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# Unity Software, Inc. (U)

Q2 2024 Earnings Call

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**Daniel Amir**

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**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

**Luis Felipe Visoso**

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**W. Clark Lampen**

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**Matthew Cost**

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**Ross Sandler**

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## MANAGEMENT DISCUSSION SECTION

**Daniel Amir**

*Vice President-Finance & Head-Investor Relations, Unity Software, Inc.*

Welcome to Unity's Second Quarter 2024 Earnings Call. My name is Daniel Amir, VP and Head of Investor Relations. After the closing of the market today, we issued our shareholder letter. That material is now available on our website at [investors.unity.com](https://investors.unity.com).

Today, I'm joined by, Matt Bromberg, our CEO; and Luis Visoso, our CFO. But before we begin, I wanted to note that today's discussion contains forward-looking statements, including statements about goals, business outlook, industry trends, market opportunities, expectations for future financial performance and similar items, all of which are subject to risks, uncertainties and assumptions. And you can find more information about these risks and uncertainties in the Risk Factors section of our filings at [sec.gov](https://sec.gov). Actual results may differ and we take no obligation to revise or update any forward-looking statements.

Finally, during today's meeting, we will discuss non-GAAP financial measures. These non-GAAP financial measures are in addition to and not a substitute for or superior to measures of financial performance prepared in accordance with GAAP. A full reconciliation of GAAP to non-GAAP is available in our shareholder letter and on the [sec.gov](https://sec.gov) website.

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**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

Thank you, Daniel. Good afternoon, everyone, and thank you for joining today's call. It's a true privilege for me to be here representing Unity as its new Chief Executive Officer. I'd like to begin by sharing some initial observations. Since joining the company a few months ago, I've had the opportunity to visit and learn from our teams around the world, and I've relished the time spent connecting with our customers and our community. Although, not one of us believes that Unity is currently performing to its potential, I can tell you with complete confidence that we have everything we need to achieve healthy, sustainable, and profitable growth.

Our vision for Unity is clear. We believe we can become the only company truly capable of supporting game developers through the entire product lifecycle, from the prototyping of a new game to that magic moment, where our creation meets its players. Our technology, our people, our deep partnerships provide an incredibly strong foundation, and we're operating in large and vibrant markets. The focus now is on fostering a culture of execution, of discipline and accountability. We plan to accelerate the pace of our product innovation, strengthen the bond we have with our customers and community, and rapidly add new world-class talent to the team. We understand what needs to be improved and we're making the necessary changes to our leadership, our products and our processes, with a real sense of urgency.

Video games are my passion. I started out as a kid playing Dungeons & Dragons with my friends. I never believed that I'd be lucky enough to be running companies in this industry. I've spent the last 10 years or so working with some of the best game teams in the world, building games in every genre, using at least five different engines, and publishing it across every platform. I have also been responsible for helping those games find a global audience and build sustainable growth as live services. During most of that time, I've been a Unity customer, on both the engine and the advertising sides, and while I was at Zynga, quite a significant customer. So, I understand deeply the power and promise of the Unity ecosystem.

The challenges we currently face at Unity and the solutions to those challenges, they're not an abstraction to me, and sitting down with our exceptional teams to implement change is why I'm here. From experience, I can tell you that there is nothing more inspiring and rewarding than helping to bring a great company to its fullest potential. Unity is at its best when we're working hard, sitting side by side with the developers that we've known for nearly 20 years, helping make and market exceptional entertainment. And so, we're rededicating ourselves to that original vision.

In this next chapter of Unity's history, we're going to become the partners we once were, only better. More focused on initiatives that make a tangible difference to our customers and our community every day. Unity 6, the latest update to our game engine, is a great example of this commitment to customer needs. It's on track for release this fall, and we believe it will be the most stable, best-performing version we've ever delivered. The preview, released in May, has already seen significant traction with developers, and Unity 6 is going to be the bedrock of our offering for years to come.

In our advertising business, we're encouraged by what our customers are telling us about the recent improvements we've made to both our ad networks and our mediation platform, and we're going to complement that good work with a comprehensive rebuild of our machine learning stack and our data infrastructure. We're designing a more agile environment, one more conducive to continuous innovation, and this is going to enable us to lower the cost of experimentation, pursue more ambitious and innovative modeling approaches, and integrate data from across our product portfolio, which is going to unlock enormous value for our customers.

