

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from
Commission File Number: 001-39763

Roblox Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-0991664
(I.R.S. Employer
Identification No.)

970 Park Place
San Mateo , California , 94403
(Address of principal executive offices and Zip Code)
(888) 858-2569
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.0001 par value	RBLX	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 15, 2024, the registrant had approximately 591.3 million shares of Class A common stock and 48.7 million of Class B common stock outstanding, each with a par value of \$0.0001 per share.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “expect,” “anticipate,” “should,” “believe,” “hope,” “target,” “project,” “plan,” “goals,” “estimate,” “potential,” “predict,” “may,” “will,” “might,” “could,” “would,” “intend,” “shall,” “contemplate,” “opportunity,” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our expectations regarding future financial performance, including but not limited to our expectations regarding revenue, cost of revenue, changes in the estimated average lifetime of a paying user, operating expenses, operating losses, operating leverage, and our key metrics, and our ability to achieve and maintain future profitability;
- our ability to successfully execute our business and growth strategy, including our potential to scale and grow our advertising business, our international users, developers, and creators and our ability to create new revenue opportunities;
- the sufficiency of our cash and cash equivalents to meet our liquidity needs;
- economic, seasonal, and industry trends;
- the functionality and economics of our Platform on operating systems and through distribution channels and software application stores;
- the demand for our Platform in general;
- our ability to retain and increase our number of users, developers, and creators;
- the impact of inflation and global economic conditions on our operations;
- challenges associated with our future of work and return to office plans;
- our ability to develop enhancements to our Platform, and bring them to market in a timely manner;
- our beliefs about and objectives for future operations;
- our ability to attract and retain employees and key personnel and maintain our corporate culture;
- future acquisitions or investments, including infrastructure investments to increase capacity;
- the ability for developers to build, launch, scale, and monetize experiences for users;
- our expectations regarding our ability to generate revenue from our users;
- our ability to convert users into developers and creators;
- our expectations regarding new target demographics;
- our ability to continue to provide a safe and civil online environment, particularly for children;
- our ability to develop and protect our brand;
- our ability to maintain the security and availability of our Platform;
- our ability to detect and minimize unauthorized use of our Platform;
- the impact of disruption in supply chains on our ability to expand or increase the capacity of the Platform or replace defective equipment;
- our business model and expectations and management of future growth, including for headcount growth rate, expansion in international markets and expenditures associated with such growth;
- our ability to compete with existing and new competitors;
- our expectations regarding outstanding litigation and legal and regulatory matters;

- our expectations regarding the effects of existing and developing laws and regulations, including with respect to privacy, data protection, online safety, and the regulation of Robux as a security, both in the U.S. and internationally, including how such laws and regulations may interfere with user, developer and creator access to our Platform and experiences;
- our expectations surrounding Robux as an attractive virtual currency;
- our goal to increase developer and creator earnings as much as possible;
- the impact of geopolitical events, including the war in Ukraine, Hamas' attack against Israel and the ensuing war, and their impacts on economies globally;
- our expectations regarding new accounting standards;
- our ability to achieve and maintain effective control over financial reporting;
- the impact of foreign currency exchange rates and rising interest rates on results of operations;
- our estimates related to stock-based compensation expenses;
- generating sufficient cash to service our debt and other obligations that apply to our indebtedness; and
- the increased expenses associated with being a public company.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors, including those described in the section titled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

Neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Moreover, the forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

SPECIAL NOTE REGARDING OPERATING METRICS

We manage our business by tracking several operating metrics, including average daily active users ("DAUs"), hours engaged, bookings, average bookings per DAU ("ABPDAU"), average new and returning monthly unique payers, monthly repurchase rate, and average bookings per monthly unique payer. As a management team, we believe each of these operating metrics provides useful information to investors and others. For information concerning these metrics as measured by us, see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

While these metrics are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring how our platform is used. These metrics are determined by using internal data gathered on an analytics platform that we developed and operate and have not been validated by an independent third party. This platform tracks user account and session activity. If we fail to maintain an effective analytics platform, our metrics calculations may be inaccurate. These metrics are also determined by certain demographic data provided to us by the user, such as age or gender. If our users provide us with incorrect or incomplete information, then our estimates may be inaccurate. Our estimates also may change as our methodologies and platform evolve, including through the application of new data sets or technologies or as our platform changes with new features and enhancements.

We believe that these metrics are reasonable estimates of our user base for the applicable period of measurement, and that the methodologies we employ and update from time-to-time to create these metrics are reasonable bases to identify trends in user behavior. Because we update the methodologies we employ to create metrics, our current period metrics may not be comparable to those in prior periods. For example, in the first quarter of 2023, we revised the methodology we use to calculate average monthly unique payers for payers who purchased prepaid cards through one of our specified distributors (the impact to average new and returning monthly unique payers and average bookings per monthly unique payer in periods prior to the first quarter of 2023 was not significant). Similarly, our metrics may differ from estimates published by third parties or from similarly-titled metrics from other companies due to differences in methodology. Finally, the accuracy of our metrics may be affected by certain factors relating to user activity and our platform's systems and our ability to identify and detect attempts to replicate legitimate user activity, often referred to as botting. See the section titled "Risk Factors—Our user metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics may significantly harm and negatively affect our reputation and our business."

DAUs

We define a DAU as a user who has logged in and visited Roblox through our website or application on a unique registered account on a given calendar day. If a registered, logged in user visits Roblox more than once within a 24-hour period that spans two calendar days, that user is counted as a DAU only for the first calendar day. We believe this method better reflects global engagement on the platform compared to a method based purely on a calendar-day cutoff. DAUs for a specified period is the average of the DAUs for each day during that period. As an example, DAUs for the month of September would be an average of DAUs during that 30 day period.

Other companies, including companies in our industry, may calculate DAUs differently.

We track DAUs as an indicator of the size of the audience engaged on our platform. DAUs are also broken out by geographic region to help us understand the global engagement on our platform.

The geographic location data collected is based on the IP address associated with the account when an account is initially registered on Roblox. The IP address may not always accurately reflect a user's actual location at the time they engaged with our platform. Historically, we have grouped Xbox users into Rest of World for the purposes of our reporting (since the fourth quarter of 2020, Xbox users have represented less than 2% of our total quarterly DAUs and quarterly hours engaged). Beginning in the fourth quarter of 2023, Xbox users are reported in their respective geographies.

Because DAUs measure account activity and an individual user may actively use our platform within a particular day on multiple accounts for which that individual registered, our DAUs are not a measure of unique individuals accessing Roblox. Additionally, if undetected, fraud and unauthorized access to our platform may contribute, from time to time, to an overstatement of DAUs. In many cases, fraudulent accounts are created by bots to inflate user activity for a particular developer's content on our platform, thus making the developer's experience (which refer to the titles that have been created by developers) or other content appear more popular than it really is. We strive to detect and minimize fraud and unauthorized access to our platform. See the sections titled "Risk Factors—Our user metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics may significantly harm and negatively affect our reputation and our business," and "Risk Factors—Some developers, creators, and users on our Platform may make unauthorized, fraudulent, or illegal use of Robux and other digital goods or experiences on our Platform, including through unauthorized third-party websites or "cheating" programs."

Hours Engaged

We define hours engaged as the time spent by our users on the platform. We calculate total hours engaged as the aggregate of user session lengths in a given period. We estimate this length of time using internal company systems that track user activity on our platform as discrete events, and aggregate these discrete activities into a user session. A given user session on our platform may include, among other things, time spent in experiences, in Roblox Studio, in platform features such as chat and avatar personalization, in the Creator Store, and some amount of non-active time due to limits within the tracking systems and our estimation methodology. User sessions on our platform may be tracked differently across devices and platforms, including mobile, tablet, web, desktop, and game console due to inherent differences in functionality and user behaviors. As we continue to develop new features and products, we expect that our user session calculation will continue to evolve. We continue to review our user session calculation methodologies and may develop alternative calculation methods to increase consistency and accuracy in future periods.

We track hours engaged as an indicator of the user engagement on our platform. Hours engaged are also broken out by geographic region to help us understand the global engagement on our platform.

We continuously strive to increase the sophistication of our company systems to detect different user activities, including botting, non-active time and other activities across all devices. As we continue to improve our ability to detect and deter certain user behaviors on the platform and different devices, including unauthorized use of our platform, we may see an impact to our overall hours engaged as our measurement systems evolve and our efforts to reduce botting become more successful.

See the section titled “Risk Factors—Our user metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics may significantly harm and negatively affect our reputation and our business.”

