

Unity (NYSE:U) Q320 Earnings Webinar

November 12, 2020

Safe harbor

FORWARD-LOOKING STATEMENTS

This presentation contains “forward-looking statements” that are based on our management’s beliefs and assumptions and on information currently available to management. Forward-looking statements include all statements other than statements of historical fact contained in this presentation, including statements regarding information or predictions concerning our future financial performance, including our financial guidance; strategies; business plans, priorities and objectives; potential market and growth opportunities; competitive position; product strategies and future product and platform features; technological or market trends; and industry environment. In some cases, you can identify forward-looking statements by terminology such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “objective,” “ongoing,” “plan,” “predict,” “project,” “potential,” “should,” “will,” “would” or the negative of these terms or other comparable terminology. Forward-looking statements are subject to known and unknown risks, uncertainties, assumptions and other factors including, but not limited to, our limited operating history, our ability to retain our existing customers and expand their use of our platform, our ability to expand into new industries, and other factors. For a detailed discussion of many of these risks and uncertainties, see the section entitled “Risk Factors” in the company’s final prospectus that forms a part of its registration statement on Form S-1 (File No. 333-248255), and subsequent filings with the SEC, available on the SEC’s website at <https://www.sec.gov>. All forward-looking statements contained in this presentation are qualified by these cautionary statements. The forward-looking statements contained in this presentation speak only as of the date of this presentation. We undertake no obligation to update any forward-looking statements after the date of this presentation or to conform such statements to actual results or revised expectations, except as required by law. Comparisons of results between current and prior periods are not intended to express any future trends, or indications of future performance, unless expressed as such, and should only be viewed as historical data. Moreover, we operate in very competitive and rapidly changing environments, and new risks may emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. These and other factors may cause our actual results, performance or achievements to differ materially and adversely from those anticipated or implied by our forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Although our management believes that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances described in the forward-looking statements will be achieved or occur.

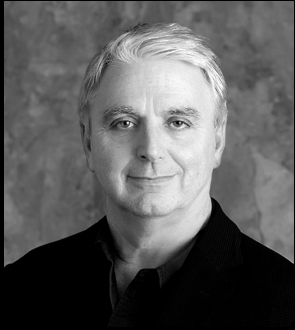
NON-GAAP FINANCIAL MEASURES

This presentation includes non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not as a substitute for or superior to measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures. For example, other companies may calculate similarly-titled non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. Please refer to our November 12, 2020 press release for additional information as to why we believe these non-GAAP financial measures are useful to investors and others in assessing our operating performance. Please refer to the Appendix for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures. Unity has not reconciled its expectations as to non-GAAP loss from operations to GAAP loss from operations because certain non-GAAP reconciling items, such as stock-based compensation expense, cannot be reasonably calculated or predicted at this time. Accordingly, a reconciliation is not available, although it is important to note that these factors could be material to Unity’s results computed in accordance with GAAP.

MARKET, INDUSTRY AND OTHER DATA

This presentation contains data, estimates and forecasts that are based on independent industry publications or other publicly available information, as well as other information based on our internal sources. This information involves many assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness of the data contained in these industry publications and other publicly available information. We do not undertake to update such data after the date of this presentation.

Q320 overview



John Riccitiello
President & CEO

Strong third quarter results

Y/Y REVENUE GROWTH

53%

NON-GAAP GROSS MARGIN

79%

NON-GAAP OPERATING LOSS

(8M)

DOLLAR-BASED NET
EXPANSION RATE¹

144%

Y/Y UPLIFT IN NON-GAAP
OPERATING MARGIN²

+17

Percentage Points

Note: All metrics as of or for the quarter ended September 30, 2020.

¹ Our dollar-based net expansion rate as of a period end is calculated as current period revenue divided by prior period revenue. Period revenue is the trailing 12-month revenue measured as of such period end and includes revenue from all customers that contributed revenue during such trailing 12-month period. See Appendix for metric definition and calculation methodology.

² Uplift in non-GAAP operating margin refers to a 17% improvement in non-GAAP loss from operations as a percentage of revenue between September 30, 2019 and September 30, 2020. See Appendix for a reconciliation of non-GAAP gross margin and non-GAAP operating margin to the most directly comparable financial measure stated in accordance with GAAP.

