monetization, I'd be remiss if I didn't point out that outside of monetization, the rest of our Operate stack is working extremely well. ***So it's across-the-board right, inside 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 the IDFA changes introduced by Apple. ***Something I've been saying for a very long time is that Unity benefits from a very unique data set, driven by over 3 billion people, MAUs in our analytics platform and hundreds of millions on our IAP platform.***

So I'm going to introduce something that I think probably most of you think is pretty obvious, but I'm going to emphasize it again. ***Most ad networks, their business is based on the identity, the specific identity of the user interacting with the application. Ours is not, ours is based on understanding contextually where they are and what they're doing and what they've done before and what they're going to do next using predictive models based on AI on the 50 billion-plus data events we adjust per day.***

And as we intimated in the call nearly a year ago when we were talking about the early innings of IDFA, we felt that, that would lead to a relative competitive advantage for us, as one advantage for the alternative way of driving modernization became weaker, relatively weaker. And that's exactly what's happened.

So I would argue that the puts and takes, it comes down to a really simple thesis. ***Ours is a better way to monetize even absent the changes that were introduced by Apple with IDFA and choice are on privacy. And on a relative basis, we gained advantage to all those who use identity, individual identity, they know you and your brother, whose birthday it is that became relatively weaker, and we became relatively stronger and we have the single largest data insight based on the largest MAU count for anybody in our world.*** And more or less it played out to a script almost exactly as we'd hoped, but better than we were willing to forecast given how cloudy it was a year ago.

173. As during prior quarters, market analysts believed Defendants' representations about the strength of Unity's business and repeated them to the market the next day, on November 10, 2021. For example:

(a) Analysts at Macquarie Research published a note titled, "Enabling the Metaverse," in which they wrote, "IDFA changes had no negative impact given Unity's use of contextual, not ID-based targeting; in fact 54gmt.t. said the impact was even better than hoped."

(b) Similarly, analysts at Morgan Stanley published a noted titled, “Enter the Weta-verse,” in which they said, “Operate revenue [] came in 8% ahead and, consistent with our expectations, continues to show a net benefit from the IDFA privacy changes.”

(c) In a report titled, “Tapping Into The Artist Ecosystem,” analysts at Barclays reported that: “Unity continues to show strength within its Operate segment post IDFA as it structurally benefits from its data advantage with its 3B+ MAUs using Unity-made apps and hundreds of millions within its IAP platform compared to its peers.”

(d) Analysts at Piper Sandler published a note titled, “All About Weta, Not Meta; Create Segment Reaccelerates; Raising PT to \$180,” in which, despite “IDFA uncertainty,” they declared, “[t]he verdict is clear that U has emerged as a share gain beneficiary, which increases our confidence in the durability of Operate growth prospects.”

174. As a result of Defendants’ misrepresentations and omissions, Unity’s stock price was artificially inflated and/or artificially maintained. Indeed, Defendants’ statements drove the price of Unity’s shares up by approximately 3% percent, to close on November 10, 2021, the following trading day, at \$176.45 per share.

175. Defendants’ statements at ¶ 172 were materially false and/or misleading when made for the reasons described in ¶¶ 158, 170.

D. February 3, 2022: Q4 and FY 2021 Results

176. On February 3, 2022, Unity issued a press release announcing the Company’s Q4 and full year 2021 financial results. In the press release, CFO Visoso, was quoted as saying: “We are encouraged by our performance in 2021 with strong results across Create and Operate Solutions. . . *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.*”

177. That same day, after the market closed, Unity hosted an earnings call with investors and analysts to discuss the Company’s Q4 2021 and full-year 2021 results (the “Q4 2021 Earnings Call”). Among others, Defendants Riccitiello, Visoso, and Lestiyo participated in the Q4 2021

1 Earnings Call. During the scripted portion of the Q4 2021 Earnings Call, Defendant Riccitiello
2 stated, in relevant part:

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

6 * * *

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

10 178. During his prepared remarks, Defendant Visoso stated, in relevant part:

11 Operate had a terrific year. We're passionate about partnering with our customers
12 from the 2-person development team who pursue their passion of making games
to the large game publishers with millions of players who need to constantly
13 innovate to stay competitive and keep their players engaged... *We also saw strong
performance from our sophisticated analytics tools and products such as
Audience Pinpointer that deliver strong return on investment to our customers
without manual guesswork.*

14 *To win in a highly competitive market, we're constantly innovating, optimizing
our machine learning models, improving our campaign and performance
15 models and generating actionable insights for our customers' campaigns and
enabling them to make informed decisions. As a result, we estimate that our
monetization business has been over each of the last 5 years, including 2021,
16 consistently growing about twice as fast as the market.*

17 * * *

18 I also want to call out Unity Mediation, which we launched last quarter. Our
19 offering includes waterfall and bidding to help developers build strong revenue
20 streams by easily optimizing demand from their best-performing ad formats and
21 network partners within the same editor and interface they build and manage their
game experience. We're seeing strong initial traction in the market in the short
22 period of time since launch, including some of our top -- including some of the
top publishers.

23 179. During the Q&A portion of the Q4 2021 Earnings Call, Defendant Riccitiello stated,
24 in relevant part:

25 The second part of it, and the analogy is a little bit more stretched here, if I want
26 to think about it as a steam engine, but every one of these websites needs an
engine. *An engine for monetization, for analytics, for streaming, for the build
27 process. That's what our Operate team does. And so we're not necessarily out
there with picks and shovels looking for nuggets of gold, we are serving the*
28

1 *entire collection of multiple industry companies that are building and deploying*
 2 *products both to create those products and to help those products operate. We*
 3 *generate money in both ways.*

4 180. During the Q&A portion of the Q4 2021 Earnings Call, Defendant Lestiyio stated, in
 5 relevant part:

6 So our contextual approach provides numerous advantages. Even the largest game
 7 companies out there have a few hundred million DAUs or so. We reached more
 8 than 3 billion devices. And unlike any other ad tech companies, the majority of
 9 mobile games out there are made with Unity, using our engine and our game
 10 services, that's not quite the same as an ad tech company claiming a 3 billion
 11 reach. *We have deep, deep context about game play, what the players like to*
 12 *play, when and how they play the game. And in gaming, that has proven to be*
 13 *the most relevant data for advertising. And it's going to take quite a while for*
 14 *anyone even to get to 1/4 of the context we bring to our developer audiences*
 15 *every day.*

16 * * *

17 *All of those experience will need monetization, and that requires, obviously,*
 18 *some intelligence and data to be able to serve the most relevant monetization*
 19 *solution.* And engagement, whatever -- whoever is the creator of that experience
 20 would need to engage with their users and they want to run engagement
 21 campaigns, et cetera, that requires a similar set of data that we use today to make
 22 sure that our developers are successful in running their games.

23 181. Analysts again credited Defendants' representations that Unity was thriving and built
 24 to continue growing in the post-IDFA world because of how it collected and used data differently
 25 from its competitors. For example:

26 (a) On February 4, 2022, Barclays analysts published a note titled, "Firing On
 27 All Cylinders," in which they said, "Unity continues to gain share within its Operate segment post
 28 IDFA as it structurally benefits from its data advantage with its 3B+ MAUs using Unity-made apps
 and believes it will take years for its competitors to even reach 25% of its contextual knowledge."

(b) Analysts at Morgan Stanley invoked the same "tailwind" notions in a note
 titled, "Creating An Engine for Growth," in which they wrote, "[W]e view the continued IDFA-
 related challenges for larger ad networks as a sustainable tailwind for U[nity] to retain the
 incremental ad dollars it attracted in '21."

(c) That same day, BTIG analysts declared in a report titled, “Create/Operate Well Positioned with an Increasing Array of Tailwinds” that “IDFA remains a tailwind with budget share shifting to Unity.”

(d) Similarly, analysts at D.A. Davidson published a note titled, “Meta’s Woes are Its Own; Unity Gains Share,” and stated, “[W]e view Unity as a net winner in this post IDFA era . . . [W]e believe Unity is likely to outperform for many years.”

(e) Analysts at William Blair also heralded Unity’s supposed advantages in a note titled, “Impressive End to Calendar 2021; Above-Consensus Guide Highlights Sustainable Momentum,” in which they wrote, “With the industry’s most refined data set on more than 3.5 billion monthly active users, we believe this unparalleled reach and contextual insights have allowed Unity to efficiently navigate the recent iOS changes due to minimal reliance on end-user profiling.”