Bookings

Bookings represent the sales activity in a given period without giving effect to certain non-cash adjustments, as detailed below. Substantially all of our bookings are generated from sales of virtual currency, which can ultimately be converted to virtual items on the platform. Sales of virtual currency reflected as bookings include one-time purchases or monthly subscriptions purchased via payment processors or through prepaid cards. Bookings are initially recorded in deferred revenue and recognized as revenues over the estimated period of time the virtual items purchased with the virtual currency are available on the platform (estimated to be the average lifetime of a paying user) or as the virtual items purchased with the virtual currency are consumed. Bookings also include an insignificant amount from advertising and licensing arrangements.

We believe bookings provide a timelier indication of trends in our operating results that are not necessarily reflected in our revenue as a result of the fact that we recognize the majority of revenue over the estimated average lifetime of a paying user, which was 28 months as of March 31, 2024. The change in deferred revenue constitutes the vast majority of the reconciling difference from revenue to bookings. By removing these non-cash adjustments, we are able to measure and monitor our business performance based on the timing of actual transactions with our users and the cash that is generated from these transactions. Over the long-term, the factors impacting our revenue and bookings trends are the same. However, in the short-term, there are factors that may cause revenue and bookings trends to differ.

We use this non-GAAP financial information to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that this non-GAAP financial information may be helpful to investors because it provides consistency and comparability with past financial performance. However, non-GAAP financial measures have limitations in their usefulness to investors because they have no standardized meaning prescribed by GAAP and are not prepared under any comprehensive set of accounting rules or principles. In addition, other companies, including companies in our industry, 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 information as a tool for comparison. As a result, our non-GAAP financial information is presented for supplemental informational purposes only and should not be considered in isolation from, or as a substitute for financial information presented in accordance with GAAP.

Bookings are also broken out by geographic region based on the billing country of our payers, to help us understand the global engagement and monetization on our platform. The billing address may not always accurately reflect a payer’s actual location at the time of their purchase.

ABPDAU

We define ABPDAU as bookings in a given period divided by the DAUs for such period. We primarily use ABPDAU as a way to understand how we are monetizing across all of our users through the sale of virtual currency and subscriptions. ABPDAU is also broken out by geographic region to help us understand the global monetization on our platform.

Average New and Returning Monthly Unique Payers and Monthly Repurchase Rate

We define new monthly unique payers as user accounts that made their first payment on the platform, or via redemption of prepaid cards, during a given month. Average new monthly unique payers for a specified period is the average of the new monthly unique payers for each month during that period. Because we do not always have the data necessary to link an individual who has paid under multiple user accounts, an individual may be counted as multiple new monthly unique payers.

We define returning monthly unique payers as user accounts that have made a payment on the platform, or via redemption of prepaid cards, in the current month and in any prior month. Average returning monthly unique payers for a specified period is the average of the returning monthly unique payers for each month during that period. Because we do not always have the data necessary to link an individual who has paid under multiple user accounts, an individual may be counted as multiple returning monthly unique payers.

We define monthly repurchase rate as the returning monthly unique payers in the current month, divided by the sum of the prior month's new monthly unique payers and returning monthly unique payers. Average monthly repurchase rate for a specified period is the average of the monthly repurchase rates for each month during that period.

Average Bookings per Monthly Unique Payer

We define average bookings per monthly unique payer as bookings in the specified period divided by the average monthly unique payers for the same specified period.

PART I—FINANCIAL INFORMATION
Item 1. Financial Statements (unaudited)

ROBLOX CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par values)
(unaudited)

	As of	
	March 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 866,414	\$ 678,466
Short-term investments	1,543,819	1,514,808
Accounts receivable—net of allowances	331,677	505,769
Prepaid expenses and other current assets	88,537	74,549
Deferred cost of revenue, current portion	525,570	501,821
Total current assets	3,356,017	3,275,413
Long-term investments	1,059,246	1,043,399
Property and equipment—net	691,292	695,360
Operating lease right-of-use assets	715,501	665,107
Deferred cost of revenue, long-term	292,509	283,326
Intangible assets, net	47,938	53,060
Goodwill	141,956	142,129
Other assets	10,212	10,284
Total assets	\$ 6,314,671	\$ 6,168,078
Liabilities and Stockholders' equity		
Current liabilities:		
Accounts payable	\$ 49,078	\$ 60,087
Accrued expenses and other current liabilities	273,649	271,121
Developer exchange liability	292,676	314,866
Deferred revenue—current portion	2,513,339	2,406,292
Total current liabilities	3,128,742	3,052,366
Deferred revenue—net of current portion	1,393,807	1,373,250
Operating lease liabilities	693,815	646,506
Long-term debt, net	1,005,338	1,005,000
Other long-term liabilities	30,282	22,330
Total liabilities	6,251,984	6,099,452
Commitments and contingencies (Note 10)		
Stockholders' equity		
Common stock, \$ 0.0001 par value; 5,000,000 authorized as of March 31, 2024 and December 31, 2023, 639,734 and 631,221 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively; Class A common stock— 4,935,000 shares authorized as of March 31, 2024 and December 31, 2023, 591,056 and 581,135 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively; Class B common stock— 65,000 shares authorized as of March 31, 2024 and December 31, 2023, 48,678 and 50,086 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	61	61
Additional paid-in capital	3,407,986	3,134,946
Accumulated other comprehensive income/(loss)	(5,589)	1,536
Accumulated deficit	(3,330,857)	(3,060,253)
Total Roblox Corporation Stockholders' equity	71,601	76,290
Noncontrolling interests	(8,914)	(7,664)
Total Stockholders' equity	62,687	68,626
Total Liabilities and Stockholders' equity	\$ 6,314,671	\$ 6,168,078

The accompanying notes are an integral part of these condensed consolidated financial statements.

ROBLOX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended	
	March 31,	
	2024	2023
Revenue	\$ 801,300	\$ 655,344
Cost and expenses:		
Cost of revenue ⁽¹⁾	178,866	151,841
Developer exchange fees	202,405	182,440
Infrastructure and trust & safety	226,934	211,044
Research and development	362,065	275,537
General and administrative	97,824	97,574
Sales and marketing	35,534	26,755
Total cost and expenses	1,103,628	945,191
Loss from operations	(302,328)	(289,847)
Interest income	42,170	31,082
Interest expense	(10,363)	(10,012)
Other income/(expense), net	(346)	(440)
Loss before income taxes	(270,867)	(269,217)
Provision for/(benefit from) income taxes	1,053	731
Consolidated net loss	(271,920)	(269,948)
Net loss attributable to noncontrolling interests	(1,316)	(1,635)
Net loss attributable to common stockholders	\$ (270,604)	\$ (268,313)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.43)	\$ (0.44)
Weighted-average shares used in computing net loss per share attributable to common stockholders—basic and diluted	635,020	606,637

(1) Depreciation of servers and infrastructure equipment included in infrastructure and trust & safety.

The accompanying notes are an integral part of these condensed consolidated financial statements.

ROBLOX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three Months Ended	
	March 31,	
	2024	2023
Consolidated net loss	\$ (271,920)	\$ (269,948)
Other comprehensive loss, net of tax:		
Foreign currency translation adjustments	(678)	(68)
Net change in unrealized gains/(losses) on available-for-sale marketable securities	(6,381)	(575)
Other comprehensive loss, net of tax	(7,059)	(643)
Total comprehensive loss, including noncontrolling interests	(278,979)	(270,591)
Less: net loss attributable to noncontrolling interests	(1,316)	(1,635)
Less: cumulative translation adjustments attributable to noncontrolling interests	66	(34)
Other comprehensive loss attributable to noncontrolling interests, net of tax	(1,250)	(1,669)
Total comprehensive loss attributable to common stockholders	<u>\$ (277,729)</u>	<u>\$ (268,922)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

ROBLOX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

Three Months Ended March 31, 2024

	Class A and		Additional	Accumulated		Non-	Total								
	Class B			Paid-In	Other			Accumulated	Controlling	Stockholders'					
	Common Stock										Capital	Comprehensive	Deficit	Interest	Equity
	Shares	Amount													
Balance at December 31, 2023	631,221	\$ 61	\$ 3,134,946	\$ 1,536	\$ (3,060,253)	\$ (7,664)	\$ 68,626								
Issuance of common stock upon exercise of stock options	2,594	—	7,796	—	—	—	7,796								
Issuance of common stock under Employee Stock Purchase Plan	1,085	—	24,742	—	—	—	24,742								
Vesting of restricted stock units	4,834	—	—	—	—	—	—								
Stock-based compensation expense	—	—	240,502	—	—	—	240,502								
Other comprehensive income/(loss)	—	—	—	(7,125)	—	66	(7,059)								
Net loss	—	—	—	—	(270,604)	(1,316)	(271,920)								
Balance at March 31, 2024	639,734	\$ 61	\$ 3,407,986	\$ (5,589)	\$ (3,330,857)	\$ (8,914)	\$ 62,687								

Three Months Ended March 31, 2023

	Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income/(Loss)		Non- Controlling Interest	Total Stockholders' Equity
	Shares	Amount		Deficit			
Balance at December 31, 2022	604,674	\$ 59	\$ 2,213,603	\$ 671	\$ (1,908,307)	\$ (991)	\$ 305,035
Issuance of common stock upon exercise of stock options	2,263	1	5,912	—	—	—	5,913
Issuance of common stock under Employee Stock Purchase Plan	639	—	19,921	—	—	—	19,921
Vesting of restricted stock units	2,911	—	—	—	—	—	—
Stock-based compensation expense	—	—	184,904	—	—	—	184,904
Other comprehensive income/(loss)	—	—	—	(609)	—	(34)	(643)
Net loss	—	—	—	—	(268,313)	(1,635)	(269,948)
Balance at March 31, 2023	610,487	\$ 60	\$ 2,424,340	\$ 62	\$ (2,176,620)	\$ (2,660)	\$ 245,182

The accompanying notes are an integral part of these condensed consolidated financial statements.

