



Unity Software (U) IPO Summary

August 2020

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Unity Is One Of The Leading Engines And Monetization Tools For The Rapidly Growing Video Game Industry

PRODUCT

- **Offers end-users a fundamentally more engaging and immersive experience than traditional static content**
 - Creators can visualize and iterate on their 2D and 3D creations in real-time and collaborate with each other to edit content simultaneously
 - Significantly reduces the time and resources required by creators, to create and operate high-quality, personalized and interactive content
- **Continuously capture and analyze valuable end-user behavior and performance data from over 50 billion in-app events per day**
 - Data and analytics capability allows them to optimize content performance, end-user acquisition and engagement and monetization

USERS

- **Community of 1.5 million monthly active creators have developed over 8,000 games and applications across 190 countries**
 - Highly engaged base, with users of the Unity Pro product spending an average of 5.1 hours per day actively using the platform
- **Reach independent creators through their web-based channel by deploying a range of marketing strategies and tactics**
 - Ability to expand adoption of the platform will depend on their ability to address the needs of creators with varied needs and levels of expertise
 - Provide a variety of training resources, and will continue to enhance its effectiveness as the scope and complexity of the platform increases

TAM

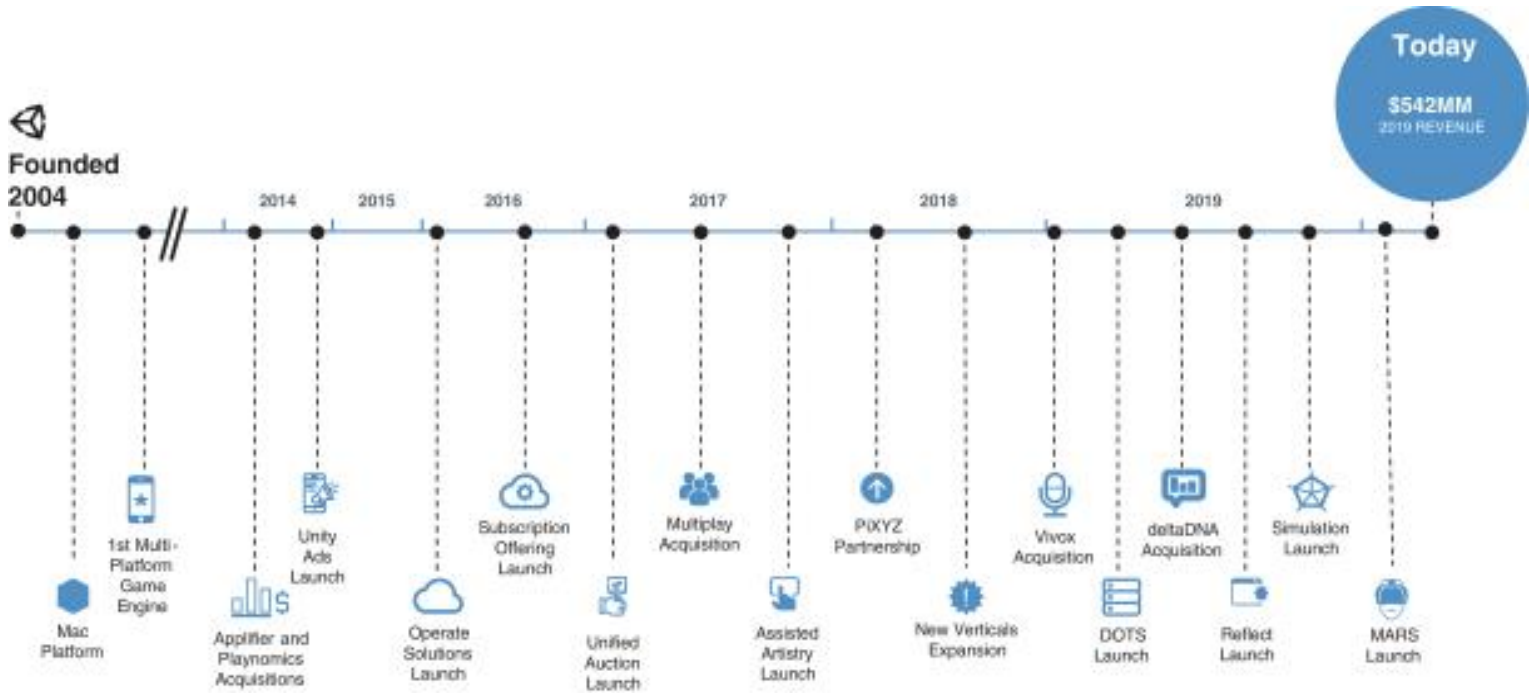
- **Opportunities within and beyond use cases they currently serve represent a market potential multiple times larger than today**
 - In gaming, the market opportunity is \$12 billion in 2019 across over 15 million potential creators, growing to over \$16 billion in 2025
 - In industries beyond gaming, the market opportunity is \$17 billion, based on the software developers and designers they could potentially serve
- **While interactive, real-time 3D has fueled the rise of gaming, the benefits for creators are impacting many other industries as well**
 - In film, real-time 3D technology allows creators to edit and review a scene instantly, rather than waiting for server farms to render a digital scene