(f) In a note titled, “Step Aside Facebook, There Is a New Ad Sheriff in Town,” Wedbush analysts explained, “We expect Unity to deliver significant top-line growth for several years.” The Wedbush analysts continued, “We believe many investors expected weakness in Operate, which primarily consists of ad delivery for mobile games, as investors wrongly assumed that Apple’s IDFA/ATT changes would hurt Unity’s ad delivery business.” The Wedbush analysts also declared that “[I]t is now clear that Apple’s privacy changes made in-game advertising a *more* attractive option... We expect this phenomenon to persist for the foreseeable future... Unity is in the early innings of its growth.”

182. As a result of Defendants’ misrepresentations and omissions, Unity’s stock price was artificially inflated and/or artificially maintained. Indeed, Defendants’ statements drove the price of Unity’s shares up by 17.4 % percent, to close on February 4, 2022, the following trading day, at \$108.66 per share.

183. Defendants’ statements, at ¶¶176-180, were materially false and/or misleading when made for the reasons described in ¶158, 170.

E. February 22, 2022: Unity's 2021 10-K

184. On February 22, 2022, Unity filed its 2021 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 the following descriptions of the Company's business, solutions, competitive strengths, and user acquisition and monetization:

185. In discussing the Company's user acquisition and monetization, the 2021 10-K stated, in relevant part:

Our user acquisition products enable advertisers to efficiently acquire new end-users at scale. 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 number of installs, 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*.

186. The 2021 10-K also claimed that Unity's "*algorithm maximizes reach and identifies the audience with the highest propensity to install*" and that the Company's "*algorithm dynamically adjusts the cost per installed based on the likelihood of customer retention over 7-day, 14-day and other retention periods . . . minimize[ing] the risk that our customers will spend to acquire end-users that are unlikely to yield attractive returns, including those that churn out almost immediately.*"

187. With regard to "respecting stricter privacy elections," the 2021 10-K stated that "*the depth and breadth of our in-game data*" enabled Unity to "*deliver highly relevant advertenting*" because its "Contextual Advertising" (i.e. Audience Pinpointer) is "*designed for cases in which our customers or their end-users opt-out of personalization within apps.*"

188. Regarding Unity Ads and Unified Auction specifically, the 2021 10-K stated:

[Unity Ads] enables developers to seek the highest value for each impression of their inventory, through our Unified Auction, from a broad range of advertisers including direct Unity customers as well as demand-side platforms, or DSPs. *Each time an event is triggered within our customer's application, our auction determines the best advertisement to show the end user.* Customers can access Unity Ads through a software development kit that enables ad delivery, rendering, and transactions.

189. The 2021 10-K claimed that "*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*

1 *optimizing end-user acquisition and operational costs, while increasing the lifetime value of their*
 2 *end users.”*

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

7 191. As a result of Defendants’ misrepresentations and omissions, Unity’s stock price was
 8 artificially inflated and/or artificially maintained.

9 192. Defendants’ statements, at ¶¶185-189, were materially false and/or misleading when
 10 made for the reasons described in ¶¶158, 170.

11 **VI. THE TRUTH EMERGES: MAY 10, 2022**

12 193. On May 10, 2022, after the market closed, Unity issued a press release announcing
 13 the Company’s Q1 2022 financial results. Unity reported revenue of \$320.1 million, missing
 14 analysts’ consensus estimate of \$321.5 million. Defendants also reduced Q2 2022 guidance to
 15 between \$290 and \$295 million, almost 20 percent below the consensus estimates of \$361 million.
 16 The Company also lowered its full-year 2022 revenue guidance to a range of \$1.35 and \$1.425
 17 billion from its earlier estimate of \$1.50 billion. The press release stated, in relevant part: “Unity
 18 delivered record quarterly revenue in the first quarter of 2022, the highest in the company’s history,
 19 up 36% compared with the first quarter of 2021, with Create over-performing at 65% year-on-year
 20 growth, **offset by slower growth in Operate,**” said John Riccitiello, President and Chief Executive
 21 Officer, Unity. “We remain focused on the massive opportunity we see in front of us long-term.
 22 **Short-term, we are laser-focused on accelerating growth in Operate.**”⁴⁵

23
 24
 25
 26
 27
 28 ⁴⁵ Text that is **bolded and underlined** indicates the partial revelation of the truth or the
 materialization of previously undisclosed risks.

194. That same day, Unity hosted an earnings call with investors and analysts to discuss the Q1 2022 results (the “Q1 2022 Earnings Call”). On the Company’s Q1 2022 Earnings Call, Defendant Riccitiello disclosed for the first time:

Our report today is a tale of two cities; **first, we experienced challenges in monetization that 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 with 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.

Here, I will provide a deeper explanation of the specific revenue impacts. First, we have a direct near-term impact resulting from the 2 issues I just mentioned, affecting the first and second quarters. Second, we expect the recovery to go through steps in sequence, data rebuilding, model training and improvement, and then revenue recovery as our customers scale up further on Unity Monetization. And third, **as a consequence of reprioritizing work in our teams to thoroughly address the resiliency and data training issues, we delayed the launch of certain revenue-driving features such as mediation, header bidding and new releases for Audience Pinpointer versus our original plan.**

We understand the problems, and we are well advanced in addressing them. We are deploying monitoring, alerting and recovery systems and processes to promptly mitigate future complex data issues. We are strengthening and innovating our Audience Pinpointer product, and we are already scaling Unity Mediation. Once done, we should be ahead of where we were at our very best.

We have the right strategy to address today's challenges, and we have the right talent that has overcome many challenges in the past and come out ahead. We are on it.

195. In clarifying the severity of the Audience Pinpointer malfunctions and how the Company became aware of the issues, CEO Riccitiello admitted that:

We spent a fairly substantial amount of time, as you might imagine, understanding exactly what happened. We've got deep insights into each of the component parts. And it gets divided over correcting problems that we're in the process of completing. So we're well through a fair amount of the work it takes to address the problems we've outlined . . . And so the corrections are like the inverse of a performance enhancement, and we still have the feature map that we've always had. And so it's really just drilling down and doing what we've always done for our forecasting. But this time around, if you will, it's almost like a feature to correct the problem because it has the same impact.

* * *

[O]ne of the early signals we saw was we saw less revenue. And so they're spending less because they're getting less performance out of our Audience Pinpointer. . . . and I saw a multivariant analysis showing each individual component part, and that was driven in part by some of the data issues we talked about... Those same advertisers, when they start to see the performance that we know we can drive as new data fills in and we train those models, it's a straightforward process of bringing them back up into their share of wallet.

196. In response to a question on the impact of the Audience Pinpointer challenges, Defendant Lestiyo, Senior VP & GM of Unity Operate Solutions added:

[T]he whole impact is not because of this 1 data from the customer. There were several factors that was outlined. The first was a fault in our platform that resulted in reduced accuracy for our Audience Pinpointer tool. As we grew significantly last year in Audience Pinpointer, as John mentioned, we paid more attention for growth and new features versus resiliency. So this was an expensive issue given that Pinpointer is a big component of our business post Apple's privacy changes... So the first component that I just mentioned is -- I wouldn't say is a -- it's a combination of different things that reduced the accuracy for our Audience Pinpointer. And the second factor that we experienced with several incidents that impacted our data set, that is an input to our machine learning model training for Audience Pinpointer. And one specific example of that -- exactly, is that we set a large amount of that data from a customer.

* * *

1 [W]e have some challenges and issues as a result of these temporary technology
2 issues and reduction in data.

3 197. Defendant Visoso also acknowledged that Q1 2022 revenues were negatively
4 affected by the Pinpointer issues: “the impact to March was larger, so you’ll see a partial impact in
5 Q1.”

6 198. In terms of remediation, Defendant Lestiyo outlined Unity efforts to rebuild its data
7 sets and to retrain existing algorithms to correct ad performance deterioration.

8 The recovery will go through several steps. The first is data rebuilding. The
9 second is model training, and this is an iterative process. And as we train the
10 model more, the performance will improve. And the third is then as the customer
11 experiences these improvements, they will increase their spending and
12 monetization with us, and that’s when we will see the impact on our revenue.

13 199. On May 11, 2022, multiple analysts responded to this news with shock and disbelief,
14 as many reacted by cutting their one-year price targets on Unity. For example:

15 (a) In a note titled, “Unforced Errors Hurt 2022 Outlook, Lowering PT to \$54,
16 analysts at Oppenheimer slashed their price target for Unity stock from \$135 to \$54 per share – a
17 decrease of 60% – and cited the Company’s “unforced errors” in Pinpointer as the reason.