Market reach

APP DOWNLOADS PER MONTH¹

5B

MONTHLY ACTIVE END-USERS

2.5B

UNITY CUSTOMERS OF THE TOP
10 AUTO OEMs

10

UNITY CUSTOMERS OF THE TOP 100
GAME DEVELOPMENT COMPANIES

94

Note: All metrics as of or for the quarter ended September 30, 2020.

¹ App downloads per month represent average applications developed by creators using Unity in the nine months ended September 30, 2020.

The world is changing



Content built for a 2D world

Stale, static, asynchronous
experiences



Users are changing

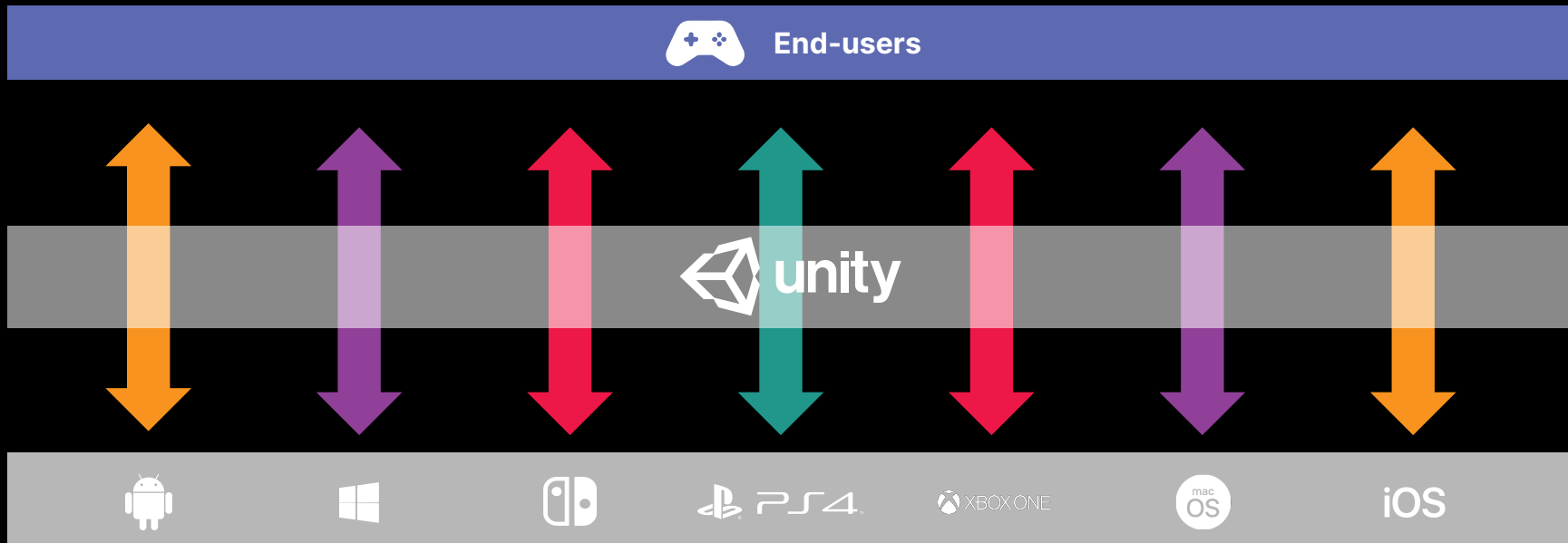
Demand for interactive,
high-fidelity,
contextualized content



Traditional tools can't adapt

Limited by feature-constrained,
non-iterative, fractured products

We benefit from our neutrality



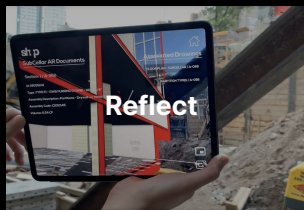
Build once with Unity, deploy across 20+ platforms