We're also adding world-class talent to help accelerate this transformation on our ad business. We're pleased today to announce the hiring of Jim Payne as our new Chief Product Officer for Advertising. He's a proven product innovator and a luminary in the ad tech business, and he understands better than anyone how publishers create

more revenue for their games. And in July, Alex Blum, another experienced ad exec, joined the team as a Senior Vice President of Corporate Development. There's a significant opportunity for growth in our mobile ad business and these two additions will help us realize that opportunity.

The entire team is inspired by the challenge of taking its place among the best-performing technology companies in the world. We play a unique role in the ecosystem, sitting at the intersection of mobile, 3D, gaming, AI, data and digital advertising. With better execution, accelerated product innovation and a renewed focus on delivering for our customers and our community, we will create meaningful long-term value.

Before I turn the call over to Luis, I'd like to take a moment to thank him for his contributions over the past three years and wish him well in the next chapter of his career. We've appointed Mark Barrysmith, our current Chief Accounting Officer, as our Interim CFO. Mark has been with us for more than two years, and brings a wealth and depth of experience, and I'm confident he'll lead the team through a successful transition.

As always, I'd like to thank our customers, our partners, and our employees for their ongoing support. I look forward to updating you more on our progress in the time ahead. Luis, over to you.

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## Luis Felipe Visoso

*Executive Vice President & Chief Financial Officer, Unity Software, Inc.*

Thank you, Matt. I will start by saying that it has been a privilege to be Unity CFO for over three years. I believe that we have accomplished a lot together as we expanded margins and fixed the portfolio. I want to thank all Unity employees and particularly those in my organization for supporting me. It has been great to spend the last three months with Matt. I have full confidence that he will lead Unity into stronger performance for customers, shareholders, and employees. As he said, we have everything we need to achieve healthy, sustainable, and profitable growth. I'm very happy to pass the baton on to Mark. Mark and I have worked together for many years, and he knows Unity well. I have full confidence in his ability to lead.

With that, let me turn on to our results. We're pleased that the second quarter results exceeded guidance for both revenue and adjusted EBITDA, and our continued progress on profitability. Revenue from our strategic portfolio was \$426 million, down 6% year-over-year. This compares favorably to guidance of \$420 million to \$425 million. Our GAAP net loss for the quarter was \$126 million, a 35% improvement from a net loss of \$193 million in the second quarter of 2023.

Adjusted EBITDA for the total company for the quarter was \$113 million, a 29% improvement from the \$88 million delivered in the same quarter last year, excluding customer credits in the prior year. This also compares favorably to guidance of \$75 million to \$80 million, as we continued to drive savings and expand gross and operating margins. This quarter, we expanded non-GAAP gross margin to 84% as compared to 81% in the same quarter of the prior year. The gross margin expansion is driven by cost control and better mix, while increasing our cloud consumption to train our ML models.

We continue to manage operating expenses strategically, making choices where to increase spending, where to keep spending stable, and where to continue to drive efficiencies. As a result, non-GAAP operating expenses are down 21% year-over-year and down to 59% of revenue from 63% of revenue in the same quarter of the prior year. Proportionately, the largest reductions come from G&A, followed by sales and marketing. These efforts enabled us to reach adjusted EBITDA margins of 25% for the quarter, an 850-basis-point year-over-year increase, excluding one-time customer credits in the prior year.

We delivered \$80 million in free cash flow in the second quarter, up 137% from \$34 million in the prior year. Cash and cash equivalents at the end of the quarter were \$1.3 billion. We closed the quarter with 476.5 million fully diluted shares, slightly down from the prior quarter. This compares favorably to 478 million fully diluted shares in our guidance in the second quarter.

I will now provide additional perspective on revenue. Create Solutions revenue from our strategic portfolio in the second quarter was \$129 million, up 4% year-over-year. Growth is driven by a 14% increase in subscriptions revenue, as we continue to benefit from our price increase and our customer upgrade to higher-priced subscriptions. Create Solutions strategic revenue is down 2% quarter-over-quarter from reductions in Strategic Partnerships and Professional Services. Following a very strong first quarter in these non-subscription businesses.