18 (b) Likewise, analysts at Wedbush published a note titled, “Houston, We Have a
19 (Solved) Problem; PT to \$70,” in which they dramatically cut their price target for Unity stock 44%
20 from \$125 to \$70 per share due to the “self-inflicted wound” causing “unacceptable error levels”
21 with Audience Pinpointer.

22 (c) Barclays issued a report on Unity titled “Not Operating Properly in FY22,”
23 which reported that Unity’s second quarter revenue guidance “came in 19% below Street . . . due to
24 issues internally within the Operate segment... As a result, FY22 guidance was lowered by over
25 \$100mn.” In their note, Barclays analysts specifically cited the “two main issues” for Unity’s ad
26 business model as: “1) its Audience Pinpointer tool seeing reduced accuracy due to erroneously
27 losing a subset of data, 2) ingesting bad data from one of its large customers.” The Barclays note
28 concluded by highlighting “issues around the accuracy of the Audience Pinpointer tool” as among
“Negative Items To Monitor” at Unity.

(d) BTIG issued an analyst report on Unity titled, “Monetization Surprise Weighs on Guide; PT to \$110 from \$145,” which deemed the “headline” of Unity’s second quarter 2022 earnings announcement as “a substantial negative surprise on forward guidance, due to Operate.” The BTIG analysts noted that the “data and algos” issue Unity revealed “will take time to address.”

(e) Analysts at Piper Sandler reacted negatively to the news of problems at Unity’s Operate segment, slashing their price target 62% for Unity’s stock in a note titled, “Lowering Estimates, PT to \$55; Data Pothole Pressures Gaming Advertising.” In their note, the Piper Sandler analysts noted that Audience Pinpointer “contributed to healthy game advertising share gains post IDFA” but that “share gains are poised to reverse in 2022 after the Pinpointer algorithms have become less effective after data corruption and calculation errors that are just now being fixed.”

200. On May 11, 2022, Macquarie Capital issued a research report on Unity titled “Unity Software – Not the kind of miss we were worried about,” which reported:

Bad data

- Unity reported a Q1 miss and lowered guidance due to 2 wholly unexpected issues that we think are company specific. One was a platform error that led to a zeroing out of data, affecting its Pinpointer user acquisition tool for app developers; the 2nd was bad data ingested through an API feed from a game-developer customer. **Both were noticed in February, when their cumulative effect over the prior several weeks on Unity’s machine learning for ad placements led to deteriorated effectiveness.** Because of these, Unity also delayed the launch of its ad mediation and header bidding tools, which were important elements of its near-term growth.

Response

- Unity took remedial action to eliminate the source of the problems so that the engineering error causing the data loss was corrected and the intake of corrupted customer data would no longer occur. While both issues have now been resolved, Unity is now undergoing an iterative process to re-train its ML models to regain previous levels. **Mgmt noted that, given the breadth of gaming apps it serves, it is not a matter of customer loss, but customers will need to see ROI metrics return to prior levels as the processes improve.**

- This will take 6 months or so; hence, mgmt. estimates \$110m of further lost sales in 2022, with 60% in Q2, 30% in Q3, and 10% in Q4. As a result, mgmt. reduced revenue guidance at the midpoint from \$1.5bn to \$1.39bn and adj. OI guidance from \$(40m) to \$(68m). To help offset this, Unity also announced a new cost reduction initiative expected to save \$100m in annual costs beginning in 2H'22.

201. In reaction to Unity's shocking announcement of its unexpected, self-inflicted wound with the ineffectiveness of its highly touted IDFA-difference maker, Audience Pinpointer, Unity's stock price plunged \$17.83 per share, or approximately 37%, from \$48.13 per share at the market's close on May 10, 2022, to \$30.30 per share at the market's close on May 11, 2022 on usually high trading volume.

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

VII. POST-CLASS PERIOD EVENTS

A. July 13, 2022: ironSource Merger Announced

203. On July 13, 2022, the \$4.4 billion all-stock merger agreement with ironSource was announced. Upon completion of this deal, Unity's shareholders would own 73.5% of the combined company, with ironSource's shareholders owning the balance. This deal was subject to a shareholder vote at ironSource and Unity and was expected to close during Q4 2022.⁴⁶

204. Some analysts viewed the merger as a remedial measure to improve Unity's ad targeting capabilities that were negatively impacted by the Apple privacy changes. For example, on July 15, 2022, Eileen Segall, a Bloomberg analyst, noted that "IronSource may improve Unity's capabilities in advertising technology — a bigger contributor to revenue than the core tools-subscriptions business . . . amid pressure on walled gardens due to Apple's recent changes to Identifier for Advertisers, which give advertisers fewer signals for targeting."⁴⁷

⁴⁶ Unity also announced it would buy back as much as \$2.5 billion of its own shares in the 24 months after the ironSource merger closed. Its two largest investors, Silver Lake and Sequoia, also agreed to invest a combined \$1 billion in convertible notes in Unity at the close of the merger.

⁴⁷ Vainavi Mahendra, *Unity to buy ironSource in \$4.4 billion deal for ad tech*, msn.com (July 15, 2022), <https://www.msn.com/en-in/money/topstories/unity-to-buy-ironsource-in-2444-billion-deal>

Footnote continued on next page

205. Benchmark analyst Michael Hickey took a more skeptical view, calling the merger a “classic coverup deal” whereby Unity “acquire[s] a company that does much of the same thing and change[s] the narrative.”

206. At the same time this deal was announced, Unity lowered its 2022 revenue guidance to a range of \$1.300 to \$1.350 billion from \$1.350 to \$1.425 billion, due in part to the “competitive dynamic with [Unity’s] monetization business.”

207. CEO Riccitiello was cited in an interview as conceding the two companies have “some overlap,” citing the two companies’ ad networks and ability to “collect a lot of data.” However, Riccitiello says it would “take years” for Unity to internally build parts of IronSource’s ad technology, which gives game developers tools to find customers, make their games stickier, and earn money faster.

208. On this news, Unity stock dropped 17.5% to close at \$32.82 per share on July 13, 2022.

209. The ironSource merger, which ultimately closed in November 2022, announced on the heels of a massive decline in quarter-over-quarter revenue growth in Unity’s Operate Segment, and the Company’s inability to fix the algorithms used for Audience Pinpointer, suggests that Pinpointer had such serious problems that Unity had to resort to an expensive acquisition because it could not make Pinpointer work correctly.

B. August 9, 2022: Q2 2022 Results

210. On August 9, 2022, Unity released its Q2 2022 results for the quarter ended June 30, 2022. Its quarterly revenue of \$297.0 million missed analysts’ expectation of \$298.3 million. Within these results, its Operate segment revenues declined to \$158.5 million for the quarter, a 14% decrease from Q1 2022. Unity also guided Q3 2022 revenues in the range of \$315 to \$335 million, short of the \$340.8 analysts’ expectation. The 14% drop in Operate revenues in Q2 2022, and lowered Q3 2022 guidance, were both due, in part, to lingering Audience Pinpointer accuracy issues

for-ad-tech/ar-

AAZBfbO#:~:text=%E2%80%9CBuying%20IronSource%20may%20improve%20Unity%E2%80%99s%20capabilities%20in%20advertising,Bloomberg%20Intelligence%20analyst%2C%20wrote%20in%20a%20research%20note.

1 and “the complexity of accurately forecasting the timing of the changes in trajectory of the
2 monetization business.”

3 211. On the related Q2 2022 Earnings Call, Defendant Lestiyo stated, in relevant part:

4 Last quarter, in addition to external factors, such as the competitive landscape, we
5 identified 2 separate yet interrelated issues that impacted our monetization
6 business. One data quality issue and the other, our audience pinpoint products
7 accuracy.

8 Starting with the data quality issue, this 1 is behind us. We have removed the bad
9 data that was inadvertently ingested from interacting with any of our models.
10 Furthermore, we have fortified our monitoring capabilities and observability for
11 our machine learning models to mitigate these rare types of events, should they
12 occur again in the future.

13 In this process, we also improved our data incident response time to address
14 issues more comprehensively and promptly. We have added significant
15 investment in our audience product, innovating on our models and customer
16 experience to address our past scaling challenges. As a result, we have seen
17 performance and accuracy improvements at scale, particularly in our contextual
18 product, that is most meaningful for our customers impacted by privacy
19 changes... We remain confident in the long-term outlook for monetization in
20 games. In fact, we are not shying away from making bold moves during this time.
21 We seized an opportunity and announced our intention to merge with ironSource
22 to leapfrog our road map and accelerate value creation for our customers, Unity
23 and our shareholders, which John will touch upon in a moment.