We are a comprehensive real-time 3D platform

Create Solutions

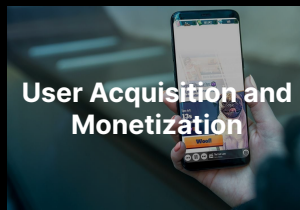


Editor



Reflect

Operate Solutions



User Acquisition and
Monetization



End-User
Engagement



Cloud Operations

Unity Runtime Engine

Our solutions change everything

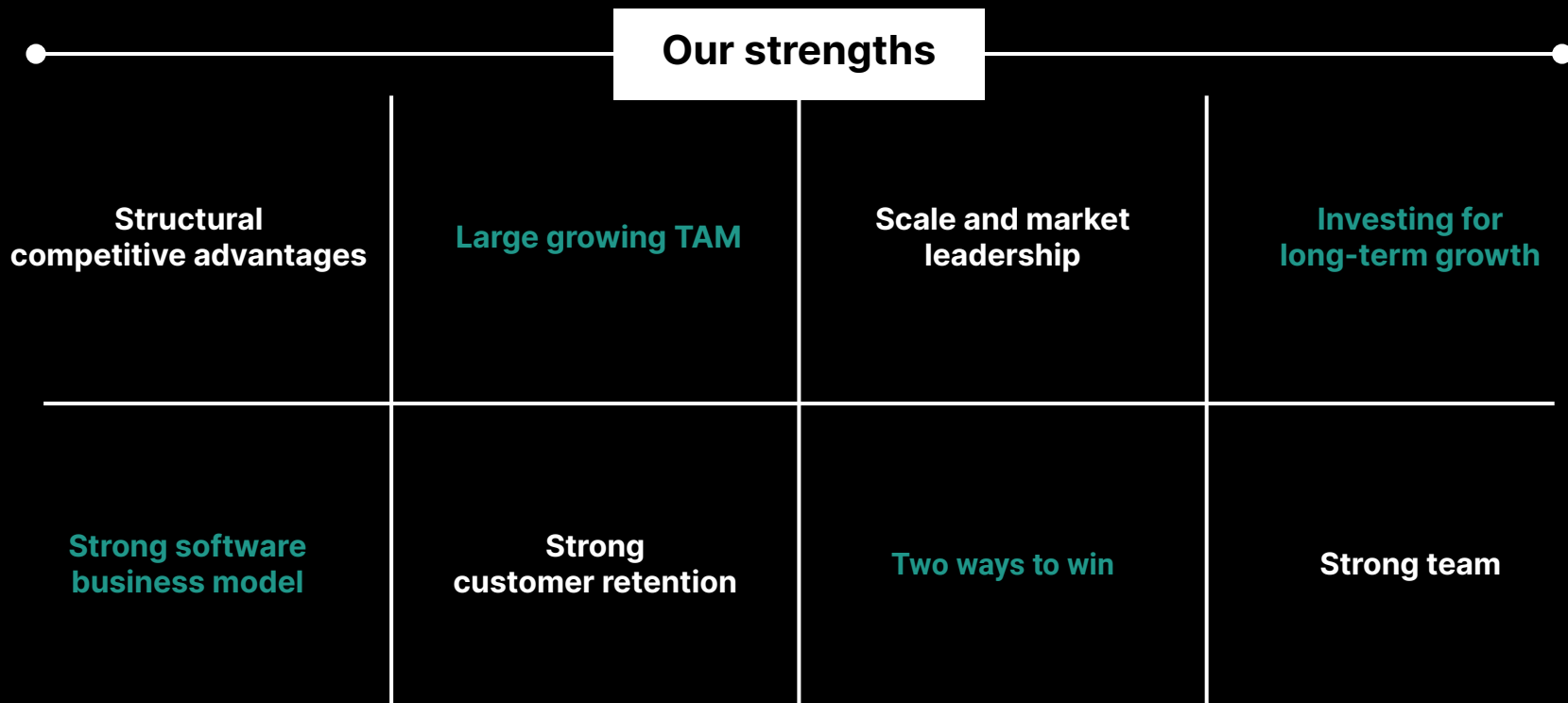
For game companies

- Faster development
- Lower engineering costs
- No ports. Native multi-platform
- Aligned to latest 1st party platform specs
- Seamless and integrated monetization