ROBLOX CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Consolidated net loss	\$ (271,920)	\$ (269,948)
Adjustments to reconcile net loss including noncontrolling interests to net cash and cash equivalents provided by operations:		
Depreciation and amortization expense	53,741	47,412
Stock-based compensation expense	240,502	184,904
Operating lease non-cash expense	27,722	21,244
(Accretion)/amortization on marketable securities, net	(19,998)	(12,122)
Amortization of debt issuance costs	338	324
Impairment expense, (gain)/loss on investment and other asset sales, and other, net	63	8,236
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	174,068	113,193
Prepaid expenses and other current assets	(15,310)	(8,359)
Deferred cost of revenue	(33,368)	(20,137)
Other assets	51	(2,158)
Accounts payable	(3,576)	18,307
Accrued expenses and other current liabilities	(9,221)	(17,004)
Developer exchange liability	(22,190)	(3,865)
Deferred revenue	129,184	123,783
Operating lease liabilities	(19,103)	(11,999)
Other long-term liabilities	7,963	1,970
Net cash and cash equivalents provided by operating activities	238,946	173,781
Cash flows from investing activities:		
Acquisition of property and equipment	(46,680)	(91,359)
Purchases of intangible assets	(1,200)	(500)
Purchases of investments	(1,032,756)	(2,340,200)
Maturities of investments	873,820	—
Sales of investments	128,232	84,279
Net cash and cash equivalents used in investing activities	(78,584)	(2,347,780)
Cash flows from financing activities:		
Proceeds from issuance of common stock	32,670	25,472
Payments related to business combination, after acquisition date	(4,450)	(750)
Net cash and cash equivalents provided by financing activities	28,220	24,722
Effect of exchange rate changes on cash and cash equivalents	(634)	(68)
Net increase/(decrease) in cash and cash equivalents	187,948	(2,149,345)
Cash and cash equivalents		
Beginning of period	678,466	2,977,474
End of period	\$ 866,414	\$ 828,129
Supplemental disclosure of noncash investing and financing activities:		
Property and equipment additions in accounts payable and accrued expenses and other liabilities	\$ 30,084	\$ 109,617

The accompanying notes are an integral part of these condensed consolidated financial statements.

Roblox Corporation
Notes to Unaudited Condensed Consolidated Financial Statements

1. Organization and Description of Business

Description of Business

Roblox Corporation (the “Company” or “Roblox”) was incorporated under the laws of the state of Delaware in March 2004. The Company operates a free to use immersive platform for connection and communication (the “Roblox Platform” or “Platform”) where people come to create, play, work, learn, and connect with each other in experiences built by our global community of creators. Users are free to immerse themselves in experiences on the Roblox Platform and can acquire experience-specific enhancements or avatar items by using purchased Robux, our virtual currency. Any user can be a developer or creator on the Platform using Roblox Studio, a set of free software tools. Developers and creators build the experiences that are published on Roblox and can earn Robux by monetizing their experience, creating and selling or reselling avatar items, or creating and selling Roblox Studio plugins.

2. Basis of Presentation and Summary of Significant Accounting Policies

Fiscal Year

The Company's fiscal year ends on December 31. For example, references to fiscal year 2024 and 2023 refer to the fiscal year ending December 31, 2024 and December 31, 2023, respectively.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”), and applicable rules and regulations of the Securities and Exchange Commission (“SEC”), regarding interim financial reporting. Accordingly, they do not include all disclosures normally required in annual consolidated financial statements prepared in accordance with U.S. GAAP. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on February 21, 2024.

In the Company's opinion, the information contained herein reflects all adjustments necessary for a fair presentation of the Company's results of operations, financial position, cash flows, and stockholders' equity. All such adjustments are of a normal, recurring nature. The results of operations for the three months ended March 31, 2024 shown in this report are not necessarily indicative of the results to be expected for the full year ending December 31, 2024 or any other interim period.

For a discussion of the Company's significant accounting policies, refer to the header “Foreign Currency Transactions” below, as well as the significant accounting policies as described in the Company's consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on February 21, 2024.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and subsidiaries over which the Company has control. All intercompany transactions and balances have been eliminated. The condensed consolidated financial statements include 100% of the accounts of wholly owned and majority owned subsidiaries, and the ownership interest of minority investors is recorded as noncontrolling interest.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Significant estimates and assumptions reflected in the condensed consolidated financial statements include, but are not limited to, the estimated period of time the virtual items are available to the user, which is estimated as the average lifetime of a paying user, and the estimated amount of consumable and durable virtual items purchased for which the Company lacks specific information that is used for revenue recognition, the estimated amount of expected breakage related to prepaid card sales, useful lives of property and equipment and intangible assets, fair value of assets and liabilities acquired through acquisitions, accrued liabilities (including accrued developer exchange fees), contingent liabilities, valuation of deferred tax assets and liabilities, stock-based compensation expense, the discount rate used in measuring our operating lease liabilities, the carrying value of operating lease right-of-use assets, evaluation of recoverability of goodwill, intangible assets and long-lived assets, and as necessary, estimates of fair value to measure impairment losses. Management believes that the estimates, and judgments upon which they rely, are reasonable based upon information available to them at the time that these estimates and judgments are made. Actual results could differ from those estimates and any such differences may be material to the condensed consolidated financial statements. To the extent that there are material differences between these estimates and actual results, the Company's condensed consolidated financial statements will be affected.

Foreign Currency Transactions

Beginning January 1, 2024, the functional currency of certain non-U.S. dollar functional currency international subsidiaries was re-assessed from the U.S. dollar to the local currency that the international subsidiary operates in. Prior to January 1, 2024, the functional currency of the Company's international subsidiaries was primarily the U.S. dollar. The effects of the changes in functional currency were not significant to our condensed consolidated financial statements.

The Company translates the financial statements of non-U.S. dollar functional currency subsidiaries to U.S. dollars using the period-end exchange rate for assets and liabilities and the average exchange rate for the period for revenues and expenses. The effects of foreign currency translation are included in stockholders' equity and periodic movements are summarized as a line item in the condensed consolidated statements of comprehensive loss.

The Company reflects foreign exchange transaction gains and losses resulting from the conversion of the transaction currency to the functional currency, which includes gains and losses from the remeasurement of assets and liabilities, as a component of other income/(expense), net.

Recent Accounting Pronouncements

Recent Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, "*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*," which requires public entities to disclose expanded information about their reportable segment(s)' significant expenses and other segment items on an interim and annual basis. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The ASU is required to be applied retrospectively to all prior periods presented in the financial statements once adopted. The Company is evaluating the disclosure requirements related to the new standard.

In December 2023, the FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*," which requires public entities to disclose specific tax rate reconciliation categories, as well as income taxes paid disaggregated by jurisdiction, amongst other disclosure enhancements. The ASU is effective for financial statements issued for annual periods beginning after December 15, 2024, with early adoption permitted. The ASU can be adopted on a prospective or retrospective basis. The Company is evaluating the disclosure requirements related to the new standard.

3. Revenue from Contracts with Customers

The following table summarizes revenue by region based on the billing country of users (in thousands, except percentages):

	Three Months Ended March 31,			
	2024		2023	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue
United States and Canada ⁽¹⁾	\$ 509,564	64 %	\$ 425,763	65 %
Europe	145,564	18	118,530	18
Asia-Pacific, including Australia and New Zealand	85,274	11	65,128	10
Rest of world	60,898	7	45,923	7
Total	\$ 801,300	100 %	\$ 655,344	100 %

⁽¹⁾ The Company's revenues in the United States were 60 % and 61 % of consolidated revenue for the three months ended March 31, 2024 and 2023, respectively.