GROWTH STRATEGY

- **Strengthening their global leadership in gaming, which continues to be the fastest growing segment of the media industry**
 - Developing go-to-market strategies that serve industries beyond gaming, where the long-term potential is many times greater than in gaming
 - Will pursue acquisitions of products, teams and technologies that complement and expand the functionality of their platform
- **Leveraging their global reach, they will expand direct sales approach in each region to facilitate further penetration**
 - Continuing to explore the development of localized Create and Operate Solutions to address market-specific needs

The next stage of growth will come from expanding their products and services to industries beyond gaming

Timeline



CREATE SOLUTIONS



- **Used by content creators – developers, designers, engineers – to create interactive, real-time 2D and 3D content**
 - Compete against proprietary game engines built in-house by large game studios, as well as Unreal Engine (Epic Games) and Cocos2d (Chukong Technologies)
- **Generate revenue through the sale of subscriptions to their products and related support services**
 - Offer professional services to larger enterprise customers to assist them in creating content and applications, largely based on fixed-fee contracts
 - Customers typically purchase one- to three-year subscriptions
- **Range of plans allows them to retain customers as they grow and has driven their success in serving users and customers of all sizes**
 - Last year, two-thirds of Create Solutions revenue was generated from customers subscribing to Unity Pro
 - Unity Plus plan is designed for customers at earlier stages of adoption of interactive real-time 3D technology
 - Free Unity Personal and Unity Student plans are designed for hobbyists, individual creators and verified students

OPERATE SOLUTIONS



- **Offers customers the ability to grow and engage their user bases, by optimizing end-user acquisition and operational costs while increasing the lifetime value of their end-users**
 - Compete in a fragmented ecosystem composed of select divisions of large, well established companies, as well as privately held companies
- **Majority of revenue is currently generated under a revenue-share model**
 - Unity Ads and Unity IAP (In-App Purchases), help developers to maximize the revenue potential of their content
 - Facilitate all of this through their real-time Unified Auction and retain a share of the revenue generated
 - Generate a small portion of usage-based revenue for various cloud-based products
- **Creators can run and monetize their content irrespective of whether the content was created in Unity**
 - Directly aligned with customer as they both generate more revenue as the usage of the games and applications increase

PARTNERSHIPS



- **Generate revenue from fixed fee, royalty and revenue-share arrangements with hardware, operating system, device, game console and other technology providers**
 - Enables creators to easily deploy their games and applications to relevant devices and platforms without the need for duplicative and time-consuming, platform-specific coding
 - Range from deep technology collaborations and development services agreements to co-marketing and revenue share arrangements
- **Agreements are tailored to the specific needs of each partner and are non-exclusive and typically have multi-year terms**
 - The majority involve fixed-fee service arrangements relating to development and integration services to enable creators to deploy their games and applications on the partners' platforms
 - Certain partnerships are also based on a revenue-share model, where they receive royalties based on the sales of games on partner platforms that incorporate their customized software
 - Currently have partnerships with over 20 such platforms

As gaming has proliferated, the business models for content have evolved

- Traditional one-time purchase and downloadable content models are moving to free-to-play, which requires new monetization methods such as advertising and in-app purchases
- Games have also increasingly migrated to live services models, hosted in the cloud and regularly updated for content and new features