For industries beyond gaming

- Improved customer engagement
- Lower engineering costs
- Instant access to multiple platforms
- Access to cutting-edge technology
- Lower content development cost

Building a category-defining software company



Q320 financial highlights



Kim Jabal
SVP & CFO

Strong third quarter results

	Q3 2020	Q3 2019
Revenue	\$201	\$131
Non-GAAP Gross Margin	79%	81%
Non-GAAP Operating Margin	(4%)	(21%)
GAAP EPS	(\$0.97)	(\$0.76)
Weighted Avg. Shares Outstanding	149M	116M

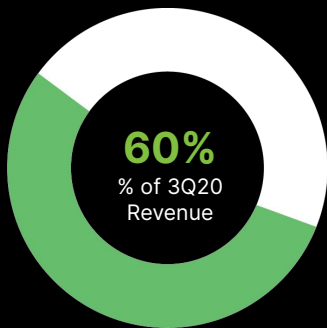
Note: See Appendix for a reconciliation of non-GAAP measures to the most directly comparable financial measures stated in accordance with GAAP.

Revenue mix



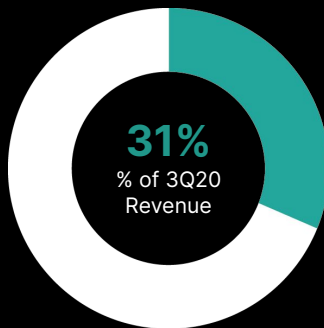
Operate Solutions Revenue

Publisher monetization and cloud-based operations services, based on revenue-share and usage-based models



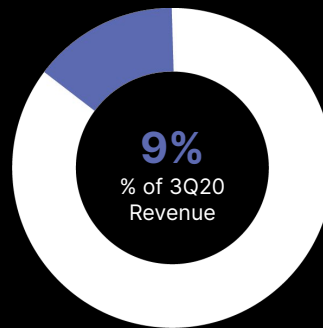
Create Solutions Revenue

Create solutions subscription offerings and professional services



Strategic Partnerships & Other Revenue

Multi-year development arrangements with tech platforms to enable software interoperability
Includes Asset Store revenue