24 212. Defendant Riccitiello discussed the Company’s significant ongoing investments to
25 address Pinpointer’s targeting capabilities, including assembling eight (8) different task forces to fix
26 these issues. Specifically, Riccitiello stated:

27 Now in terms of the issues around our own platform, at a very high level, I can
28 tell you one of the things Ingrid did, and I’m really proud of the work that she had
our team have pulled together here.

They pulled together 8 task teams. It literally worked 7-day weeks on everything
from resiliency and redundancy to the data side, to the engineering issues we
wanted to focus on to the new products and features. It has been a magnificent
effort on their part. And what they’ve been able to show me is really strong KPIs
around some things that are pre-revenue, but you need accuracy around pinpoint
or for the revenue to ultimately grow.

And I’m going to let her expand on that, but it’s tough coming from a period
where we’ve had some misses, but it’s great to see the team rebound top of their
game and really start to execute, which is what I’m saying from my vantage point.

* * *

We’re measuring a lot of things we didn’t use to measure and we built
redundancy and resiliency around it. I see data sets that I wasn’t saying around

1 data accuracy in a variety of things that give us an early warning for things that
 2 we would otherwise want to deal with. No data-driven business is without errors.
 3 And now we're in a position to catch them fast and fix them as we go along and
 4 not suffer the kinds of challenges we had earlier in the year.

5 213. Adding to Defendant Riccitiello's comments about the Audience Pinpointer
 6 remediation efforts, Defendant Lestiyo stated:

7 On our part, just to build on what John said about the task forces, we've added
 8 significant investment in audience pin pointer. And across the board, One of the
 9 things just connecting your macro question to this is that constraint drives focus
 10 and the best innovation.

11 So during this time, we've become really disciplined in our resources, we've
 12 doubled down on those ad products and services that drive the most value to our
 13 customers and Unity. And without the luxury of excess spend, this is really an
 14 exercise to drive performance with less for our customers such as finding more
 15 installs with fewer dollars, right?

16 So this means that we need to innovate and find new ways to increase the velocity
 17 of our model development, for example, pushing the boundaries of machine
 18 learning, digging into every part of our system optimization opportunities and
 19 making sure that our systems are all resilient to anticipate further incidents that
 20 happens. And we really expect all of these actions to provide resiliency both in
 21 the systems as well as performance in the current challenging environment. So we
 22 expect to emerge -- our goal is to emerge on the other side with our products
 23 stronger than ever that enables us to best capture the market opportunity in hand.

24 * * *

25 It's hard to kind of divide up like what component is attributed to macro versus
 26 audience pinpointer and data issues. But absolutely, I think that the -- obviously,
 27 the data issues and audience report at the beginning of the year, impacted our
 28 performance. But now we're at a place where the data incidents are fixed and
 behind us and the audience product is strengthened day by day. So right now,
 we're seeing kind of a slower uptick in advertiser spend just because they're more
 judicious due to the macroeconomic factors.

29 **VIII. ADDITIONAL EVIDENCE OF SCIENTER**

30 214. As alleged herein, Defendants acted with scienter throughout the Class Period, in
 31 that Defendants knew, or recklessly disregarded, that the public documents and statements issued or
 32 disseminated in the name of the Company, or in their own name, were materially false and
 33 misleading; knew or recklessly disregarded that such statements or documents would be issued or
 34 disseminated to the investing public; and knowingly and substantially participated or acquiesced in
 35 the issuance or dissemination of such statements or documents as primary violations of the federal
 36 securities laws. Defendants, by virtue of their receipt or access to information reflecting the true

1 facts regarding Unity, their control over, or receipt, or modification of Unity's allegedly materially
2 misleading misstatements, were active and culpable participants in the fraudulent scheme alleged
3 herein.

4 215. Defendants knew or recklessly disregarded the false and misleading nature of the
5 information which they caused to be disseminated to the investing public. The ongoing fraudulent
6 scheme described herein could not have been perpetrated during the Class Period without the
7 knowledge and complicity, or at least, the reckless disregard, of Unity personnel at the highest
8 levels of the Company.

9 216. The Individual Defendants permitted Unity to release these false and misleading
10 statements and failed to file the necessary corrective disclosures, which artificially inflated or
11 artificially maintained the price of the Company's securities.

12 217. As set forth herein, the Individual Defendants, by virtue of their receipt of
13 information reflecting the true facts regarding Unity, their control over, receipt, and/or modification
14 of Unity's allegedly materially misleading statements and omissions, and/or their positions with the
15 Company that made them privy to confidential information concerning Unity, participated in the
16 fraudulent scheme alleged herein.

17 218. The Individual Defendants are liable as participants in a fraudulent scheme and
18 course of conduct that operated as a fraud or deceit on purchasers of Unity securities by
19 disseminating materially false and misleading statements and/or concealing material adverse facts.
20 The scheme deceived the investing public regarding Unity's business, operations, and management
21 as well as the intrinsic value of Unity securities, and caused Plaintiffs and members of the Class to
22 purchase Unity securities at artificially inflated or artificially maintained prices.

23 219. The following allegations all support a strong inference of scienter:

24 (a) The sudden decline in quarter-over-quarter revenue growth within the
25 previously profitable Operate segment starting no later than July 2021;

26 (b) Core Operations: the majority of Unity's revenues during the Class Period
27 came from the Operate segment, and its monetization of ad placement;

(c) The Individual Defendants spoke frequently about the importance of Audience Pinpointer during the Class Period;

(d) Statements by former Unity employees corroborate that Defendants knew or were reckless in not knowing about the serious problems with ad product Audience Pinpointer during the Class Period;

(e) The Individual Defendants' stock sales during the Class Period were highly unusual and suspicious in timing and amount; and

(f) Challenges posed by Apple's privacy changes announced in 2020 but not implemented until April 2021 were discussed regularly among senior officers and directors at IDFA Preparation Meetings.

A. Sudden Decline in Quarter-Over-Quarter Revenue Growth Within the Operate Segment Starting No Later than July 2021

220. During the Q1 2022 Earnings Call, CEO Riccitiello explained that management first became aware of the negative financial impact from the Pinpointer issues when "we saw less revenue" from advertisers "spending less because they're getting less performance out of our Audience Pinpointer."

221. Yet, there was a clear-cut slowdown in revenue growth within the Operate segment starting as early as July 2021, when quarterly growth went from 25% to 1% (see table below).

Fiscal Quarter	Operate Revenue	Growth from prior Q
Q4 2020 (Oct. 2020 to Dec. 2020)	\$134.2M	12%
Q1 2021 (Jan. 2021 to Mar. 2021)	\$146.6M	9%
Q2 2021 (Apr. 2021 to June 2021)	\$182.9M	25%
Q3 2021 (July 2021 to Sep. 2021)	\$185.0M	1%
Q4 2021 (Oct. 2021 to Dec. 2021)	\$194.6M	5%
Q1 2022 (Jan. 2022 to Mar. 2022)	\$184.0M	-5%
Q2 2022 (Apr. 2022 to June 2022)	\$158.5M	-14%

222. When Unity started to experience a huge slowdown in advertiser spending in mid-2021, the Company Defendants knew or recklessly disregarded the scope and severity of the Audience Pinpointer accuracy issues.

223. This stepdown in advertiser spending, along with CEO Riccitiello's admission as to how the Company was alerted to the problem (a decrease in revenue by Unity's ad customers "because they're getting less performance out of our Audience Pinpointer" which was, for Unity, a "revenue expensive" issue) provides evidence of scienter.

B. The Majority of Unity's Revenues During the Class Period Came From Its Operate Segment, and Its Monetization of Ad Placement, and the Individual Defendants Spoke Frequently About the Importance of Audience Pinpointer

224. As discussed above, Unity's revenue primarily comes from two segments: (1) Create and (2) Operate. Within the Create segment, Unity generates 30% of its overall revenue by charging subscription fees to developers for access to its tools for creating video game content. Within its Operate segment, Unity generates 65% of its overall revenue by primarily facilitating the placement of display ads within the developers' games through revenue-sharing contracts with the developers.

225. Apple's privacy changes, enacted weeks before the start of the Class Period but announced to the market in June 2020, posed a serious threat to the majority of Unity's revenues. Audience Pinpointer, which was only in beta before the start of the Class Period, but which Defendants claimed did not use IDFA data, was Unity's only supposed answer to that threat. The fact that Audience Pinpointer was having algorithm and other critical problems that caused it not to work and caused countless customer complaints of poor ROI is something that the senior executives of the Company, including the Individual Defendants, would have been alerted to. Indeed, the severity of the problems with Audience Pinpointer were of such prominence that it would be absurd to suggest that Unity's management was without knowledge of the matters. This is especially true since two of the Individual Defendants (Riccitiello and Visoso) were speaking frequently to investors about the very effectiveness of Audience Pinpointer, and the third Individual Defendant (Lestiyo) headed up the Operate Segment in which Audience Pinpointer was flailing.