Industries continues to be our fastest-growing business. In the second quarter, Industries grew 59% year-over-year, and now represents 18% of the total Create Solutions revenue, up from 12% in the second quarter of 2023 and 15% at the end of 2023.

Grow Solutions revenue from our strategic portfolio in the second quarter was \$296 million, down 9% year-over-year and up 1% quarter-over-quarter. We're pleased with the sequential growth after two quarters of sequential revenue declines, which was driven by product improvements and seasonality. On a year-over-year basis, the decline is mainly due to pressures in our monetization business, partially offset by very strong performance from Aura.

With that, let me turn to guidance. For the full year, we're adjusting our guidance down. While we're seeing positive impacts from the improvements being made to our ad network and level-play products, we now believe that it will take us longer to see their full impact in revenue growth. Our updated revenue guidance for our strategic portfolio is \$1,680 million to \$1,690 million compared to \$1,760 million to \$1,800 million previously. This represents a decrease of 2% to 3% year-over-year and a more cautious view of the expected recovery in our Grow business. We expect continued double-digit growth in our Create subscription business.

On adjusted EBITDA guidance for the year is \$340 million to \$350 million compared to \$400 million to \$425 million in the previous guidance. To reduce the impact of the revenue reduction, we're driving further cost savings in the \$5 million to \$15 million range, which is included in the guidance. We believe that there are greater efficiencies to be gained over time through our more disciplined execution.

For the third quarter, we're guiding revenue to \$415 million to \$420 million in strategic revenue, down 4% to 6% year-over-year. Consistent with what I just said for the year, we expect our Create subscription business to continue to grow double-digits year-over-year, and that the Grow turnaround will take longer to materialize. Our adjusted EBITDA guidance for the third quarter is \$75 million to \$80 million, which includes investments needed to strengthen our Grow business, in addition to the impact of the annual merit increases.

Last, we expect 488 million fully diluted shares at the end of the third and fourth quarters. This is a reduction from our prior yearend estimate of 492 million fully diluted shares. As a result, our net year-over-year dilution will be around 2%. The quarter-over-quarter increase in fully diluted share count in the third quarter is entirely driven by our annual equity grants.

With that, let me turn the call to Daniel, so that we can take your questions. Daniel?

## QUESTION AND ANSWER SECTION

**Daniel Amir**

*Vice President-Finance & Head-Investor Relations, Unity Software, Inc.*

A

Thank you. So, with that, we'll open up to questions here. If you're interested in asking any questions, please click on the Raise Hand button and unmute your microphone, and we'll call on you. So, the first question comes from Clark Lampen at BTIG.

**W. Clark Lampen**

*Analyst, BTIG LLC*

Q

Hi. Thank you very much. Can you guys hear me okay?

**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

A

Very well, Clark.

**W. Clark Lampen**

*Analyst, BTIG LLC*

Q

Great. Matt, I want to start on the ad business. You mentioned sort of in the shareholder letter that you started the process of rebuilding the ML and data stack. As we think about sort of the roadmap from here in terms of releases and general turnaround, could you give us a framework for growth? Is it sort of a quarter's long process? Is this a potentially longer process? What's sort of front and center right now in terms of priorities?

**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

A

Thanks. Thanks for the question, Clark. Yeah. We've been really upping the pace of our product releases on our ad business, and that began before I arrived. We've introduced support for multiple ad units. We've eased integration into our mediation platform. We've made countless improvements to our models. And as Luis mentioned, we are seeing positive reactions from customers. We're encouraged by those updates and we're going to continue that pace.

At the same time, we do feel like we need to do some more fundamental work, as I mentioned in the letter, around our machine learning and data infrastructure stack. Because at the end of the day, while you can make incremental improvements and you've got to compete in this market every day, when you have fundamental capabilities that are differential, that's how you win over the long-term. And so, we're really excited about the opportunity for that. We have the pieces and we have the data, and we have everything we need to do this. We're just going to execute through that activity relatively quickly, and we're excited about the impact that we think we'll see from that.

**W. Clark Lampen**

*Analyst, BTIG LLC*

Q

Understood. That's helpful. Luis, if I can follow-up quickly on the guidance. I think, just to clarify, you said, sort of bridging from the old to sort of current guidance, we should still expect Create growth of double-digits, I think, this year. Is that the right way of thinking about maybe medium-term growth for that business also or is there a

general, I guess, sort of framework for growth, I guess, beyond sort of 2024 that we could think about at this stage?