No individual country, other than the United States, exceeded 10% of the Company's consolidated revenue for any period presented.

Durable virtual items accounted for 92 % and 90 % of virtual item-related revenue in the three months ended March 31, 2024 and 2023, respectively. Consumable virtual items accounted for 8 % and 10 % of virtual item-related revenue in the three months ended March 31, 2024 and 2023, respectively.

The estimated average lifetime of a paying user was 28 months during the three months ended March 31, 2024 and 2023. Following the Company's assessment of the estimated average lifetime of a paying user completed at the onset of each quarter, beginning April 1, 2024, the estimated average lifetime of a paying user changed from 28 months to 27 months. Based on the carrying amount of deferred revenue and deferred cost of revenue as of March 31, 2024, the April 1, 2024 change in estimate will result in an increase in revenue and cost of revenue of \$ 58.9 million and \$ 12.4 million, respectively, during the three months ended June 30, 2024 and an increase in revenue and cost of revenue of \$ 98.0 million and \$ 20.4 million, respectively, during the twelve months ended December 31, 2024.

Refer to the heading "Basis of Presentation and Summary of Significant Accounting Policies — Revenue Recognition" as described in the Company's consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on February 21, 2024 for further background on the Company's process to estimate the average lifetime of a paying user.

Deferred Revenue

The Company receives payments from its users based on the payment terms established in its contracts. Such payments are initially recorded to deferred revenue and are recognized into revenue as the Company satisfies its performance obligations. The aggregate amount of revenue allocated to unsatisfied performance obligations is included in our deferred revenue balances.

The increase in deferred revenue for the three months ended March 31, 2024 was driven by sales during the period exceeding revenue recognized from the satisfaction of our performance obligations, which includes the revenue recognized during the period that was included in the current portion of deferred revenue at the beginning of the period. During the three months ended March 31, 2024, we recognized \$ 704.4 million of revenue that was included in the current deferred revenue balance as of December 31, 2023.

4. Leases

On February 7, 2024, the Company executed a lease assignment as sub-lessee pursuant to which the Company will sublease approximately 133,137 square feet of office space in San Mateo, California for a lease term of approximately four years (the "2024 Sub-Lessee Agreement"). Concurrent with the execution of the 2024 Sub-Lessee Agreement, the Company executed a sublease as sub-lessor pursuant to which it will sublease approximately 61,773 square feet of its San Mateo, California corporate headquarters to the sub-lessee for a lease term of approximately three years (the "2024 Sub-Lessor Agreement").

The total lease payments due by the Company over the sublease term under the 2024 Sub-Lessee Agreement are \$ 38.9 million and the Company took possession of the assigned space in April 2024. The total lease payments due to the Company over the sublease term under the 2024 Sub-Lessor Agreement are approximately \$ 13.0 million and the Company provided possession to the sub-lessee in April 2024.

The Company also took possession of data center leased space in the first quarter of 2024, with lease payments – net of leasehold incentives – totaling \$ 95.4 million over a seven year lease term.

5. Cash Equivalents and Investments

The following is a summary of the Company's cash equivalents and short-term and long-term investments (in thousands):

	As of March 31, 2024						
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash Equivalents	Short-Term Investments	Long-Term Investments
Debt Securities							
Level 1							
Money market funds	\$ 798,671	\$ —	\$ —	\$ 798,671	\$ 798,671	\$ —	\$ —
U.S. Treasury securities	1,746,818	371	(5,848)	1,741,341	—	1,209,733	531,608
Subtotal	2,545,489	371	(5,848)	2,540,012	798,671	1,209,733	531,608
Level 2							
U.S. agency securities	261,358	2	(278)	261,082	—	106,496	154,586
Commercial paper	185,507	—	—	185,507	6,909	178,598	—
Corporate debt securities	421,469	1,065	(1,599)	420,935	—	47,883	373,052
Subtotal	868,334	1,067	(1,877)	867,524	6,909	332,977	527,638
Total Debt Securities	\$ 3,413,823	\$ 1,438	\$ (7,725)	\$ 3,407,536	\$ 805,580	\$ 1,542,710	\$ 1,059,246
Equity Securities							
Level 1							
Mutual funds ⁽¹⁾				\$ 1,109	\$ —	\$ 1,109	\$ —
Total Equity Securities				\$ 1,109	\$ —	\$ 1,109	\$ —
Total Investments	\$ 3,413,823	\$ 1,438	\$ (7,725)	\$ 3,408,645	\$ 805,580	\$ 1,543,819	\$ 1,059,246

As of December 31, 2023							
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash Equivalents	Short-Term Investments	Long-Term Investments
Debt Securities							
Level 1							
Money market funds	\$ 614,888	\$ —	\$ —	\$ 614,888	\$ 614,888	\$ —	\$ —
U.S. Treasury securities	1,692,700	2,007	(2,547)	1,692,160	—	1,155,218	536,942
Subtotal	2,307,588	2,007	(2,547)	2,307,048	614,888	1,155,218	536,942
Level 2							
U.S. agency securities	286,007	27	(197)	285,837	—	137,151	148,686
Commercial paper	184,465	—	—	184,465	14,827	169,638	—
Corporate debt securities	409,037	2,066	(1,262)	409,841	—	52,070	357,771
Subtotal	879,509	2,093	(1,459)	880,143	14,827	358,859	506,457
Total Debt Securities	\$ 3,187,097	\$ 4,100	\$ (4,006)	\$ 3,187,191	\$ 629,715	\$ 1,514,077	\$ 1,043,399
Equity Securities							
Level 1							
Mutual funds ⁽¹⁾				\$ 731	\$ —	\$ 731	\$ —
Total Equity Securities				\$ 731	\$ —	\$ 731	\$ —
Total Investments	\$ 3,187,097	\$ 4,100	\$ (4,006)	\$ 3,187,922	\$ 629,715	\$ 1,514,808	\$ 1,043,399

⁽¹⁾ The equity securities relate to the Company's nonqualified deferred compensation plan and are held in a rabbi trust. Refer to Note 14, "Employee and Director Benefits", to the notes to the condensed consolidated financial statements for more information.

As of March 31, 2024, all of the Company's short-term debt investments have contractual maturities of one year or less and all of the Company's long-term debt investments have contractual maturities of between one and three years .

Changes in market interest rates, credit risk of borrowers and overall market liquidity, amongst other factors, may cause our short-term and long-term debt investments to fall below their amortized cost basis, resulting in unrealized losses. For those debt securities in an unrealized loss position as of March 31, 2024, the unrealized losses were primarily driven by increases in interest rates following the date of purchase and the Company does not intend to sell, nor is it more likely than not it will be required to sell, such securities before recovering the amortized cost basis.

The following table presents fair values and gross unrealized losses, aggregated by investment category and the length of time that individual securities have been in a continuous loss position (in thousands):

	As of March 31, 2024					
	Less Than 12 Months		12 Months or Greater		Total	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
U.S. Treasury securities	\$ 1,459,154	\$ (5,848)	\$ —	\$ —	\$ 1,459,154	\$ (5,848)
U.S. agency securities	223,619	(241)	22,463	(37)	246,082	(278)
Corporate debt securities	232,518	(1,278)	35,662	(321)	268,180	(1,599)
Total	\$ 1,915,291	\$ (7,367)	\$ 58,125	\$ (358)	\$ 1,973,416	\$ (7,725)

	As of December 31, 2023					
	Less Than 12 Months		12 Months or Greater		Total	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
U.S. Treasury securities	\$ 486,424	\$ (2,547)	\$ —	\$ —	\$ 486,424	\$ (2,547)
U.S. agency securities	182,475	(197)	—	—	182,475	(197)
Corporate debt securities	248,287	(1,262)	—	—	248,287	(1,262)
Total	\$ 917,186	\$ (4,006)	\$ —	\$ —	\$ 917,186	\$ (4,006)

6. Acquisitions

Speechly, Inc.

On September 18, 2023 (the "Speechly Acquisition Date"), the Company acquired all outstanding equity interests of Speechly, Inc. and its wholly owned Finnish subsidiary Speechly Oy (together, "Speechly"). Speechly is a privately held company, that operates a speech recognition software focused on voice moderation. The acquisition has been accounted for as a business combination. The consideration totaled \$ 10.1 million, which included (i) \$ 4.8 million of cash paid on the Speechly Acquisition Date and (ii) \$ 5.3 million of cash held back until certain post-acquisition conditions are satisfied.