Revenue growth



Note: \$ in millions



Strategic Partnership & Other

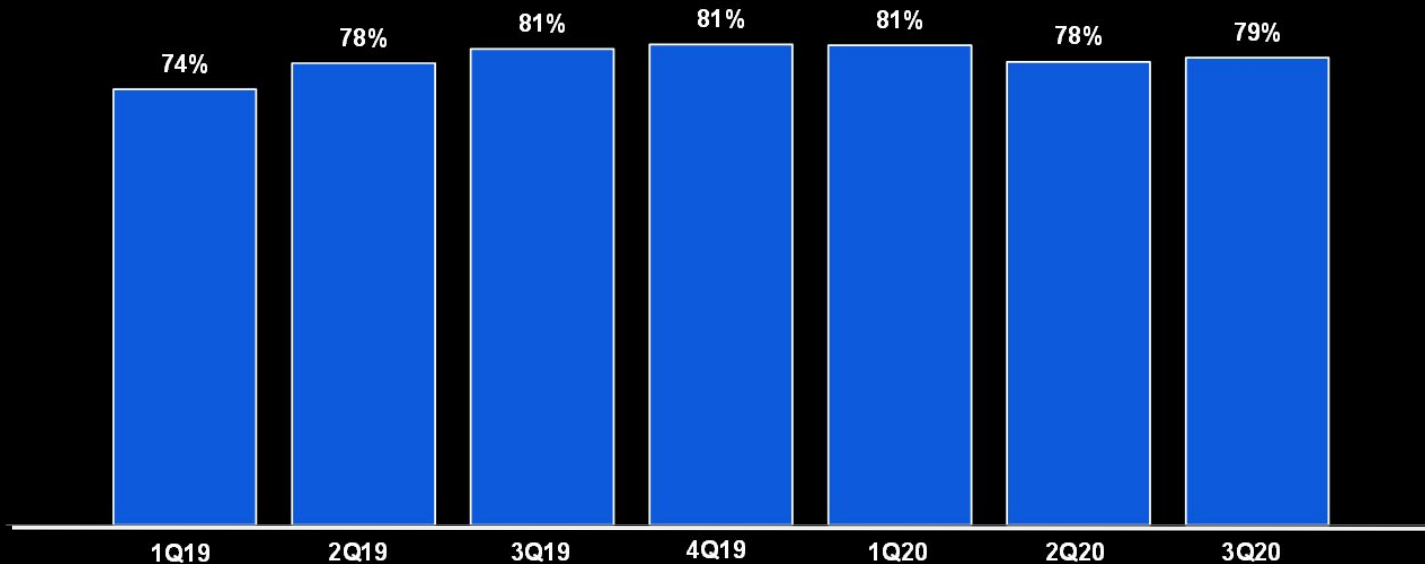


Operate Solutions



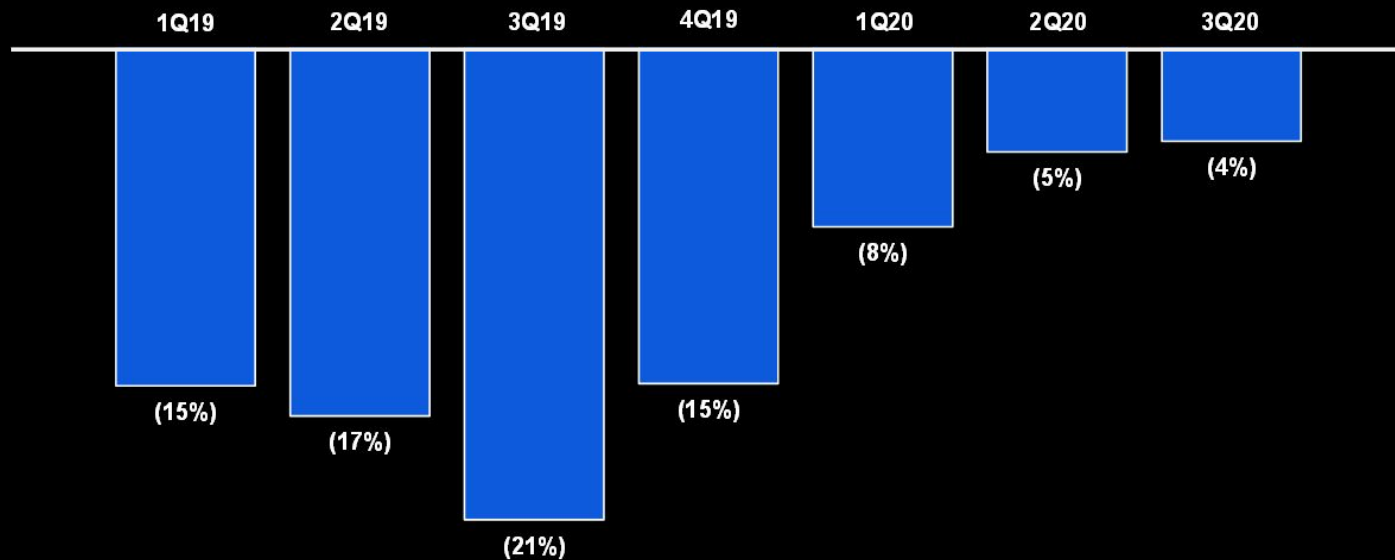
Create Solutions

Non-GAAP gross margin



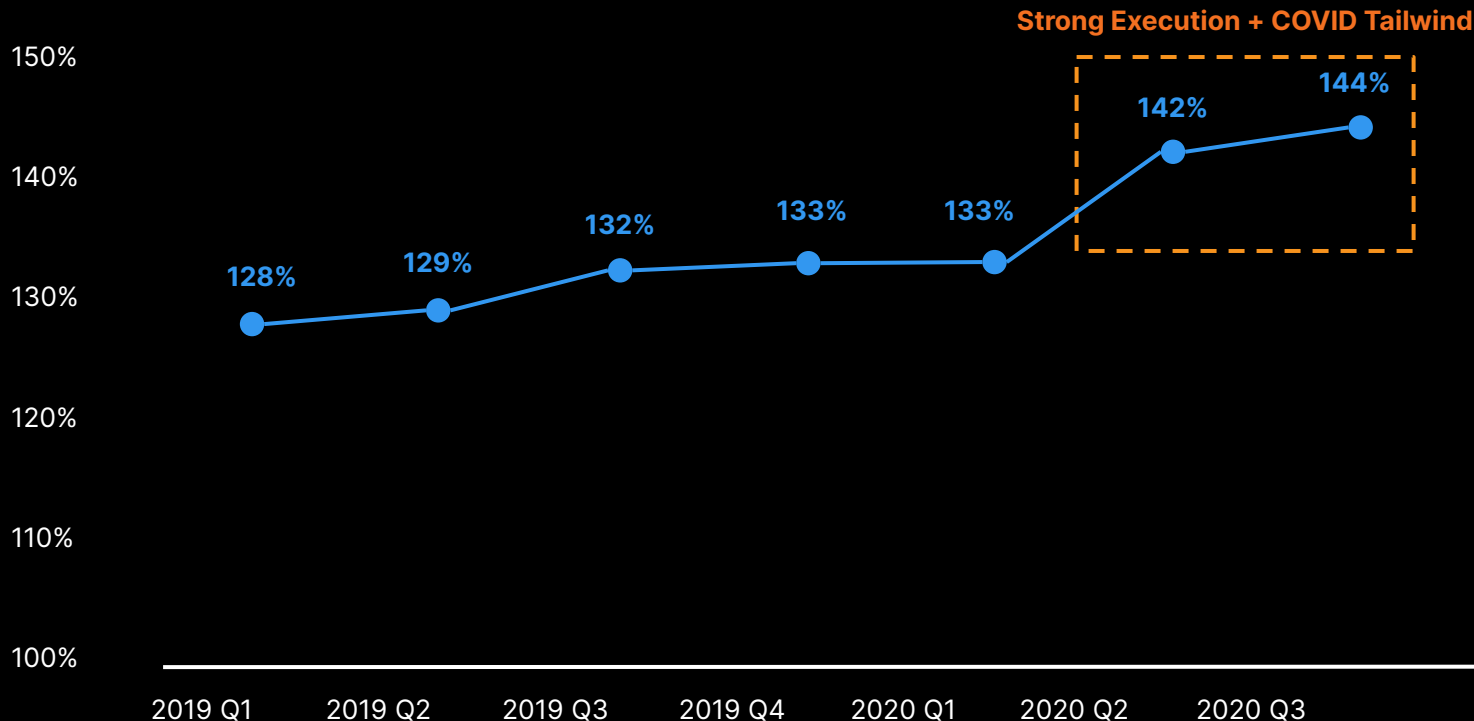