226. Moreover, during the Class Period, the Individual Defendants spoke frequently about the importance of Audience Pinpointer and ROIs for Unity’s ad customers and made crystal clear to investors that they had intimate and detailed knowledge of Audience Pinpointer and its functionality.

227. For example, on August 10, 2021, Defendant Riccitiello represented:

(a) *“We provide a growing suite of services that content creators can use to acquire new users, optimize user engagement and LTV by our monetization platform”* and boasted about Unity’s *“ability to leverage contacts and data insights effectively through ML-driven optimization from a reach of 3.4 billion monthly active users as of June ’21... [to] deliver the best ROI for our customers.”*

(b) *“we’ve got tools like Audience Pinpointer that allows advertisers to find what ROAS they’d like to target or based on retention or [LAP] or ad revenues, so they can get a guaranteed return regardless of what’s happening or changes in attribution. That’s what we’re delivering.”*

(c) that Audience Pinpointer was *“proving to be a competitive advantage”* and that *“we apply advanced analytics and machine learning algorithms to create and manage a true ROI on behalf of our customers;”* and

(d) *“we apply advanced analytics and machine learning algorithms to create and manage a true ROI on behalf of our customers. So what we’re optimizing for is engagement in LTV, not spread. It’s a really different business.”*

228. On November 9, 2021, Defendant Riccitiello stated:

(a) *“Most ad networks, their business is based on the identity, the specific identity of the user interacting with the application. Ours is not, ours is based on understanding contextually where they are and what they’re doing and what they’ve done before and what they’re going to do next using predictive models based on AI on the 50 billion-plus data events we adjust per day;”* and

(b) *“Ours is a better way to monetize even absent the changes that were introduced by Apple with IDFA and choice are on privacy. And on a relative basis, we gained advantage to all those who use identity, individual identity, they know you and your brother, whose birthday it is that became relatively weaker, and we became relatively stronger, and we have the single largest data insight based on the largest MAU count for anybody in our world.”*

229. On February 3, 2022, Defendant Visoso stated: *“We also saw strong performance from our sophisticated analytics tools and products such as Audience Pinpointer that deliver 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 customers’ campaigns and enabling them to make informed decisions.”*

230. Under the core operations theory, these facts collectively help demonstrate that the Company Defendants knew or recklessly disregarded the negative impact that the Pinpointer issues were having on Unity’s revenues.

C. Statements By Former Unity Employees Corroborate That Defendants Knew or Recklessly Disregarded the Serious Problems With Audience Pinpointer During the Class Period and Customer Complaints About Poor ROI

231. Former Unity employees confirm that Audience Pinpointer, which was “absolutely rushed” to market after the Apple privacy changes were announced, experienced problems throughout the Class Period, as customers from small clients to larger enterprise clients reported complaints to Unity about declining returns on their ad spend, since many of them monitored success and revenue from their in-app ads in real-time. Indeed, there was a “tonal shift” following the broader rollout of Audience Pinpointer when customer feedback turned exclusively negative. Former Unity employees describe customer complaints increasing “fivefold.” Moreover, profits were declining for ad solutions as customers complained about issues with the accuracy of the Audience Pinpointer tool which was not working as intended. Certain of the former Unity employees cited herein summarized these complaints in monthly reports that went directly to Unity leadership, including Defendant Lestiyo and non-defendant senior executive Jules Shumaker (then

SVP of Revenue, Operate Solutions), both of whom reported to Defendant Riccitiello. Other witnesses described weekly or biweekly meetings with Lestiyo and Shumaker that would almost always be entirely about Unity's ads business.

232. Former Unity employees also confirm that the algorithms responsible for showcasing ads on Unity games had "backfired" and had "stopped working." As a result, Unity began losing customers to ad competitors ironSource and Facebook. Rather than fix Audience Pinpointer and clean up Unity's data problems, Unity tried to address the problems on an ad hoc basis without success. Eventually, after the Class Period, Unity announced it would acquire one of its competitors in the ad space, ironSource. The witnesses cited herein provide factual support for the falsity of the Company Defendants' statements during the Class Period and for a strong inference of scienter on the Company Defendants' part regarding the problems with the Company's ad products – problems which existed throughout the Class Period.

D. The Individual Defendants' Stock Sales During the Class Period Were Unusual and Suspicious in Timing and Amount

233. Defendants Riccitiello, Visoso, and Lestiyo engaged in stock sales during the Class Period that were suspiciously timed and out of line with their prior trading practices. As a result of these Class Period trades, the Individual Defendants profited from the artificial inflation embedded in the trading price of Unity stock caused by their false and misleading statements and omissions to investors during the Class Period. These insider sales occurred before the corrective disclosure and before the substantial decline in the price of Unity's stock on May 11, 2022.

1. The Amount and Value of Trading by These Defendants During the Class Period Were Unusual

234. The Class Period sales of Defendants Riccitiello, Visoso, and Lestiyo was unusual and suspicious as measured by (i) the total amount of shares sold, (ii) the percentage of shares sold compared to the number of total shares available for sale during the Class Period, (iii) the contrast with these Individual Defendants' own pre and post Class Period trading history, and (iv) the timing of the sales. Such sales therefore raise a strong inference of scienter.

235. To evaluate the Individual Defendants' selling activity, Plaintiffs used the publicly available trading data that the Individual Defendants are required to report to the SEC on Form 4. Plaintiffs analyzed the trading by the Individual Defendants during the Class Period and in a period preceding the Class Period beginning on the IPO date of September 18, 2020 and ending May 10, 2021 ("Preceding Period").⁴⁸

236. To analyze the Individual Defendants' sales, Plaintiffs calculated the total sales by each of the Individual Defendants, together with the cash proceeds from such sales, during the Class Period, during the Preceding Period, and even after the Class Period. Those totals were then compared to identify whether Individual Defendants' sales during the Class Period were consistent with their sales during the Preceding Period. The Individual Defendants' specific trading data were also evaluated compared to the price of Unity's common stock after the corrective disclosure on May 10, 2022. This analysis reveals that the Class Period Unity stock sales of Defendants Riccitiello, Visoso, and Lestiyo were large, unusual, and suspicious.

CLASS PERIOD TRADING BY INDIVIDUAL DEFENDANTS

Unity Insider	Shares Sold	Proceeds
John Riccitiello (CEO/Chairman)	1,834,506	\$ 232 M
Ingrid Lestiyo (SVP/GM of the Operate segment)	105,924	\$14.1 M
Luis Visoso (CFO)	52,314	\$ 5.8 M
TOTAL	1,992,744	\$251.9 M

⁴⁸ The Class Period is 365 days in length. Normally, Plaintiffs would compare trading in the Class Period with trading in an equally long period preceding the Class Period (often called a "Control Period"). However, there are only 235 days between September 18, 2020, the date of Unity's IPO, and May 10, 2021, the day preceding the start of the Class Period. A comparison analysis of trading in the Preceding Period is further affected by a Lockup Agreement detailed in Unity's Registration Statement on Form S-1/A, filed on September 16, 2020 which allowed trading during the Preceding Period by the Individual Defendants and the Private Equity Defendants, but capped the volume of that trading until the earlier of: (i) the expiration of the Lockup Agreement on March 15, 2021 which was 180 days after the filing date of the IPO Registration Statement and Prospectus; or (ii) the "second trading day immediately following our release of earnings for the quarter ending December 31, 2020," which was March 8, 2021. Thus, Plaintiffs also have analyzed trading by the Individual Defendants in the Post Class Period time frame (May 11, 2022 – February 28, 2023) to put the Individual Defendants' Class Period trading in further context.

1 **2. The Nominal Amount and Percentage of Unity Stock Sold During the**
 2 **Class Period Were Extremely Large**

3 237. The proceeds from shares sold during the Class Period by Defendants Riccitiello,
 4 Visoso, and Lestiyo were large.