**Luis Felipe Visoso**

*Executive Vice President & Chief Financial Officer, Unity Software, Inc.*

A

Yes. Two parts to your answer. One is, what I said is that, we expect strong double-digit growth from our subscription business within Create, right. As you know, there are three components within Create overall. There is a subscription business, there is Professional Services and Strategic Partnerships. Professional Services and Strategic Partnerships will be lumpy as it has always been. Now, remember, we had a very strong Q1, less strong Q2, and it will continue to fluctuate based on our agreement. So, you should continue to expect strong growth on the subscription side.

I think, on your 2025 question, it's a little bit premature for us. I mean, I think we need to give Matt a little bit more time. Let us continue to evaluate things, and we'll come back to you and share expectations for next year soon.

**W. Clark Lampen**

*Analyst, BTIG LLC*

Q

I appreciate it. Thank you, guys.

**Luis Felipe Visoso**

*Executive Vice President & Chief Financial Officer, Unity Software, Inc.*

A

Thank you.

**Daniel Amir**

*Vice President-Finance & Head-Investor Relations, Unity Software, Inc.*

A

Thank you, Clark. The next question will come from Matt Cost from Morgan Stanley.

**Matthew Cost**

*Analyst, Morgan Stanley & Co. LLC*

Q

Hi, everybody. Can you hear me?

**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

A

Yeah.

**Luis Felipe Visoso**

*Executive Vice President & Chief Financial Officer, Unity Software, Inc.*

A

Yeah.

**Matthew Cost**

*Analyst, Morgan Stanley & Co. LLC*

Q

Great. Thanks for taking the question. I guess, on the growth drivers within Create, I guess, just following up on Clark's question, there's a couple of things that are changing. You've got runtime fees coming in with Unity 6. There's the Plus to Pro transition, potentially any price increases for the subscription tiers. I guess, how should we think about when those things layer in and the magnitude of the tailwinds to create results either end of this year or is that something that starts to flow in next year? And then, I have one follow-up. Thank you.



**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

A

Yeah. Let me – I'll make an initial observation, and then, Luis, you can – will pick up the second half of the question. The first order of business I had when I joined the company was to get out on the road and speak and meet with customers. And I met with individual customers at small groups in New York and also some of our largest customers in the Middle East and Europe. And what I was just really pleased to learn is that there's a real understanding of the important role that we play in the ecosystem and a real excitement around keeping Unity healthy and growing, and a real willingness, especially around some of our larger customers, to pay fairly for the value we deliver. So, that's really great news and it's a testament to the work everybody does here at Unity every day to keep the company strong.

There has been a lot coming in on pricing, and [ph] one of the things (00:19:40) I'll just observe and Luis will take you more into it is that these price increases tend to take time to flow through the system. So, they're not something that you see, they're related both to the upgrade cycle, for example, the Unity 6 and other things. So, we don't expect to see them right away, but we do see them coming in over time, as you've seen – as you begin to see already with the subscription growth we have.

**Luis Felipe Visoso**

*Executive Vice President & Chief Financial Officer, Unity Software, Inc.*

A

Yeah. Matt, not a lot to add to what Matt already mentioned. I think we continue to benefit from the price increase we took about two years ago, as you know, and what we're seeing very helpful is customers moving to higher-priced SKUs. Now, the industry SKU, as we've talked before, has been a great success and has been one of our – our fastest-growing business, and that is, as we've talked before, significantly higher priced and that's helping us drive bring in more revenue to drive the business.

**Matthew Cost**

*Analyst, Morgan Stanley & Co. LLC*

Q

Okay. Thank you. And then, just quickly, I guess, on the outlook further out, does the Rule of 40 sort of expectation that you laid out a couple of quarters ago, does that still apply or is that something that you're reevaluating right now?

**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

A

For us, the Rule of 40 is the right kind of goal, right. It's a goal that focus on building a business with attractive revenue growth and meaningful profitability, and that is what we're focused on. We're focused on delivering long-term sustainable growth, both on the top and the bottom line. It's a little bit too soon for us to be able to forecast exactly when we're going to get there, but it's definitely something we're focused on and it's important.