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Non-GAAP operating margin



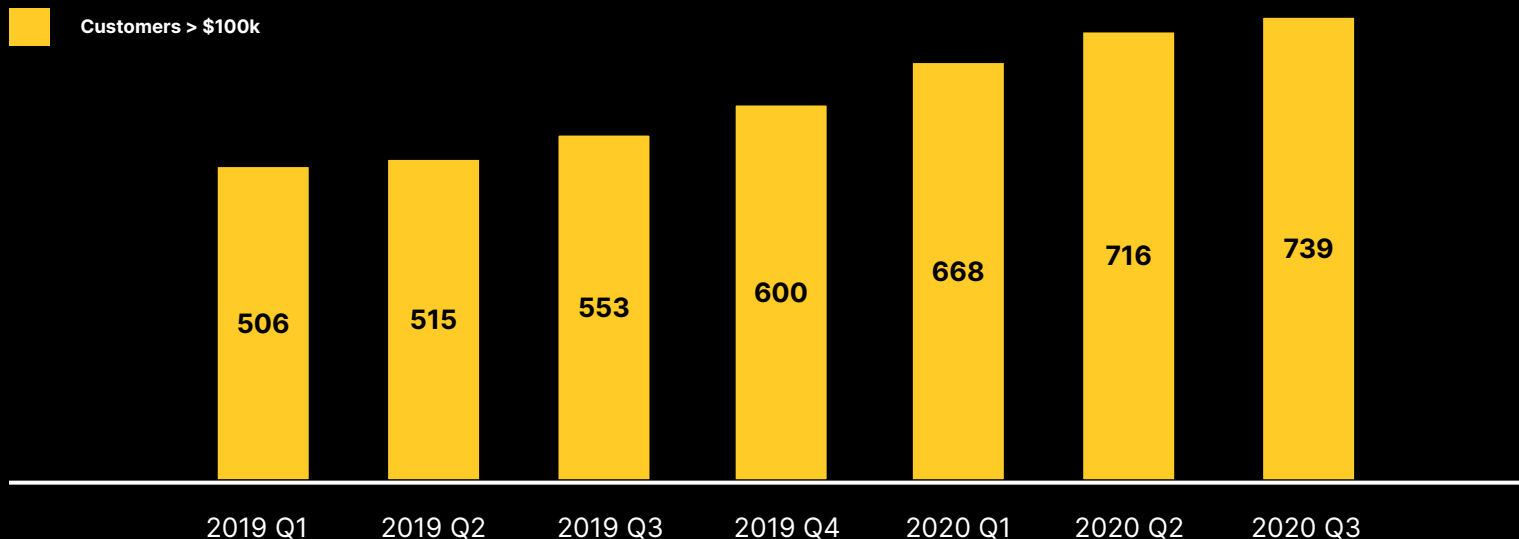
Note: See Appendix for a reconciliation of non-GAAP measures to the most directly comparable financial measures stated in accordance with GAAP.