5 238. Defendant Riccitiello sold 1,834,506 shares of Unity stock during the Class Period
 6 for proceeds of approximately \$232 million. Through these transactions, ***Defendant Riccitiello***
 7 ***disposed of approximately 38% of the total shares, including options, he had available for sale***
 8 ***during the Class Period.***

9 239. Defendant Lestiyo, who heads the Operate segment, sold 105,924 shares of her Unity
 10 stock during the Class Period for proceeds of \$14.1 million. ***Through these transactions,***
 11 ***Defendant Lestiyo disposed of approximately 34% of the total shares, including options, she had***
 12 ***available for sale during the Class Period.***

13 240. Defendant Visoso sold 52,314 shares of his Unity stock during the Class Period for
 14 proceeds of approximately \$5.8 million. ***Through these transactions, Defendant Visoso disposed***
 15 ***of approximately 15% of the total shares, including options, he had available for sale during the***
 16 ***Class Period.*** Visoso's sales do not appear to have been made pursuant to any pre-arranged trading
 17 plan. Further, CFO Visoso's did not have any pre-Class Period sales as a point of comparison.

18 **3. The Individual Defendants' Stock Sales During the Class Period Were**
 19 **Inconsistent With Their Trading Practices in Both the Preceding Period**
 20 **and Post-Class Period**

21 241. Defendants Visoso's and Lestiyo's Class Period stock sales were not only large in
 22 terms of proceeds, but also inconsistent with their own prior selling activity during the Preceding
 23 Period.

24 242. In fact, Defendant Visoso sold ***zero*** shares of stock during the Preceding Period, but
 25 sold ***52,314*** shares during the Class Period. The proceeds of Defendant Visoso's Class Period stock
 26 sales amount to more than \$5.8 million.

27 243. Similarly, Defendant Lestiyo increased her total stock sales by approximately ***355%***,
 28 from ***23,270*** shares sold during the Preceding Period to ***105,924*** shares sold during the Class
 Period. The contrast between Defendant Lestiyo's stock sales during the Preceding Period and the

Class Period is also striking when measured in dollars. Specifically, the proceeds from Defendant Lestiyo's stock sales increased approximately **435%**, from **\$2,642,970** during the Preceding Period to **\$14,129,269** during the Class Period.

244. Defendant Riccitiello's unloading of his Unity stock started right when Apple announced the IDFA changes in June 2020 and continued unabated throughout the Class Period while Riccitiello was in possession of materially non-public information about serious problems with the accuracy of Audience Pinpointer and customer complaints about poor ROI. Riccitiello sold frequently and in large amounts in the months leading up to the Class Period, and didn't stop selling Unity stock until shortly before the disclosure of the Audience Pinpointer issues on May 10, 2022, despite knowing or recklessly disregarding the issues with Unity's main monetization product.⁴⁹

245. The Individual Defendants' Class Period stock sales also were inconsistent with their selling activity post-Class Period (from May 11, 2022 – February 28, 2023) which, for two of the three Individual Defendants (Riccitiello and Lestiyo) was negligible compared to their trading during the Class Period.⁵⁰

POST-CLASS PERIOD TRADING BY INDIVIDUAL DEFENDANTS

(May 11, 2022 – February 28, 2023)

Unity Insider	Shares Sold	Proceeds
John Riccitiello (CEO/Chairman)	11,671	\$ 416,538
Ingrid Lestiyo (SVP/GM of the Operate segment)	22,524	\$ 803,882
Luis Visoso (CFO)	66,704	\$2,530,834
TOTAL	100,899	\$ 3.75 M

246. Through these post-Class Period transactions, Defendants Riccitiello, Lestiyo, and Visoso disposed of approximately 0.4%, 8.5%, and 8.4%, respectively, of the total shares, including options, they had available for sale in that period.

⁴⁹ Defendants Riccitiello and Lestiyo sold Unity stock in November 2020 before the Unity's IPO Lock Up Period even expired.

⁵⁰ There were only 293 days in the Post-Class Period timeframe analyzed (May 11, 2022 – February 28, 2023).

1 **4. The Timing of the Individual Defendants' Stock Sales Was Suspicious**

2 247. Defendants, Riccitiello, Visoso, and Lestiyo's Class Period stock sales were
3 suspiciously timed in that these defendants sold a vast number of shares *after* learning of materially
4 non-public information about serious problems with Unity's Pinpointer platform, *but before* the
5 public disclosure of that same adverse information on May 10, 2022.

6 248. Further, during the Class Period, the Individual Defendants' stock sales were timed
7 such that they sold at prices as high as \$180 per share, or nearly six (6) times more than Unity's
8 share price after Defendants' fraud was revealed after the market closed on May 10, 2022 (Unity's
9 stock closed at \$30.30 per share the next trading day, on May 11, 2022).

10 **5. The Presence of 10b5-1 Trading Plans Adopted by the Individual**
11 **Defendants Does Not Absolve Them of Liability**

12 249. Rule 10b5-1 (17 C.F.R. § 240.10b5-1) provides that a person will be deemed to have
13 traded "on the basis of" material nonpublic information if the person engaging in the transaction
14 was "aware of" that information at the time of the trade. To provide a safe harbor under the "aware
15 of" standard, the SEC created an affirmative defense to insider trading claims for trades made
16 pursuant to a binding agreement or plan ("10b5-1 Plans" or "Plans"). *See Selective Disclosure and*
17 *Insider Trading*, 65 Fed. Reg. 51,716, at 51,727-28 (Aug. 24, 2000). Pursuant to SEC Rule 10b5-
18 1(c), a 10b5-1 Plan is a defense to insider trading liability **only** if it is entered into by an insider
19 "[b]efore becoming aware" of inside information, and was established "in good faith and not as
20 part of a plan or scheme to evade the prohibitions" against insider trading.

21 250. Because of this, insiders are advised to "design a trading plan with the intention that
22 it will not be modified or amended frequently, since changes to the plan will raise issues as to a
23 person's good faith." Thomson Reuters, *Corporate Counsel's Guide to Insider Trading and*
24 *Reporting*, Ch. 12:26 (2018). Conversely, the adoption and/or modification of these Plans while in
25 possession of material non-public information is highly suspicious and supports a strong inference
26 of scienter.

27 251. Further, although some of the Individual Defendants' stock sales may have been
28 made pursuant to 10b5-1 Plans, the circumstances of those sales are sufficiently suspicious to

overwhelm any exculpatory inference that might otherwise have been available to pre-planned sales based on such Plans. Indeed, even if the Individual Defendants had entered into 10b5-1 Plans prior to the Class Period and traded within those same plans throughout the Class Period, *which Plaintiffs cannot ascertain at this time as the Individual Defendants' trading plans themselves are not public*, such plans are under heavy SEC scrutiny in light of a *Wall Street Journal* investigation that found that insiders who were trading pursuant to 10b5-1 Plans were still trading at opportune times and reaping better-than-expected results. According to the November 27, 2012 *Wall Street Journal* article titled "Executives' Good Luck in Trading Own Stock," executives trading pursuant to 10b5-1 Plans are still able to time their trades to avoid losses and increase earnings because trading plans are not public and can be canceled or amended at any time without disclosure.⁵¹

252. Accordingly, the trading behavior of Defendants Riccitiello, Visoso, and Lestiyo during the Class Period raises a strong inference of suspicious and unusual trading activity and their trading plans, if any, do not provide these Defendants with a safe harbor.

E. Challenges Posed by Apple's Privacy Changes Were Discussed Regularly Among Senior Unity Officers and Directors at IDFA Preparation Meetings

253. As soon as Apple announced its privacy changes, and maybe even earlier, Unity data scientists attempted to develop solutions to replace the data that would be lost once the Apple privacy changes went into effect, such as trying to track users through analyzing behavioral patterns. But those efforts could not replicate the data lost by Apple's privacy changes.

254. For example, on May 11, 2021, during Unity's Q1 2021 Earnings Call, CFO Visoso described the preparation he had been involved in for the rollout of the privacy changes. Visoso stated, in relevant part:

⁵¹ Defendant Riccitiello appears to have had multiple trading plans in effective during the Class Period, including one entered into on November 18, 2020 (days after the release of Unity's Q3 2020 financial results and five months after Apple announced its anticipated privacy changes) and another trading plan entered into on February 9, 2021 (days after the release of Unity's Q4/FY 2020 financial results and two months before Apple's privacy changes went into effect). Some of Defendant Lestiyo's many trades during the Class Period appear to have been made pursuant to a trading plan. But for most of Lestiyo's Class Period trades, Plaintiffs were not able to locate a Report on Form 144 indicating the date of such trading plan was entered into. Defendant Visoso's sales do not appear to have been made pursuant to any pre-arranged trading plan.

1 The team has been preparing for IDFA for at least the last two years. I was part
 2 of several of these conversations as a Board member before joining Unity, and I
 3 was always very impressed by the quality of the thinking. But now that I'm on
 4 the other side, I've been even more impressed and see the plans in detail.