Unity enables these new business models by providing creators with the solutions they need to easily run and monetize their content

- Traditional content development is done on a per-platform basis, often requiring creators to recreate and recode content for each individual platform
- Creators require solutions that enable them to create content once and deploy it to multiple platforms seamlessly, without having to develop and test code specific to each platform or having to maintain highly specialized teams

Substantial opportunity to increase market share in gaming across all customer types from large publishers to independent creators

- Large global publishers, including AAA studios, find using Unity to be more efficient and productive than building the same technology in-house
- Independent developers and freelance artists use Unity to create and operate content where they would not otherwise have had the resources to do

In 2019, on a global basis, 53% of the top 1,000 mobile games on the Apple App Store and Google Play and over 50% of such mobile games, PC games and console games combined were made with Unity

- 93 of the top 100 game development studios by global revenue in 2019 were Unity customers
- In 2020, games developed on the Unity platform recorded an average of over 8 billion hours of gameplay per month

CUSTOMERS



Leaps forward in compute power and bandwidth are enabling an explosion in interactive, real-time 3D content – led by games and now spreading rapidly into other industries

- Across these industries and more, Unity solutions and technology can unlock new forms of creativity and cost-efficiency that are impossible with traditional tools
- There are 37 million engineers and technicians who could be additional users of various current and future products that comprise our platform
- Architects, designers and project partners use real-time 3D to simultaneously contribute to the planning and development of a building with rapid, cost-effective iteration
- Real-time 3D technology is driving efficiencies in car development and sales cycles, allowing for interactive, life-like models of cars to be rendered in real-time

Utilizing a direct sales organization to increase adoption within larger enterprise customers and to expand into new industries, where potential customers are typically larger organizations

- Expanding organization with personnel who have experience in enterprise software sales in the specific industries which they are focusing
- Increasing marketing, legal and compliance and other efforts as they seek to expand into new industries that require a different go-to-market strategy

While customers in these industries are newer to their platform, early traction with large brands and companies demonstrates the broader appeal

- Near-term growth in these industries will be in Create Solutions as well as Strategic Partnerships
- As of December 31, 2019, 8% of their 600 customers contributing more than \$100,000 in trailing 12-month revenue were in industries beyond gaming
- As of June 30, 2020, they had more than 750 customers in industries beyond gaming, and 60 (8%) of their 716 customers contributing more than \$100,000 in trailing 12-month revenue were in industries beyond gaming

CUSTOMERS



Serve customers of all sizes, at every stage of maturity, from individual creators to large enterprises, and see opportunities for growth across all of these customer groups

- Focus a substantial portion of their sales and marketing investments on initiatives directed at large enterprises that drive the majority of revenue and their revenue growth in gaming as well as in other industries

As customers increasingly focus on their core business of content creation, Unity provides an alternative to the distracting and expensive maintenance of an ever-evolving set of technology tools, by replacing in-house proprietary technologies with their solutions