**Matthew Cost**

*Analyst, Morgan Stanley & Co. LLC*

Q

Okay. Thank you.

**Daniel Amir**

*Vice President-Finance & Head-Investor Relations, Unity Software, Inc.*

A

Great. The next question is from Ross Sandler at Barclays.



**Ross Sandler**

*Analyst, Barclays Capital, Inc.*



Great. Just two questions, Matt. So, having used five gaming engines, as you said earlier in your prepared remarks, any fresh view on beyond the Create Unity 6 product rollout that's happening later this year? Any other kind of alterations or tweaks to the product that would help the go-to-market there?

And then, similarly on the ad side. So, Jim, obviously, knows a lot about what made AppLovin competitive. Do you think that you just kind of need to tinker with these models to get Grow to be more competitive or are there assets that are out there that are missing from your portfolio that would kind of supercharge the ad business and get you back to the table and competitive? Thank you.

**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*



Yes. My pleasure. Thanks for the question. Let's take Create first. What is really important to understand is, we really believe that we're in a unique position with Create, with our engine, not just because it's the best, most performing engines, particularly on mobile and not just because we have such a dominant market share, but because we're the – it's the only – we're the only company in the world capable of supporting the entire game development cycle, and customers want to see those pieces integrated. They want to see both the ad and marketing side, acquiring players and monetizing them. They want to have one place where they can leverage the data that we provide to maximize their business, both in the building and the releasing of games. So, that's a really – we're in unique position and we need to execute better to get there, but it's something that nobody else is capable of doing. So, it's something we're really focused on and really excited about.

On the ad side of our business, you need to do both. So, what we have been doing, we're going to continue to do. We're constantly updating our models, we're constantly releasing new products, and that's the day-to-day work. But at the same time, we need to be sure that we have the most modern, most performing data and machine learning stack, because being able to respond in real time and to be able to leverage the data advantages we have across not just the engine, not just both of our ad networks and three or four other ad products. We have got to have the largest database and the most knowledge of video and customers among the most – anybody in the world, having the right stack is going to enable us to leverage that value for our customers, and that's going to be really important for the long-term, and it's an incredibly important asset and a great opportunity for us.

**Daniel Amir**

*Vice President-Finance & Head-Investor Relations, Unity Software, Inc.*



Thank you, Ross. The next question comes from Gili from Goldman Sachs.

**Luis Felipe Visoso**

*Executive Vice President & Chief Financial Officer, Unity Software, Inc.*



Hey, Gili.

**Gili Naftalovich**

*Analyst, Goldman Sachs & Co. LLC*



Hey, everyone. Thanks for taking the question, and first off, congratulations to you, Matt. Appreciate the color in the letter. And given your industry experience, I'm curious to hear what your assessment is of Unity's positioning in the broader industry landscape, and how is that influencing the prioritization of initiatives you are putting into place? Can you give us examples of the short-term operational improvements you are taking?

**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

A

Yeah. As I was saying, I think the – maybe the piece that's least well understood about Unity broadly is just how essential we are to the ecosystem and how large that ecosystem is. Some of the things I talked about in the letter. The game economy is most of the app economy, right. It's 60% of the app economy. We are touching billions of players through our engine and our ad products. There are hundreds of thousands of Unity developers that a game developer can choose from when they decide to build a game. So, these ecosystem questions are really, really important and are going to provide a real foundation for us to grow.

On the execution side, for us, it's mostly about rapidly creating a culture of execution and accountability. That's most important for us. We're going out and adding world-class talent to add to that culture of execution, and Jim is a great example of that. And then, we've got to lean into that execution to accelerate the product innovation we're seeing. And if we can do that, alongside recreating and deepening bonds with our customers, which some of that has been – [ph] gotten a little freight (00:26:09) in the past, we want to listen better and be better partners and better customers across our business. If we can do all those things, we are in a very, very nice position.

**Gili Naftalovich**

*Analyst, Goldman Sachs & Co. LLC*

Q

Appreciate that. If I can [indiscernible] (00:26:21) for you, Luis. Can you talk through just the guidance reset, and if there was any change to like linearity in the quarter? I think, it was most – the change was mostly driven off of Grow Solutions and added caution. Is that based on the way you're accounting for the timing of your new models to be deployed or was there just something in the trends that led you guys to make this change?