The following table summarizes the Company's preliminary allocation of the purchase consideration based on the fair value of assets acquired and liabilities assumed at the Speechly Acquisition Date (in thousands):

	September 18, 2023
Cash and cash equivalents	\$ 970
Other current assets acquired	111
Intangible assets, net	
Developed technology, useful life of five years	2,800
Goodwill	7,536
Other current liabilities assumed	\$ (1,117)
Other long-term liabilities assumed	(182)
Total purchase price	<u>\$ 10,118</u>

Goodwill is attributable to the assembled workforce and anticipated synergies arising from the acquisition. The goodwill recognized is not expected to be deductible for income tax purposes.

7. Goodwill and Intangible Assets

Goodwill

The following table represents the changes to goodwill during the three months ended March 31, 2024 (in thousands):

	Carrying Amount
Balance as of December 31, 2023	\$ 142,129
Additions from acquisitions	—
Foreign currency translation adjustments	(173)
Balance as of March 31, 2024	<u>\$ 141,956</u>

There are no accumulated impairment losses for any period presented.

Intangible Assets

The following tables present details of the Company's finite-lived intangible assets as of March 31, 2024 and December 31, 2023 (in thousands):

	As of March 31, 2024		
	Gross Carrying Amount	Accumulated Amortization Expense	Net Carrying Amount
Developed technology	\$ 75,391	\$ (43,235)	\$ 32,156
Patents	14,200	(1,025)	13,175
Assembled workforce	10,000	(8,208)	1,792
Trade name	500	(258)	242
Total intangible assets	\$ 100,091	\$ (52,726)	\$ 47,365

	As of December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization Expense	Net Carrying Amount
Developed technology	\$ 75,455	\$ (39,411)	\$ 36,044
Patents	14,200	(650)	13,550
Assembled workforce	10,000	(7,374)	2,626
Trade name	500	(233)	267
Total intangible assets	\$ 100,155	\$ (47,668)	\$ 52,487

The above tables do not include \$ 0.6 million of indefinite lived intangible assets as of March 31, 2024 and as of December 31, 2023.

Amortization expense related to our finite-lived intangible assets was \$ 5.1 million and \$ 4.5 million for the three months ended March 31, 2024 and March 31, 2023, respectively.

Expected future amortization expenses related to the Company's finite-lived intangible assets as of March 31, 2024 are as follows (in thousands):

Year ending December 31:		
Remainder of 2024	\$	13,880
2025		15,714
2026		6,680
2027		3,116
2028		1,925
Thereafter		6,050
Total remaining amortization	\$	47,365

8. Other Balance Sheet Components

Prepaid expenses and other current assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	As of	
	March 31, 2024	December 31, 2023
Prepaid expenses	\$ 61,032	\$ 48,555
Accrued interest receivable	15,228	14,697
Other current assets	12,277	11,297
Total prepaid expenses and other current assets	\$ 88,537	\$ 74,549

Property and equipment, net

Property and equipment, net, consisted of the following (in thousands):

	As of	
	March 31, 2024	December 31, 2023
Servers and related equipment and software	\$ 924,824	\$ 914,989
Computer hardware and software licenses	46,164	43,732
Furniture and fixtures	1,021	520
Leasehold improvements	101,839	101,785
Construction in progress	108,356	77,043
Total property and equipment	1,182,204	1,138,069
Less accumulated depreciation and amortization expense	(490,912)	(442,709)
Property and equipment—net	\$ 691,292	\$ 695,360

Construction in progress primarily relates to leasehold improvements for the Company's leased office buildings and network equipment infrastructure to support the Company's data centers.

Depreciation and amortization expense of property and equipment was \$ 48.7 million and \$ 42.9 million for the three months ended March 31, 2024 and March 31, 2023, respectively.

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	As of	
	March 31, 2024	December 31, 2023
Accrued operating expenses	\$ 61,679	\$ 51,921
Short term operating lease liabilities	122,775	111,293
Accrued interest on the 2030 Notes	16,146	6,458
Taxes payable	46,688	59,632
Accrued compensation and other employee related liabilities	19,987	32,125
Other current liabilities	6,374	9,692
Total accrued expenses and other current liabilities	\$ 273,649	\$ 271,121

9. Debt

2030 Notes

On October 29, 2021, the Company issued \$ 1.0 billion aggregate principal amount of its 3.875 % Senior Notes due 2030 (the "2030 Notes"). The 2030 Notes mature on May 1, 2030. The 2030 Notes bear interest at a rate of 3.875 % per annum. Interest on the 2030 Notes is payable semi-annually in arrears on May 1 and November 1 of each year, commencing on May 1, 2022.

The aggregate proceeds from offering of the 2030 Notes were approximately \$ 987.5 million, after deducting lenders costs and other issuance costs incurred by the Company. The issuance costs of \$ 12.5 million are amortized into interest expense using the effective interest method over the term of the 2030 Notes.

The Company may voluntarily redeem the 2030 Notes, in whole or in part, under the following circumstances:

- (1) at any time prior to November 1, 2024, the Company may on any one or more occasions redeem up to 40 % of the aggregate principal amount of the 2030 Notes at a redemption price of 103.875 % of the principal amount including accrued and unpaid interest, if any, with the net cash proceeds of certain equity offerings; provided that (1) at least 50 % of the aggregate principal amount of 2030 Notes originally issued remains outstanding immediately after the occurrence of such redemption (excluding 2030 Notes held by the Company and its subsidiaries); and (2) the redemption occurs within 180 days of the date of the closing of such equity offerings.

- (2) on or after November 1, 2024, the Company may redeem all or a part of the 2030 Notes at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date:

Year	Percentage
2024	101.938 %
2025	100.969 %
2026 and thereafter	100.000 %

- (3) at any time prior to November 1, 2024, the Company may redeem all or a part of the 2030 Notes at a redemption price equal to 100 % of the principal amount of 2030 Notes redeemed, including accrued and unpaid interest, if any, plus the applicable "make-whole" premium set forth in the indenture governing the 2030 Notes (the "Indenture") as of the date of such redemption; and
- (4) in connection with any tender offer for the 2030 Notes, including an offer to purchase (as defined in the Indenture), if holders of not less than 90 % in aggregate principal amount of the outstanding 2030 Notes validly tender and do not withdraw such notes in such tender offer and the Company (or any third party making such a tender offer in lieu of the Company) purchases all of the 2030 Notes validly tendered and not withdrawn by such holders, the Company (or such third party) will have the right, upon not less than 10 , but not more than 60 days' prior notice, given not more than 30 days following such purchase date to the holders of the 2030 Notes and the trustee, to redeem all of the 2030 Notes that remain outstanding following such purchase at a redemption price equal to the price offered to each holder of 2030 Notes (excluding any early tender or incentive fee) in such tender offer plus to the extent not included in the tender offer payment, accrued and unpaid interest, if any.

In certain circumstances involving a change of control triggering event (as defined in the Indenture), the Company will be required to make an offer to repurchase all, or at the holder's option, any part, of each holder's 2030 Notes at a repurchase price equal to 101 % of the principal amount, plus accrued and unpaid interest, if any, to the applicable repurchase date.

The 2030 Notes are unsecured obligations and the Indenture contains covenants limiting the Company and its subsidiaries' ability to: (i) create certain liens and enter into sale and lease-back transactions; (ii) create, assume, incur or guarantee certain indebtedness; or (iii) consolidate or merge with or into, or sell or otherwise dispose of all of substantially all of the Company and its subsidiaries' assets to another person. These covenants are subject to a number of limitations and exceptions set forth in the Indenture and non-compliance with these covenants may result in the accelerated repayment of the 2030 Notes and any accrued and unpaid interest.

As of March 31, 2024, the Company was in compliance with all of its covenants under the Indenture.

The net carrying amount of the 2030 Notes, which is presented as a component of long-term debt in the Company's condensed consolidated financial statements, was as follows (in thousands):

	As of	
	March 31, 2024	December 31, 2023
2030 Notes		
Principal	\$ 1,000,000	\$ 1,000,000
Unamortized issuance costs	(9,362)	(9,700)
Net carrying amount	\$ 990,638	\$ 990,300

Interest expense related to the 2030 Notes was as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Contractual interest expense	\$ 9,688	\$ 9,688
Amortization of debt issuance costs	338	324
Total interest expense	\$ 10,026	\$ 10,012

The debt issuance costs for the 2030 Notes are amortized to interest expense over the term of the 2030 Notes using an annual effective interest rate of 4.05 %.

As of March 31, 2024 and December 31, 2023, the estimated fair value of the 2030 Notes was approximately \$ 883.0 million and \$ 891.8 million, respectively, determined based on the last trading price of the 2030 Notes during the reporting period (a Level 2 input).