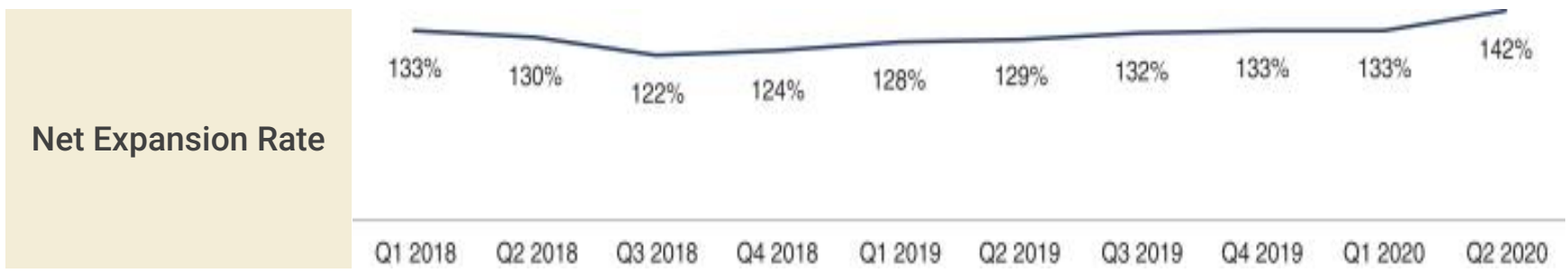
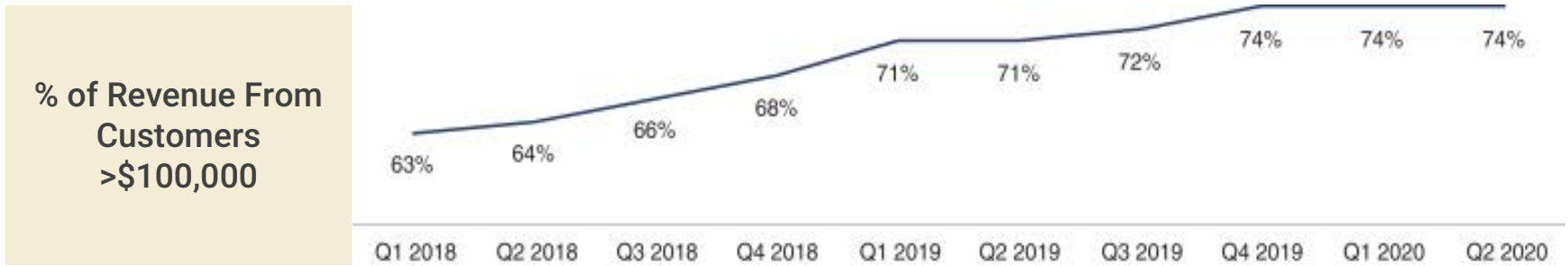
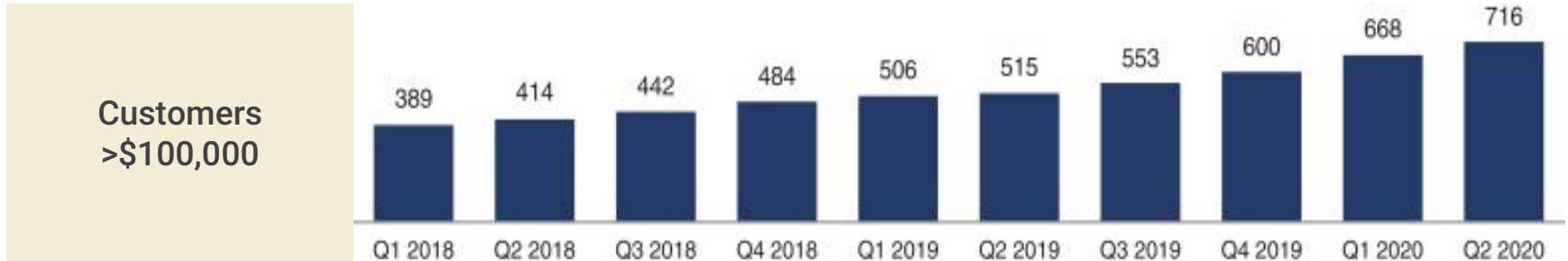
- Employ a direct sales approach for customers that require a large number of subscriptions or have high usage on the platform
- Employ an online self-service approach for individual developers and smaller studios that require a smaller number of subscriptions or have lower usage on the platform

Have a 15-year history with significant brand equity within the game developer community and this has resulted in substantial grass-roots organic growth with lower customer acquisition costs.

- Many of their enterprise customers are publishers with multiple studios and they can grow subscriptions by expanding within and across multiple studios inside a single publisher
- Often times when one studio experiences better quality content, improved efficiency, higher return on investment on customer acquisition, or better monetization of end-users through the use of their solutions, other studios within the publisher's portfolio also begin to adopt Unity
- See a substantial opportunity to replace in-house game development and operations technologies utilized by larger game development studios