**Luis Felipe Visoso**

*Executive Vice President & Chief Financial Officer, Unity Software, Inc.*

A

Yeah. We're just being more cautious as you said. And I mean, when you guide for the full year and you already have two quarters, you can see Q3 and Q4, and we're guiding kind of stable Q3 to Q4, mostly right, plus/minus a few million. So, it's pretty stable. So, we're not counting with a lot of seasonality in the last quarter, and if it comes, that would be great. But that's just being more cautious on the Grow side. That's really the driver, Gili.

**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

A

Yeah. And I just want to add that we're really focused on restoring credibility within our ecosystem, with everybody in our ecosystem, and taking a prudent approach to forecasting and – is important for us, mostly because we're so confident that we're well positioned in the long-term, and then we've got a real differentiated offering, but being prudent now is the right approach.

**Gili Naftalovich**

*Analyst, Goldman Sachs & Co. LLC*

Q

Great. Thanks.

**Daniel Amir**

*Vice President-Finance & Head-Investor Relations, Unity Software, Inc.*

A

Thank you, Gili. The next question comes from Dylan Becker at William Blair.

**Dylan Becker**

*Analyst, William Blair & Co. LLC*

Q

Hey, gentlemen. Just one here for the sake of time. Matt, great to speak with you, and congrats on the next endeavor, Luis. You guys did call out Industries growth of 60% here. Obviously, pretty impressive becoming a larger share of Create. I know Jim had talked a lot about the opportunity there. But wondering as you're seeing kind of incremental traction with partner, [ph] Scalability (00:28:06), you had sold off the piece to Capgemini of establishing kind of that broader ecosystem, maybe leveraging more SIs. Any kind of additional color there would be great. Thank you.

**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

A

Thank you for the question. Yeah. We're really excited about the opportunity in industry and we're continuing to see real progress there, focus on specific end markets like auto, retail, and manufacturing, but also really more broadly, anywhere where visualization of 3D assets across devices and platforms is of most value, and that's of – those are very broad applications. So, we're seeing that demand is really strong.

We added a bunch of new customers in Q2, including Audi and Diageo, as well as Bosch Rexroth, the German engineering firm. So, we are continuing to see growth and velocity there. I'm very, very excited about this as I came in and looked just at the logos we have and the way this business is expanding. I know Jim was really bullish on it and we're really lucky to be able to leverage to his expertise and continue to do that, but there's a real opportunity in this business for us and we're leaning into it.

**Dylan Becker**

*Analyst, William Blair & Co. LLC*

Q

Great. Thanks, Matt.

**Daniel Amir**

*Vice President-Finance & Head-Investor Relations, Unity Software, Inc.*

A

Great. The next question is Parker Lane from Stifel.

**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

A

Hey, Parker.

**Daniel Amir**

*Vice President-Finance & Head-Investor Relations, Unity Software, Inc.*

A

Yeah. Parker, we can't hear you.

**Jeffrey Parker Lane**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Can you hear me now?

**Daniel Amir**

*Vice President-Finance & Head-Investor Relations, Unity Software, Inc.*

A

Yeah. We can hear you.

**Jeffrey Parker Lane**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Sorry about that, guys. Thanks for taking the question. Matt, just a piggyback on Dylan's question there. I was wondering, when you look at the opportunity in Industries, is there any significant change in the go-to-market approach or the opportunity set that you guys have historically gone after? I know you've made the shift that Dylan just alluded to in the delivery mechanism, but as far as what you want to go after, is it largely business as usual there?

**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

A

No. I think, to Dylan's point, it's – historically, this business for us has been a lot of pull. So, the market demand is there and we'll become aware of customers using Unity to prototype things, and then our sales motion will start and we add customers. So, that's spectacular, but it's – we can complement that go-to-market by building out the motion in a much larger way, through SIs, through other partnerships. We're still really at the relative beginning of that process, which is frankly what's so exciting about, and we can find the right mix between our own direct sales and going to market with key partners, and again, that's just beginning. So, that's what gives us so much confidence there's a lot of runway here.

**Jeffrey Parker Lane**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Got it. Appreciate the color. Thank you.

**Daniel Amir**

*Vice President-Finance & Head-Investor Relations, Unity Software, Inc.*

A

Thank you. And the last question will come from Josh Tilton from Wolfe.