Joint Venture Financing

Refer to Note 15, "Joint Venture", in the notes to the condensed consolidated financial statements for additional information on debt issued by the Company's consolidated subsidiary, Roblox China Holding Corp.

10. Commitments and Contingencies

Lease Commitments—The Company leases office facilities and space for data center operations under operating leases expiring in various years through 2035. Certain of these arrangements have free or escalating rent payment provisions and optional renewal clauses. All of the Company's leases are accounted for as operating leases. There has been no material change in the Company's lease commitments during the three months ended March 31, 2024 other than for lease commitments primarily related to office facilities and data centers in the ordinary course of business. See Note 4, "Leases" in the notes to the condensed consolidated financial statements for additional information.

Purchase Obligations—Non-cancellable contractual purchase obligations primarily consist of contracts associated with data center and software vendors. There has been no material change in the Company's purchase obligations during the three months ended March 31, 2024, other than non-cancelable purchase commitments made in the ordinary course of business, primarily related to data center and software vendors.

Letters of Credit—The Company has letters of credit in connection with its operating leases which are not reflected in the Company's condensed consolidated balance sheets as of March 31, 2024 and December 31, 2023. There have been no material changes to the Company's letters of credit during the three months ended March 31, 2024.

Legal Proceedings—The Company is and, from time to time may in the future become, involved in legal proceedings, claims and litigation in the ordinary course of business.

As of March 31, 2024 and December 31, 2023, the Company accrued for immaterial losses related to litigation matters that the Company believes to be probable and for which an amount of loss can be reasonably estimated. The Company considered the progress of these cases, the opinions and views of its legal counsel and outside advisors, its experience and settlements in similar cases, and other factors in arriving at the conclusion that a potential loss was probable. The Company cannot determine a reasonable estimate of the maximum possible loss or range of loss for all of these matters given that they are at various stages of the litigation process and each case is subject to the inherent uncertainties of litigation. The Company may incur substantial legal fees, which are expensed as incurred, in defending against these legal proceedings. The maximum amount of liability that may ultimately result from any of these matters cannot be predicted with absolute certainty and the ultimate resolution of one or more of these matters could ultimately have a material adverse effect on our operations.

On August 1, 2023, a putative class action was filed against the Company in the United States District Court for the Northern District of California, captioned *Colvin v. Roblox* (the "Colvin matter"), asserting various claims arising from allegations that minors used third-party virtual casinos to gamble Robux. On December 15, 2023, the Company filed a motion to dismiss and on March 26, 2024, the motion to dismiss was granted in part and denied in part, allowing plaintiffs' negligence and California Unfair Competition Law claims to proceed. On March 28, 2024, a supplemental order clarified that plaintiffs' claims for unjust enrichment and equitable relief could proceed as well. On April 9, 2024, plaintiffs filed an amended complaint realleging the California Consumer Legal Remedies Act and New York General Business Law claims that had been dismissed.

Separately, on March 14, 2024, *Gentry v. Roblox* was filed in the United States District Court for the Northern District of California premised on substantially identical allegations as the Colvin matter. On April 18, 2024, the *Gentry v. Roblox* matter was consolidated with the Colvin matter. Plaintiffs filed a consolidated complaint on April 23, 2024. The consolidated complaint seeks monetary damages, including actual, punitive, and statutory damages, restitution, attorneys' fees and costs, and declaratory and injunctive relief. The Company's response to the consolidated complaint is due May 14, 2024.

The Company intends to defend itself vigorously against all claims asserted. At this time, the Company is unable to reasonably estimate the loss or range of loss, if any, arising from the above-referenced matter.

Indemnification—In the ordinary course of business, the Company enters into agreements that may include indemnification provisions. Pursuant to such agreements, the Company may indemnify, hold harmless and defend an indemnified party for losses suffered or incurred by the indemnified party. Some of the provisions will limit losses to those arising from third-party actions. In some cases, the indemnification will continue after the termination of the agreement. The maximum potential amount of future payments the Company could be required to make under these provisions is not determinable. To date, the Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification provisions.

The Company has also entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers to the fullest extent permitted by Delaware corporate law. To date, the Company has not incurred any material costs and has not accrued any liabilities related to such obligations. The Company also has directors' and officers' insurance.

11. Stockholders' Equity

As of March 31, 2024, the Company had 4,935.0 million shares of Class A common stock authorized, with a par value of \$ 0.0001 per share, 65.0 million shares of Class B common stock authorized, with a par value of \$ 0.0001 per share, and 100.0 million shares of preferred stock authorized, with a par value of \$ 0.0001 per share. Holders of Class A common stock are entitled to one vote per share. Holders of Class B common stock are entitled to 20 votes per share.

During the first quarter of 2024 and 2023, respectively, 1.4 million and 1.3 million shares of Class B common stock held by entities affiliated with Mr. Baszucki, Founder, President, CEO and Chair of our Board of Directors (the "CEO") were converted to Class A common stock.

Class A and Class B common stock are referred to as common stock throughout the notes to the condensed consolidated financial statements, unless otherwise noted.

The Company had reserved shares of common stock for future issuance as follows (in thousands):

	As of	
	March 31, 2024	December 31, 2023
Stock options outstanding	37,488	40,159
Restricted Stock Units ("RSUs") outstanding	38,757	39,846
Performance Stock Units ("PSUs")	2,505	905
CEO Long-Term Performance Award ⁽¹⁾	—	11,500
2020 Equity Incentive Plan	103,908	66,114
2020 Employee Stock Purchase Plan	21,301	16,075
Stock warrants outstanding	264	264
Unregistered stock awards ("RSAs") outstanding	124	149
Total	204,347	175,012

⁽¹⁾ On March 1, 2024, the Leadership Development and Compensation Committee (i) approved the cancellation of the CEO Long-Term Performance Award, which was previously granted to the CEO under the 2017 Amended and Restated Equity Incentive Plan and (ii) granted Mr. Baszucki a new PSU award and RSU award. The PSUs and RSUs granted to Mr. Baszucki on March 1, 2024 are included in those respective rows above as of March 31, 2024. Refer to Note 12, "Stock-Based Compensation Expense", to the notes to the condensed consolidated financial statements for further discussion.

12. Stock-Based Compensation Expense

The Company has three equity incentive plans: its 2004 Incentive Stock Plan (the “2004 Plan”), its 2017 Amended and Restated Equity Incentive Plan (the “2017 Plan”) and its 2020 Equity Incentive Plan (the “2020 Plan”). The Company’s stockholders approved the 2020 Plan in 2020, which became effective in connection with the Company’s March 10, 2021 direct listing of its Class A common stock (the “Direct Listing”). The 2017 Plan was terminated effective immediately prior to the direct listing in connection with the effectiveness of the Company’s 2020 Plan, and accordingly no shares are available for issuance under the 2017 Plan. The 2004 Plan was terminated on the effective date of the 2017 Plan, and accordingly no shares are available for issuance under the 2004 Plan. Any outstanding stock awards under the 2004 Plan and 2017 Plan remain outstanding, subject to the terms of the applicable plan and award agreements, until such shares are issued under those stock awards, by exercise of stock options or settlement of RSUs or until those stock awards become vested or expired by their terms.

Additionally, in 2020, the Company’s stockholders approved the 2020 Employee Stock Purchase Plan (the “2020 ESPP”), which became effective in connection with the Direct Listing.

Stock-based compensation expense

Stock-based compensation expense included in the condensed consolidated statements of operations was as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Infrastructure and trust & safety	\$ 27,275	\$ 18,532
Research and development	173,247	129,257
General and administrative	31,645	30,650
Sales and marketing	8,335	6,465
Total stock-based compensation expense	<u>\$ 240,502</u>	<u>\$ 184,904</u>

Stock Options

The following table summarizes the Company’s stock option activity (in thousands, except per option data and remaining contractual term):

	Options Outstanding			
	Number of Shares Subject to Options	Weighted-Average Exercise Price (per Option)	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balances as of December 31, 2023	40,159	\$ 2.98	5.16	\$ 1,716,171
Granted	—	—		
Cancelled, forfeited, and expired	(77)	\$ 4.97		
Exercised	(2,594)	\$ 3.01		
Balances as of March 31, 2024	<u>37,488</u>	<u>\$ 2.98</u>	<u>4.92</u>	<u>\$ 1,319,654</u>
Exercisable as of March 31, 2024	36,132	\$ 2.90	4.86	\$ 1,274,719
Vested and expected to vest at March 31, 2024	37,488	\$ 2.98	4.92	\$ 1,319,654

RSUs and RSAs

The following table summarizes the Company’s RSU and RSA activity (in thousands, except per share data):

	RSUs		RSAs	
	Number of Shares	Weighted-Average Grant Date Fair Value (per Share)	Number of Shares	Weighted-Average Grant Date Fair Value (per Share)
Unvested as of December 31, 2023	39,846	\$ 42.25	149	\$ 46.00
Granted	4,851	\$ 40.41	—	—
Vested and released	(4,834)	\$ 43.26	(25)	\$ 46.00
Cancelled	(1,106)	\$ 41.25	—	—
Unvested as of March 31, 2024	<u>38,757</u>	<u>\$ 41.92</u>	<u>124</u>	<u>\$ 46.00</u>

CEO PSUs and RSUs

CEO Long-Term Performance Award

In February 2021, the Leadership Development and Compensation Committee granted a PSU award (the "CEO Long-Term Performance Award") under the 2017 Plan, which provided our CEO the opportunity to earn a maximum number of 11,500,000 shares of Class A common stock. The CEO Long-Term Performance Award would have vested upon the satisfaction of a service condition and achievement of certain Class A common stock price targets over five years. The Leadership Development and Compensation Committee approved the cancellation of the CEO-Long Term Performance Award on March 1, 2024, as further discussed below. The Class A common stock price targets were not achieved and therefore no shares vested under the CEO Long-Term Performance Award prior to its cancellation.