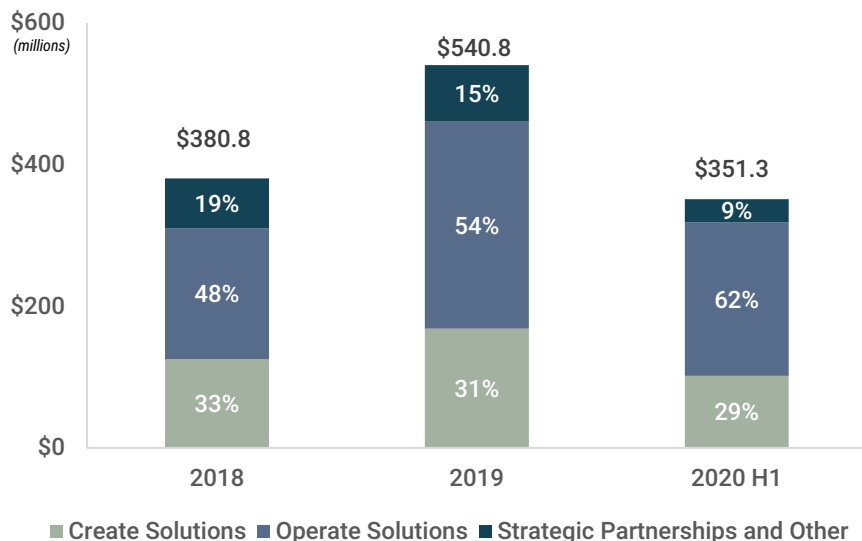


Customer Base

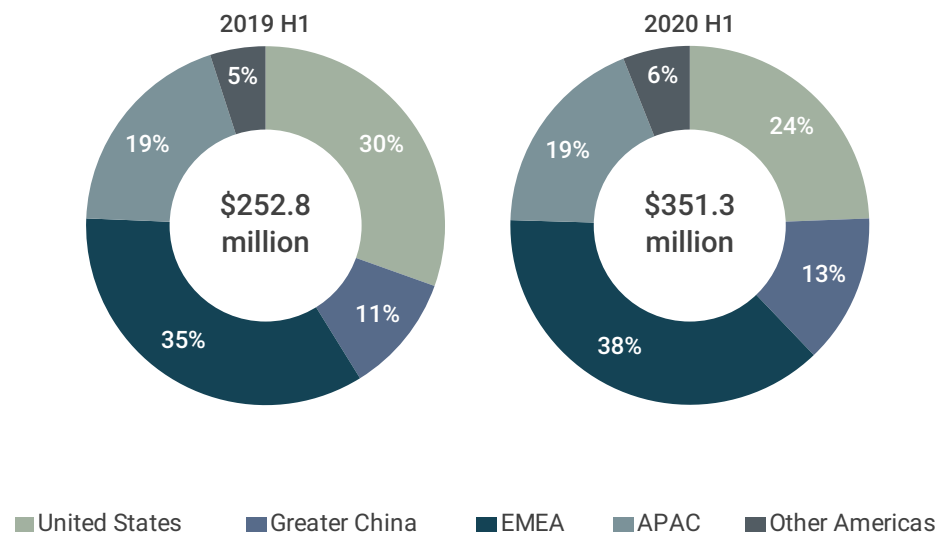


Consolidated Income Statement												
(in millions)	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019	2020 Q1	2020 Q2
Revenue												
Total Revenue	\$80.1	\$89.0	\$95.2	\$116.5	\$380.8	\$123.4	\$129.4	\$130.9	\$158.1	\$541.8	\$167.0	\$184.3
Costs of Revenue	\$16.5	\$18.0	\$20.0	\$26.7	\$81.3	\$33.1	\$29.0	\$26.5	\$30.0	\$118.6	\$31.9	\$40.4
Gross Profit	\$63.5	\$71.0	\$75.2	\$89.8	\$299.5	\$90.3	\$100.3	\$104.5	\$128.1	\$423.2	\$135.1	\$143.9
<i>Gross Profit Margin</i>	<i>79.3%</i>	<i>79.8%</i>	<i>78.9%</i>	<i>77.1%</i>	78.7%	<i>73.2%</i>	<i>77.5%</i>	<i>79.8%</i>	<i>81.0%</i>	78.1%	<i>80.9%</i>	<i>78.1%</i>
Operating Expenses												
Research & Development	\$46.7	\$52.3	\$53.2	\$51.8	\$204.1	\$54.5	\$64.3	\$64.0	\$73.1	\$255.9	\$81.8	\$85.1
Sales and Marketing	\$31.2	\$39.0	\$29.2	\$35.1	\$134.5	\$38.1	\$40.6	\$46.6	\$48.8	\$174.1	\$43.3	\$43.7
General and Admin	\$17.7	\$23.5	\$23.4	\$26.7	\$91.3	\$25.3	\$28.1	\$35.6	\$54.7	\$143.8	\$37.6	\$39.9
<i>Total Operating Expenses</i>	<i>\$95.6</i>	<i>\$114.8</i>	<i>\$105.8</i>	<i>\$113.6</i>	\$429.8	<i>\$118.0</i>	<i>\$133.0</i>	<i>\$146.2</i>	<i>\$176.7</i>	\$573.9	<i>\$162.6</i>	<i>\$168.7</i>
<i>Total Costs and Expenses</i>	<i>\$112.1</i>	<i>\$132.8</i>	<i>\$125.8</i>	<i>\$140.3</i>	\$511.1	<i>\$151.1</i>	<i>\$162.0</i>	<i>\$172.7</i>	<i>\$206.7</i>	\$692.4	<i>\$194.4</i>	<i>\$209.2</i>
Operating Income	(\$32.1)	(\$43.8)	(\$30.6)	(\$23.8)	(\$130.3)	(\$27.7)	(\$32.7)	(\$41.7)	(\$48.6)	(\$150.7)	(\$27.4)	(\$24.8)