Dollar-based net expansion rate¹



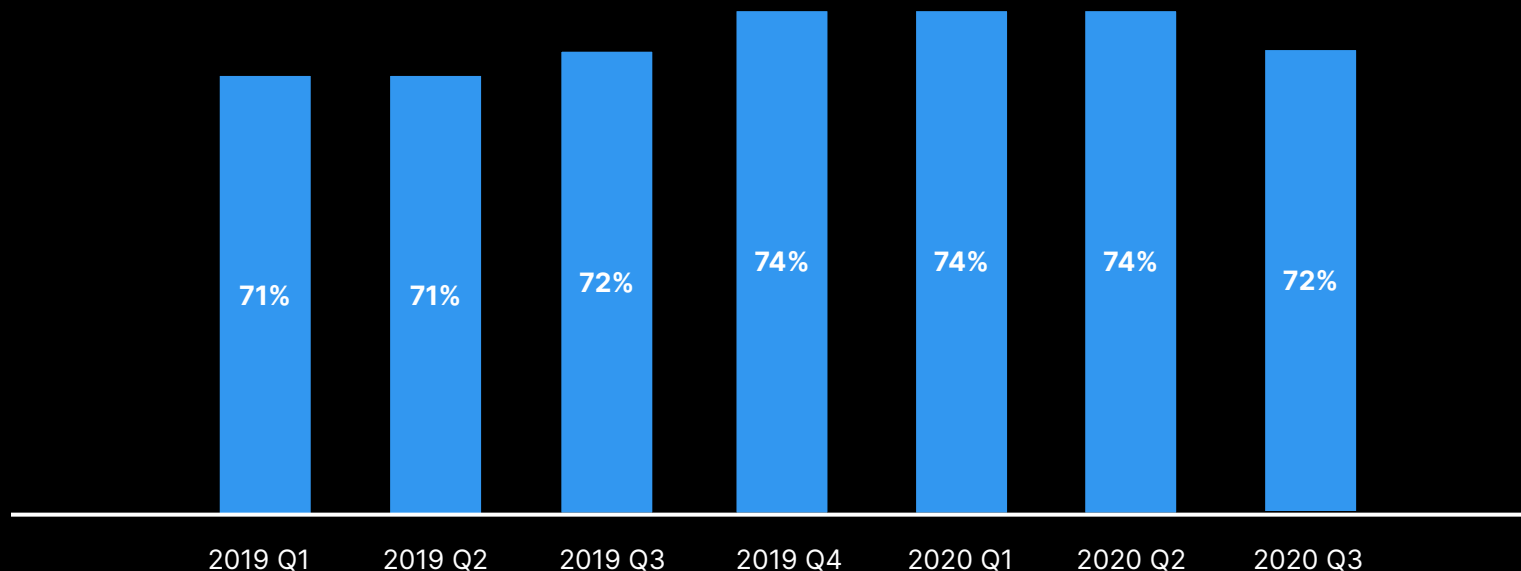
¹ Dollar-based net expansion rate compares our Create and Operate Solutions revenue from the same set of customers across comparable periods, calculated on a trailing 12-month basis as of year-end, as reflected in our S-1. Note graph not to scale. See Appendix for metric definition and calculation methodology.