5 255. Based on Visoso's statement, it is apparent that even before the Class Period started,
 6 CFO Visoso, along with Unity's other senior officers and directors (which included CEO
 7 Riccitiello) were planning for, and likely monitoring, the Company's strategies to address the Apple
 8 privacy changes, including the broader rollout of Audience Pinpointer, Unity's only purported
 9 solution to the loss of IDFA data.

10 256. Therefore, during the Class Period, the Individual Defendants were undoubtedly kept
 11 regularly advised on the serious problems with Audience Pinpointer's algorithms and lack of
 12 accuracy and customer complaints about poor ROI.

13 **IX. LOSS CAUSATION/ECONOMIC LOSS**

14 257. During the Class Period, as detailed herein, Unity and the Individual Defendants
 15 engaged in a course of conduct that artificially inflated or artificially maintained the price of Unity
 16 securities and operated as a fraud or deceit on the Class Period purchasers of Unity securities by
 17 making the materially false and misleading statements and omissions recited above.

18 258. When the truth was revealed and became known to the market, the price of Unity
 19 securities declined precipitously as the prior artificial inflation was removed from the price of the
 20 stock. As a result of their purchases of Unity securities at artificially inflated or artificially
 21 maintained prices during the Class Period, Plaintiffs and other members of the Class suffered a
 22 substantial economic loss (i.e., damages under the federal securities laws). The price decline in
 23 Unity securities was a direct result of the nature and extent of the materially false and misleading
 24 statements and omissions revealed to investors and the market. Thus, the Defendants' wrongful
 25 conduct, as alleged herein, directly and proximately caused the damages suffered by Plaintiffs and
 26 the Class.

27 259. The truth about the problems with Unity's Audience Pinpointer ad monetization tool
 28 were fully revealed on May 10, 2022, *after the market closed*, when Unity revealed weakening
 Operate trends that the Company expected to linger through the remainder of 2022. The problems

1 in the Operate segment purportedly were twofold—one related to coding and another more
 2 substantial one related to "bad" customer data Unity ingested in their central pool that led to
 3 problematic algorithm adjustments than ultimately negatively affected customer ROIs. The
 4 Company also lowered its full-year 2022 revenue guidance to a range of \$1.35 and \$1.425 billion
 5 from its earlier estimate of \$1.50 billion, citing “challenges with monetization products.” Unity
 6 attributed these reduced revenues to “a fault in [Unity’s] platform . . . result[ing] in reduced
 7 accuracy for [its] Audience Pinpointer tool, a revenue expensive issue given that [the] Pinpointer
 8 tool experienced significant growth post the IDFA changes.”

9 260. On this news, Unity’s stock price plunged \$17.83 per share, or approximately 37%,
 10 from \$48.13 per share at the market’s close on May 10, 2022, to \$30.30 per share at the market’s
 11 close on May 11, 2022.

12 261. Defendants’ conduct resulted in Class Members, including Lead Plaintiff, selling
 13 their shares of Unity securities for less than fair value, which caused them to suffer injury and loss.

14 **X. PLAINTIFFS’ CLASS ACTION ALLEGATIONS**

15 262. Plaintiffs bring this action as a class action pursuant to Federal Rule of Civil
 16 Procedure 23(a), (b)(3), and (g) on behalf of a Class, consisting of all those who purchased or
 17 otherwise acquired the publicly traded securities of Unity during the Class Period (the “Class”); and
 18 were damaged upon the revelation of the alleged disclosure on May 10, 2022. Excluded from the
 19 Class are: (i) Defendants; (ii) members of the immediate family of any Defendant who is an
 20 individual; (iii) any person who was an officer, director, and/or control person of Unity during the
 21 Class Period; (iv) any firm, trust, corporation, or other entity in which any Defendant has or had a
 22 controlling interest; (v) Unity’s employee retirement and benefit plan(s) and their participants or
 23 beneficiaries, to the extent they made purchases through such plan(s); and (vi) the legal
 24 representatives, affiliates, heirs, successors-in-interest, or assigns of any such excluded person or
 25 entity, in their capacities as such.

26 263. The members of the Class are so numerous that joinder of all members is
 27 impracticable. Throughout the Class Period, Unity securities were actively traded on the NYSE.

1 While the exact number of Class members is unknown to Plaintiffs at this time and can be
 2 ascertained only through appropriate discovery, Plaintiffs believe that there are hundreds or
 3 thousands of members in the proposed Class. Record owners and other members of the Class may
 4 be identified from records maintained by Unity or its transfer agent and may be notified of the
 5 pendency of this action by mail, using the form of notice similar to that customarily used in
 6 securities class actions.

7 264. Plaintiffs' claims are typical of the claims of the members of the Class as all
 8 members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal
 9 law that is complained of herein.

10 265. Plaintiffs will fairly and adequately protect the interests of the members of the Class
 11 and has retained counsel competent and experienced in class and securities litigation. Plaintiffs have
 12 no interests antagonistic to or in conflict with those of the Class.

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

- 16 • whether the federal securities laws were violated by Defendants' acts as alleged
 17 herein;
- 18 • whether statements made by Defendants to the investing public during the Class
 19 Period misrepresented material facts about the business, operations and management
 20 of Unity;
- 21 • whether the Individual Defendants caused Unity to issue false and misleading
 22 financial statements during the Class Period;
- 23 • whether Defendants acted knowingly or recklessly in issuing false and misleading
 24 statements and omissions;
- 25 • whether the prices of Unity securities during the Class Period were artificially
 26 inflated and/or artificially maintained because of the Defendants' conduct
 27 complained of herein; and
- 28 • whether the members of the Class have sustained damages and, if so, what is the
 proper measure of damages.

26 267. A class action is superior to all other available methods for the fair and efficient
 27 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the
 28

1 damages suffered by individual Class members may be relatively small, the expense and burden of
 2 individual litigation make it impossible for members of the Class to individually redress the wrongs
 3 done to them. There will be no difficulty in the management of this action as a class action.

4 268. Plaintiffs are entitled to a presumption of reliance established by the fraud-on-the-
 5 market doctrine in that, among other things:

- 6 • Defendants made public misrepresentations or failed to disclose material facts during
 7 the Class Period;
- 8 • the omissions and misrepresentations were material;
- 9 • Unity's common stock is traded in an efficient market;
- 10 • the Company's common stock was liquid and traded with moderate to heavy volume
 during the Class Period;
- 11 • the Company traded on the NYSE and was covered by multiple analysts including:
 12 Piper Sandler & Co., Stifel, Nicolaus & Company, Inc., D.A. Davidson & Co.,
 Barclays Bank PLC, Oppenheimer & Co., Inc.
- 13 • the misrepresentations and omissions alleged would tend to induce a reasonable
 14 investor to misjudge the value of the Company's securities; and
- 15 • Plaintiffs and members of the Class purchased, acquired and/or sold Unity securities
 16 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.

17 269. Based upon the foregoing, Plaintiffs and the members of the Class are entitled to a
 18 presumption of reliance upon the integrity of the market.

19 270. Alternatively, Plaintiffs allege that throughout the Class Period, Defendants omitted
 20 material information of which Defendants were aware or reckless in not knowing. Such statements
 21 artificially inflated or artificially maintained the price of Unity's publicly traded securities and
 22 operated as a fraud or deceit on all persons and entities who purchased or otherwise acquired those
 23 securities during the Class Period. Because Defendants chose to speak on the issues described in
 24 Section V, it was important that Defendants not mislead investors or withhold material information.
 25 To the extent that the Defendants concealed or improperly failed to disclose material facts with
 26 respect to Unity, specifically concerning problems with Unity's Operate products including
 27
 28

Pinpointer, Plaintiffs are entitled to a presumption of reliance in accordance with *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128, 153 (1972).

XI. CLAIMS FOR RELIEF

COUNT I

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

271. Plaintiffs repeat and re-allege each allegation contained above as if fully set forth herein.

272. This Count is asserted against the Company 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.

273. During the Class Period, the Company 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 Plaintiffs 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 Plaintiffs and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Unity securities; and (iii) cause Plaintiffs 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, the Company Defendants, and each of them, took the actions set forth herein.

274. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the Individual 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

1 materially false and misleading in that they failed to disclose material adverse information and
2 misrepresented the truth about Unity's finances and business prospects.