<i>Operating Income Margin</i>	<i>-40.0%</i>	<i>-49.3%</i>	<i>-32.1%</i>	<i>-20.4%</i>	-34.2%	<i>-22.4%</i>	<i>-25.3%</i>	<i>-31.9%</i>	<i>-30.7%</i>	-27.8%	<i>-16.4%</i>	<i>-13.5%</i>
Other Income												
Interest Expense, net	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.1)	(\$0.7)
Interest Income	(\$1.1)	(\$2.5)	\$0.4	\$0.8	-\$2.3	(\$1.2)	\$0.5	(\$1.8)	(\$0.1)	(\$2.6)	\$1.9	(\$0.7)
Other income (expense), net	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>Total Other Income</i>	(\$1.1)	(\$2.5)	\$0.4	\$0.8	(\$2.3)	(\$1.2)	\$0.5	(\$1.8)	(\$0.1)	(\$2.6)	\$1.7	(\$1.3)
Income Before Income Taxes	(\$33.1)	(\$46.3)	(\$30.2)	(\$23.0)	(\$132.6)	(\$28.9)	(\$32.2)	(\$43.5)	(\$48.7)	(\$153.2)	(\$25.7)	(\$26.2)
Income tax benefit (expense)	(\$1.0)	\$1.9	\$0.6	(\$0.5)	\$1.0	(\$3.1)	(\$2.9)	(\$2.0)	(\$1.9)	(\$9.9)	(\$1.0)	(\$1.2)
Net Income	(\$34.1)	(\$44.4)	(\$29.6)	(\$23.5)	(\$131.6)	(\$32.0)	(\$35.0)	(\$45.5)	(\$50.6)	(\$163.2)	(\$26.7)	(\$27.4)
<i>Net Income Margin</i>	<i>-42.6%</i>	<i>-49.9%</i>	<i>-31.0%</i>	<i>-20.2%</i>	-34.6%	<i>-25.9%</i>	<i>-27.1%</i>	<i>-34.8%</i>	<i>-32.0%</i>	-30.1%	<i>-16.0%</i>	<i>-14.8%</i>

Revenue by Service



Revenue by Geography



Consolidated Balance Sheet (As of June 30, 2020)

(in millions)	(in millions)
Cash	\$453.3
Working Capital	\$339.9
Total Assets	\$1,289.1
Deferred Revenue	\$107.6
Total Debt	\$124.4
Convertible Preferred Stock	\$836.5
Accumulated Deficit	(\$569.3)
Total Stockholders Equity	\$647.4

Free Cash Flow (6 Months Ended June 30, 2020)

(in millions)	(in millions)
Net Cash Provided By Operating Activities	(\$15.4)
Purchases of Property and Equipment	(\$19.3)
Free Cash Flow	(\$34.7)
Net Cash Used in Investing Activities	(\$43.4)
Net Cash Provided by Financing Activities	\$387.4