Customers >\$100k of trailing 12-month revenue¹



¹ >\$100K customers represent customers that contributed more than \$100K in trailing 12-month total revenue as of the corresponding period end, as reflected in our S-1. Note graphs not to scale.

% of revenue from customers >\$100k¹



¹ >\$100K customers represent customers that contributed more than \$100K in trailing 12-month total revenue as of the corresponding period end, as reflected in our S-1. Note graphs not to scale.

FY20 outlook

	Q420	FY20
Revenue	\$200M - \$204M	\$752M - \$756M
Year-over-year Revenue Growth	27% - 29%	39% - 40%
Non-GAAP Operating Loss	(\$35M) - (\$40M)	(\$66M) - (\$71M)
Non-GAAP Operating Margin	(17%) - (20%)	(9%)

Weighted Avg. Fully Diluted Shares Outstanding	321M
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Note: Unity has not reconciled its expectations as to non-GAAP loss from operations or non-GAAP operating margin to GAAP loss from operations or GAAP loss from operations as a percentage of revenue, respectively, because stock-based compensation expense, employer tax related to employee stock transactions, and non-cash charitable contribution expense cannot be reasonably calculated or predicted at this time. Accordingly, a reconciliation is not available, although it is important to note that these factors could be material to Unity's results computed in accordance with GAAP.

Appendix



Non-GAAP reconciliation

	\$ in thousands three months ended,	2019				2020		
		Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30
Revenue		\$ 123,392	\$ 129,373	\$ 130,943	\$ 158,071	\$ 166,994	\$ 184,331	\$ 200,784
Cost of revenue		33,102	29,049	26,451	29,995	31,868	40,432	47,540
Gross profit		90,290	100,324	104,492	128,076	135,126	143,899	153,244
Add back:								
Stock-based compensation expense		812	838	903	645	557	690	5,072
Employer tax related to employee stock transactions		2	5	184	2	9	2	629
Non-GAAP gross profit		\$ 91,104	\$ 101,167	\$ 105,579	\$ 128,723	\$ 135,692	\$ 144,591	\$ 158,945
Gross margin		73%	78%	80%	81%	81%	78%	76%
Non-GAAP gross margin		74%	78%	81%	81%	81%	78%	79%
Loss from operations		\$ (27,684)	\$ (32,673)	\$ (41,732)	\$ (48,580)	\$ (27,437)	\$ (24,845)	\$ (141,683)
Add back:								
Stock-based compensation expense		6,549	8,226	9,102	20,603	9,691	11,963	61,806
Employer tax related to employee stock transactions		69	293	2,110	336	155	75	3,070
Amortization of intangible assets expense		2,317	2,731	2,742	3,780	4,144	4,150	4,751
Charitable contribution to donor-advised fund		-	-	-	-	-	-	63,615
Non-GAAP loss from operations		\$ (18,749)	\$ (21,423)	\$ (27,778)	\$ (23,861)	\$ (13,447)	\$ (8,657)	\$ (8,441)
Operating margin		(22%)	(25%)	(32%)	(31%)	(16%)	(13%)	(71%)
Non-GAAP operating margin		(15%)	(17%)	(21%)	(15%)	(8%)	(5%)	(4%)

Dollar-based net expansion rate definition

Dollar-based net expansion rate as of a period end is calculated as current period revenue divided by prior period revenue. Prior period revenue is the trailing 12-month revenue measured as of such prior period end and includes revenue from all customers that contributed revenue during such trailing 12-month period. Current period revenue is the trailing 12-month revenue from these same customers as of the current period end. Our dollar-based net expansion rate includes the effect of any customer renewals, expansion, contraction and churn but excludes revenue from new customers in the current period.

Thank you