**Joshua Tilton**

*Analyst, Wolfe Research LLC*

Q

Thank you so much for squeezing me in. Can you guys hear me?

**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

A

Yeah.

**Luis Felipe Visoso**

*Executive Vice President & Chief Financial Officer, Unity Software, Inc.*

A

Yeah. Very well, Joshua.

**Joshua Tilton**

*Analyst, Wolfe Research LLC*

Q

Two questions for me. First of all, Matt, congratulations. I guess, what I'm just trying to understand is, if I take a lot of the questions that were asked on this call today is, I kind of left the shareholder letter feeling like we have a new starting lineup, but I'm not exactly sure what the playbook is going forward. And I guess, if you were to just like summarize broadly in a few sentences, what is the playbook to getting Unity back to greatness? And like, what can you tell us to give us some confidence to investors that you guys can actually execute on that strategy? And then, again, just a follow-up from that question.

**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

A

Yeah. Thanks for the question. So, really simply, what we're going to do is, we're going to create a culture of execution and accountability, and drive forward in a way that is highly differentiated from how we've gone to market in the past. We're going to add world-class talent really quickly. We are bringing new leadership into the company. We're going to listen to our customers better and be more responsive. You're going to see much more product innovation much more quickly, and we're going to share progress with you and – as we go.

So, it's been 90 days. We don't want to get too far out in front of the process. But look, it's our strong belief, as I said in the letter, and I said at the top that we are the only company in the world capable of being in this really important space in a very, very large market. So, we're well-positioned. I can tell you that, again, today, I'm even more excited than the day I started, because I can see that the pieces are here. The people are here, the technology is here, the assets are here. Our partners want us to win in both parts of our business.

Our ad business, people want us to be a strong competitor; in our engine business, same thing. So, everybody is rooting for us. We have a vision. We've got customers that are rooting for us and we have all the pieces and parts. All we have to do is execute. And that's a position I want to be in, because we can execute and we will, and that's why you should have confidence. And you're going to have to stick with us a little bit here to see how that turns out, but we're really, really confident.

**Joshua Tilton**

*Analyst, Wolfe Research LLC*

Q

Super helpful. And then, maybe just quick follow-up for me. It feels like there used to be a lot of excitement around the nongaming Create business. I may be making this up, but I feel like you guys used to talk to the potential for it to be larger than the gaming Create business. You're obviously coming from a gaming background. You seem very focused on fixing the relationship with those gaming customers and improving kind of the ad side of the business as well. So, how do we think about investments and the forward trajectory of that nongaming Create business as you kind of come and sit in this new role?

**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

A

Yeah. It's a great question. I think we see our industry business as a natural extension of the capabilities that we develop in the core customer segment in gaming. So, I don't see them as at odds. All the technology investments and the product development we do tends to benefit us industry as well. So, there's no lack of enthusiasm from our perspective. I do think that over the years, we have talked a lot about, and this goes back to the question on execution. I have full confidence that this is going to grow, but we also need to be super clear about our prioritization. And so, getting right with our – in our existing customer segment and executing there is job one. We have more than enough to go into job two around building around industry, again, which is an – we see is a natural outgrowth. So, if we can execute better on our go-to-market motion there, which we can, and strengthen our core, we can do both at the same time.

**Joshua Tilton**

*Analyst, Wolfe Research LLC*

Q

Super helpful. Thank you so much.

A

**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

My pleasure.

**Daniel Amir**

*Vice President-Finance & Head-Investor Relations, Unity Software, Inc.*

Thank you. So, before we wrap up, I wanted to provide Matt some final words.

**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

Yeah. I just want to thank you all for spending the time with us today. As I've shared with you, we believe we have the clarity of vision and all the pieces that we need, and we look forward to telling you more about this as we go, and we really appreciate your support and we'll look forward to seeing you again soon.

**Luis Felipe Visoso**

*Executive Vice President & Chief Financial Officer, Unity Software, Inc.*

Thank you.

**Daniel Amir**

*Vice President-Finance & Head-Investor Relations, Unity Software, Inc.*

Thank you.

**Matthew S. Bromberg**

*President, Chief Executive Officer & Director, Unity Software, Inc.*

Thank you, everybody.

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