2024 CEO PSUs and RSUs

On March 1, 2024 (the "Modification Date"), the Leadership Development and Compensation Committee (i) approved the cancellation of the CEO Long-Term Performance Award and (ii) granted Mr. Baszucki a new PSU award (the "2024 CEO PSU Award") and RSU award (collectively, the "2024 CEO Award"). As of the Modification Date, \$ 84.4 million of stock-based compensation expense remained unrecognized related to the CEO Long-Term Performance Award.

The Company determined that the concurrent cancellation of the CEO Long-Term Performance Award and granting of the 2024 CEO Award represented a modification of the CEO Long-Term Performance Award. As of the Modification Date, total subsequent stock-based compensation expense to be recognized was measured as (i) the remaining unrecognized stock-based compensation expense related to the grant date fair value of the CEO Long-Term Performance Award and (ii) the incremental fair value resulting from the modification, if any. To estimate the incremental fair value resulting from the modification (if any), the Company first estimated the fair value of the modified CEO Long-Term Performance Award immediately prior to the Modification Date using a model based on multiple stock price outcomes developed through the use of a Monte Carlo simulation that incorporated into the valuation the possibility that the stock price targets may not be satisfied. A Monte Carlo simulation model requires the use of various assumptions, including the underlying stock price, volatility, and the risk-free interest rate as of the valuation date, corresponding to the length of time remaining in the performance period, and expected dividend yield. On the Modification Date, the estimated fair value of the CEO Long-Term Performance Award immediately prior to the modification was greater than the estimated fair value of the 2024 CEO Award (which was generally estimated based on the Modification Date fair value of the Class A common stock underlying the 2024 CEO Award, with consideration of the probability of achievement against the pre-established performance measures). As a result, the modification did not result in any incremental stock-based compensation expense. As of the Modification Date, total subsequent stock-based compensation expense to be recognized totaled \$ 84.4 million. Of the total estimated stock-based compensation expense, 75 % of the value was allocated to the 2024 CEO PSU Award with the remaining 25 % allocated to the RSUs, based on the relative value of the two awards on the Modification Date.

Under the 2024 CEO PSU Award, the number of shares that can be earned will range from 0 % to 200 % of the target number of shares based on the Company's performance against two independent performance measures relative to pre-established thresholds during a two-year performance period ending on December 31, 2025. The two independent performance measures include the Company's cumulative (i) bookings during the performance period, as defined in the grant agreement with the CEO and (ii) Adjusted EBITDA during the performance period, which correlates to the covenant adjusted EBITDA calculation used in certain covenant calculations specified in the indenture governing our 2030 Notes (the "PSU Adjusted EBITDA"). Further, the awards are subject to Mr. Baszucki's continuous service with the Company through each vesting date, with the initial vesting date to occur in the first quarter of 2026 (of which 67 % of the award earned, if any, will vest) and the remaining vesting dates to occur in four equal quarterly installments beginning in the second quarter of 2026. The Company will recognize stock-based compensation expense for the 2024 CEO PSU Award on an accelerated attribution method over the requisite service period of each separately vesting tranche. Actual performance against the pre-established threshold under the 2024 CEO PSU Award will have no impact on the subsequent stock-based compensation expense recognized.

The target number of the 2024 CEO PSU Award was 446,534 in aggregate, with 80 % of the target number of shares allocated to the cumulative bookings performance measure and 20 % of the target number of shares allocated to the cumulative PSU Adjusted EBITDA performance measure.

The Company recorded \$ 10.5 million of stock-based compensation expense, in total, within general and administrative expenses related to the 2024 CEO PSU Award and CEO Long-Term Performance Award during the three months ended March 31, 2024 and \$ 12.0 million of stock-based compensation expense within general and administrative expenses related to the CEO Long-Term Performance Award during the three months ended March 31, 2023.

The number of RSUs granted under the 2024 CEO Award totaled 148,844 and the RSUs will vest quarterly over a three-year service period beginning March 1, 2024, subject to Mr. Baszucki's continued service with the Company on each vesting date.

Other PSUs

2024 Executive PSU Awards

During the first quarter of 2024, the Leadership Development and Compensation Committee granted PSU awards to certain members of management (the “2024 Executive PSU Awards”). The vesting requirements, performance metrics, and performance period of the 2024 Executive PSU Awards are consistent with those of the 2024 CEO PSU Award.

The target number of 2024 Executive PSU Awards was 353,241 in total, with 80 % of the target number of shares allocated to the cumulative bookings performance measure and 20 % of the target number of shares allocated to the cumulative PSU Adjusted EBITDA performance measure.

The Company recognizes stock-based compensation expense for the 2024 Executive PSU Awards based upon the per-share grant date fair value of \$ 41.32 on an accelerated attribution method over the requisite service period of each separately vesting tranche. At each reporting period, the amount of stock-based compensation is determined based on the probability of achievement against the pre-established performance measures and if necessary, a cumulative catch-up adjustment is recorded to reflect any revised estimates regarding the probability of achievement.

During the three months ended March 31, 2024, no stock-based compensation expense was recorded related to the 2024 Executive PSU Awards.

2023 PSU Awards

During the second quarter of 2023, the Leadership Development and Compensation Committee granted PSU awards to certain members of management (the “2023 PSU Awards”). The number of shares that can be earned will range from 0 % to 200 % of the target number of shares, based on the Company’s performance against two independent performance measures relative to pre-established thresholds during a two-year performance period ending on December 31, 2024. The two independent performance measures include the Company’s cumulative (i) bookings during the performance period, as defined in the respective grant agreements with each employee and (ii) PSU Adjusted EBITDA during the performance period. Further, the awards are subject to continuous employment, with the first vesting to occur in the first quarter of 2025 (in which 50 % of any awards earned will vest) and the second vesting to occur in the second quarter of 2026 (in which the remaining 50 % of any awards earned will vest).

As of March 31, 2024, the number of shares under the 2023 PSU Awards that can be earned at target performance totaled 277,631 , with 80 % of the target number of shares allocated to the cumulative bookings performance measure and 20 % of the target number of shares allocated to the cumulative PSU Adjusted EBITDA performance measure.

The Company recognizes stock-based compensation expense for the 2023 PSU Awards based upon the per-share grant date fair value of \$ 45.70 on an accelerated attribution method over the requisite service period of each separately vesting tranche. At each reporting period, the amount of stock-based compensation is determined based on the probability of achievement against the pre-established performance measures and if necessary, a cumulative catch-up adjustment is recorded to reflect any revised estimates regarding the probability of achievement.

During the three months ended March 31, 2024, the Company recorded a net stock-based compensation benefit of \$ 0.7 million related to the 2023 PSU Awards.

2022 PSU Awards

During the second quarter of 2022, the Leadership Development and Compensation Committee granted PSU awards to certain members of management (the “2022 PSU Awards”). On the grant date, the target number of 2022 PSU Awards was 207,284 . The number of shares that can be earned will range from 0 % to 200 % of the target number of shares, based on the Company’s stock price performance and achievement of certain stock price hurdles during the last quarter of the second year through the end of the third year of a three-year performance period (the “2022 PSU Awards Stock Price Hurdles”) and subject to continuous employment through such date.