3 275. By virtue of their positions at Unity, the Individual Defendants had actual knowledge
4 of the materially false and misleading statements and material omissions alleged herein and
5 intended thereby to deceive Plaintiffs and the other members of the Class, or, in the alternative, the
6 Company Defendants acted with reckless disregard for the truth in that they failed or refused to
7 ascertain and disclose such facts as would reveal the materially false and misleading nature of the
8 statements made, although such facts were readily available to the Company Defendants. Said acts
9 and omissions of the Company Defendants were committed willfully or with reckless disregard for
10 the truth. In addition, each Company Defendant knew or recklessly disregarded that material facts
11 were being misrepresented or omitted as described above.

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

16 277. The Individual Defendants are liable both directly and indirectly for the wrongs
17 complained of herein. Because of their positions of control and authority, the Individual Defendants
18 were able to and did, directly or indirectly, control the content of the statements of Unity. As
19 officers and/or directors of a publicly held company, the Individual Defendants had a duty to
20 disseminate timely, accurate, and truthful information with respect to Unity's businesses,
21 operations, future financial condition and future prospects. As a result of the dissemination of the
22 aforementioned false and misleading public statements, the market price of Unity securities was
23 artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning
24 Unity's business and financial condition which were concealed by the Company Defendants,
25 Plaintiffs and the other members of the Class purchased or otherwise acquired Unity securities at
26 artificially inflated prices and relied upon the price of the securities, the integrity of the market for
27

1 the securities and/or upon statements disseminated by the Company Defendants, and were damaged
2 thereby.

3 278. During the Class Period, Unity securities were traded on an active and efficient
4 market. Plaintiffs and the other members of the Class, relying on the materially false and misleading
5 statements described herein, which the Company Defendants made, issued or caused to be
6 disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares of
7 Unity securities at prices artificially inflated by the Company Defendants' wrongful conduct. Had
8 Plaintiffs and the other members of the Class known the truth, they would not have purchased or
9 otherwise acquired said securities, or would not have purchased or otherwise acquired them at the
10 inflated prices that were paid. At the time of the purchases and/or acquisitions by Plaintiffs and the
11 Class, the true value of Unity securities was substantially lower than the prices paid by Plaintiffs
12 and the other members of the Class. The market price of Unity securities declined sharply upon
13 public disclosure of the facts alleged herein to the injury of Plaintiffs and Class members.

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

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

22 COUNT II

23 **For Violations of Section 20(a) of the Exchange Act Against the Individual Defendants and the** 24 **Private Equity Defendants**

25 281. Plaintiffs repeat and re-allege each allegation contained in the foregoing paragraphs
26 as if fully set forth herein.
27
28

1 282. This count is asserted on behalf of all members of the Class against Defendants
2 Riccitiello, Visoso, Lestiyo, Sequoia, Silver Lake, and OTEE who or which acted as controlling
3 persons of Unity within the meaning of §20(a) of the Exchange Act, 15 U.S.C. § 78t(a).

4 283. During the Class Period, the Individual Defendants participated in the operation and
5 management of Unity, and conducted and participated, directly and indirectly, in the conduct of
6 Unity's business affairs. Because of their senior positions, they knew the adverse non-public
7 information about Unity's misstatement of income and expenses and false financial statements. As
8 officers and/or directors of a publicly owned company, the Individual Defendants had a duty to
9 disseminate accurate and truthful information with respect to Unity's financial condition and results
10 of operations, and to correct promptly any public statements issued by Unity which had become
11 materially false or misleading.

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

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

286. Defendants Sequoia, Silver Lake, and OTEE further controlled Unity by virtue of their share ownership, power to appoint directors, and agreements with the Company. Referring to Sequoia, Silver Lake, and OTEE among others, the IPO Registration Statement stated: “[M]any of our current directors were appointed by our principal stockholders. As a result, such persons or their appointees to our board of directors, acting together, will have the ability to control or significantly influence all matters submitted to our board of directors or stockholders for approval, including the appointment of our management, the election and removal of directors and approval of any significant transaction, as well as our management and business affairs.”

287. Unity’s 2021 Proxy reported that:

(a) “Entities affiliated with Sequoia Capital” *owned more than 57.4 million shares, or 20.6%, of Unity’s outstanding common stock;*

(b) As of February 12, 2021, “Entities affiliated with Silver Lake” *owned more than 40 million shares, or 14.6%, of Unity’s outstanding common stock;* and

(c) OTEE, through Unity Board Member David Helgason and Unity CTO Joachim Ante, *owned more than 29.5 million shares, or 10.6 %, of Unity’s outstanding common stock.*

288. In addition, the Private Equity Defendants were provided with or had unlimited access to copies of, the Company’s public filings and other statements alleged by Plaintiffs to be materially misleading before and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected. Indeed, the Board Members affiliated with each of the Private Equity Defendants reviewed and signed Unity’s SEC filings including Unity’s 2021 Form 10-K. For example:

(a) Roelof Botha, partner at Defendant Sequoia, signed Unity’s 2021 Form 10-K which, as detailed herein, contained false and misleading statements and omissions;

(b) Egon Durban, Managing Partner and Co-CEO of Silver Lake signed Unity’s 2021 Form 10-K which, as detailed herein, contained false and misleading statements and omissions; and

(c) David Helgason, co-owner of OTEE, signed Unity's 2021 Form 10-K which, as detailed herein, contained false and misleading statements and omissions.

289. Further, at all relevant times, OTEE's two sole owners included two co-founders of Unity: (i) David Helgason (also a Unity Board Member throughout the Class Period) and (ii) Joachim Christoph Ante (Unity's CTO throughout the Class Period). Additionally, Board Member David Helgason was Unity's CEO before Defendant Riccitiello. At the time he turned the reins over to Defendant Riccitiello, Helgason stated that he planned to remain "heavily involved" in Unity's future direction.⁵²

290. Each of the Private Equity Defendants had the ability to and did control or significantly influence all matters submitted to Unity's Board of Directors, including: (i) the appointment of Company management; (ii) the election and removal of directors and approval of any significant transaction; and (iii) the management and business affairs of Unity, not only at the time of the IPO, but throughout the Class Period. Thus, each of the Private Equity Defendants possessed the power to control the specific activities which comprise the primary violations about which Plaintiffs and the other members of the Class complain.

291. The Individual Defendants and Private Equity Defendants were culpable participants in the fraud alleged herein, by acting knowingly and intentionally, or in such a deliberately reckless manner as to constitute willful fraud and deceit upon Plaintiffs and the other members of the Class who purchased or otherwise acquired the Company's defined securities during the Class Period.

292. As set forth above, Unity violated §10(b) and Rule 10b-5 promulgated thereunder by its acts and omissions as alleged in this complaint. By virtue of their positions as controlling persons, and as a result of their aforementioned conduct Defendants Riccitiello, Visoso, Lestiyo, Sequoia, Silver Lake, and OTEE are liable pursuant to §20(a) of the Exchange Act for the §10(b) violations. As a direct and proximate result of these defendants' wrongful conduct, Plaintiffs and other members of the Class suffered damages in connection with their purchases of the Company's

⁵² Eric Johnson, *Unity CEO David Helgason Replaced by John Riccitiello*, Vox (Oct. 22, 2014) <https://www.vox.com/2014/10/22/11632142/unity-ceo-david-helgason-replaced-by-john-riccitiello>.

stock during the Class Period, as evidenced by, among others, the stock price declines discussed above, when the artificial inflation or artificial maintenance was released from the Company's stock.

XII. PRAYER FOR RELIEF

WHEREFORE, Plaintiffs demand 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 Lead Plaintiffs as the Class Representatives;

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

C. Awarding Plaintiffs 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.

XIII. DEMAND FOR TRIAL BY JURY

Plaintiffs hereby demand a trial by jury.

Dated: March 24, 2023

Respectfully submitted,

LABATON SUCHAROW LLP

/s/ Christine M. Fox
Christine M. Fox (*pro hac vice*)
James M. Fee (*pro hac vice*)
Charles J. Stiene (*pro hac vice*)
140 Broadway
New York, NY 10005
Tel: (212) 907-0700
Fax: (212) 818-0477
cfox@labaton.com
jfee@labaton.com
cstiene@labaton.com

Lead Counsel for Lead Plaintiffs Oklahoma Firefighters Pension and Retirement System and Indiana Public Retirement System and the Proposed Class

**HAGENS BERMAN SOBOL
SHAPIRO LLP**

Reed R. Kathrein (Bar. No. 139304)
Lucas E. Gilmore (Bar No. 250893)
715 Hearst Avenue, Suite 300
Berkeley, CA 94710
Tel: (510) 725-3000
Fax: (510) 725-3001
reed@hbsslw.com
lucasg@hbsslw.com

Liaison Counsel for the Class