The Company estimated the grant date fair value of the 2022 PSU Awards using a model based on multiple stock price outcomes developed through the use of a Monte Carlo simulation which incorporates into the valuation the possibility that the 2022 PSU Awards Stock Price Hurdles may not be satisfied. The grant date fair value of the 2022 PSU Awards was estimated to be \$ 43.13 per share, and the Company estimates that it will recognize total stock-based compensation expense of approximately \$ 7.5 million using the accelerated attribution method over the derived service period of each tranche which is equal to five measurement periods commencing with the last quarter of the second year and ending with the last quarter of the third year. If the 2022 PSU Awards Stock Price Hurdles are met sooner than the derived service period, the stock-based compensation expense will be adjusted to reflect the cumulative expense associated with the vested award. Stock-based compensation expense will be recognized over the requisite service period if the members of management continue to provide service to the Company, regardless of whether the 2022 PSU Awards Stock Price Hurdles are achieved.

The Company recorded \$ 0.7 million and \$ 1.0 million of stock-based compensation expense related to the 2022 PSU Awards during the three months ended March 31, 2024 and March 31, 2023, respectively.

Employee Stock Purchase Plan

The Company recorded \$ 6.5 million and \$ 7.1 million of stock-based compensation expense related to the 2020 ESPP during the three months ended March 31, 2024 and March 31, 2023, respectively.

13. Accumulated Other Comprehensive Income/(Loss)

The following table shows a summary of changes in accumulated other comprehensive income/(loss) by component for the three months ended March 31, 2024 (in thousands):

	Foreign Currency Translation	Unrealized Gains/ (Losses) on Available- For-Sale Debt Securities	Total
Balance as of December 31, 2023	\$ 1,442	\$ 94	\$ 1,536
Other comprehensive income/(loss) before reclassifications	(744)	(6,888)	(7,632)
Amounts reclassified from accumulated other comprehensive income/(loss)	—	507	507
Change in accumulated other comprehensive income/(loss), net of tax	(744)	(6,381)	(7,125)
Balance as of March 31, 2024	<u>\$ 698</u>	<u>\$ (6,287)</u>	<u>\$ (5,589)</u>

14. Employee and Director Benefits

Deferred Compensation Plan

The Company established the Roblox Corporation Nonqualified Deferred compensation Plan (as amended, the "NQDC Plan") for its non-employee directors and a select group of management employees. Eligible participants may voluntarily elect to participate in the NQDC Plan. Unless otherwise determined by the committee that administers the NQDC Plan, eligible employee participants may elect annually to defer up to 90 % of their base salary, up to 100 % of their cash bonus compensation (if any) and up to 65 % of any RSUs or PSUs granted under the Company's 2020 Plan (if any), and eligible non-employee director participants may elect annually to defer up to 100 % of their cash director fees and any RSUs granted under the Company's 2020 Plan. Obligations of the Company under the NQDC Plan represent at all times unsecured general obligations of the Company to pay deferred compensation in the future in accordance with the terms of the NQDC Plan.

Cash amounts deferred under the plan may only later be settled in cash and are credited or charged with the performance of investment options offered under the NQDC Plan as elected by the participants. The amount credited or charged to each participant's cash deferrals are based on the performance of a hypothetical portfolio of investments which are tracked by an administrator, with such credits or charges included as a component of operating expenses in the Company's condensed consolidated statements of operations. The cash obligations due to participants are presented as other long-term liabilities on the Company's condensed consolidated balance sheet.

The Company generally funds the cash obligations associated with the NQDC Plan by purchasing investments that match the hypothetical investment choices made by the plan participants. The investments (and any uninvested cash) are held in a rabbi trust in order to receive certain tax benefits. The rabbi trust is subject to creditor claims in the event of insolvency, but the assets held in the rabbi trust are not available for general corporate purposes. The investments held in the rabbi trust are presented as short-term investments and any uninvested cash is presented as cash and cash equivalents on the Company's condensed consolidated balance sheet.

As it relates to any deferred RSUs and PSUs, the Company ensures enough shares of its Class A common stock are reserved to settle all obligations under the NQDC Plan. These obligations are settled on the date(s) elected by the participant. The accounting for the RSUs and PSUs deferred under the NQDC Plan is consistent with the accounting for non-deferred RSUs and PSUs.

15. Joint Venture

Background

In February 2019, the Company entered into a joint venture agreement with Songhua River Investment Limited ("Songhua"), an affiliate of Tencent Holdings Ltd., ("Tencent Holdings"), to create Roblox China Holding Corp. (in which Roblox holds a 51 % ownership interest as it relates to the voting shares). Songhua contributed \$ 50.0 million in capital in exchange for a 49 % ownership interest in Roblox China Holding Corp. The business of the joint venture (either directly or indirectly through the joint venture's wholly owned subsidiaries) is to engage in the (i) development, localization, and licensing of the Roblox application to Shenzhen Tencent Computer Systems Co., Ltd. for operation and publication as a game in China, and (ii) development, localization, and licensing to creators of a Chinese version of the Roblox Studio and to oversee relations with local Chinese developers.

The joint venture is consolidated into the Company's condensed consolidated financial statements as the Company maintains a controlling financial interest through voting rights, while the minority member of the joint venture does not have substantive participating rights or veto rights. The Company classifies the 49 % ownership interest held by Songhua as a noncontrolling interest on its condensed consolidated balance sheet.

Joint Venture Financing

On May 10, 2023, Roblox China Holding Corp. (the "Borrower") issued \$ 30.0 million aggregate principal debt which matures on May 10, 2026 (the "2026 Notes"), unless earlier prepaid by the Borrower or converted by the holders into the Borrower's voting shares. Further, the Borrower, at its sole election, may extend the maturity date by two years .

The 2026 Notes were funded by the Company and Songhua (the "Lenders") in the amount of \$ 15.3 million and \$ 14.7 million, respectively. The 2026 Notes bear interest at a rate of 6.0 % per annum, with accrued interest payable on the final maturity date.

At any point, the Lenders may voluntarily convert the 2026 Notes into voting shares of the Borrower, provided that immediately after such conversion, the Lenders continue to own the same percentage of voting shares in the Borrower as they did immediately prior to the conversion. The conversion ratio will be determined at the time of such conversion (if any), and will be determined by dividing the then fair value of the Borrower's voting shares (as mutually agreed to by the Lenders and Borrower) into the sum of the unpaid principal and accrued interest.

The portion of the 2026 Notes outstanding to Songhua is reflected in the Company's condensed consolidated financial statements as long-term debt, net, at its principal amount, while the portion outstanding to the Company – including any related interest expense – is eliminated upon consolidation. Interest expense related to the 2026 Notes was \$ 0.2 million for the three months ended March 31, 2024.

16. Income Taxes

The Company is subject to federal and state income tax in the United States, as well as foreign tax jurisdictions in which it conducts business. The Company does not provide for U.S. income taxes or foreign withholding taxes on the undistributed earnings of its profitable foreign subsidiaries because it intends to permanently reinvest such earnings in foreign operations.

The provision for/(benefit from) income taxes for the three months ended March 31, 2024 and 2023 consisted of federal, state and foreign income taxes. The Company continues to maintain a full valuation allowance on its net deferred tax assets as it is not likely that the deferred assets will be utilized. The primary difference between the effective tax rate and the federal statutory tax rate relates to the valuation allowance on the Company's deferred tax assets.

17. Basic and Diluted Net Loss Per Common Share

The following table presents the calculation of basic and diluted net loss per share (in thousands, except per share data):

	Three Months Ended	
	March 31,	
	2024	2023
Basic and diluted net loss per share		
<i>Numerator</i>		
Consolidated net loss	\$ (271,920)	\$ (269,948)
Less: net loss attributable to noncontrolling interest	(1,316)	(1,635)
Net loss attributable to common stockholders	<u>\$ (270,604)</u>	<u>\$ (268,313)</u>
<i>Denominator</i>		
Weighted-average common shares used in computing net loss per share attributable to common stockholders, based and diluted	<u>635,020</u>	<u>606,637</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.43)</u>	<u>\$ (0.44)</u>

The potential shares of common stock that were excluded from the computation of diluted net loss per share because including them would have been anti-dilutive are as follows (in thousands):

	As of March 31,	
	2024	2023
Stock options outstanding	37,488	49,148
RSUs outstanding	38,757	33,956
2020 ESPP	2,164	1,864
2023 PSUs Awards based on performance target achievement at period-end ⁽¹⁾	34	—
Stock warrants outstanding	264	264
RSAs outstanding	124	425
Total	<u>78,831</u>	<u>85,657</u>

⁽¹⁾ Represents the hypothetical number of shares that would have been earned under the Company's 2023 PSU Awards had the performance period ended on the balance sheet date.

Except for the 2023 PSU Awards, all other PSUs were excluded from the above table because the respective stock price or performance targets had not been met as of the periods presented.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition, results of operations, and cash flows should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2023 included in the Annual Report on Form 10-K, filed with the SEC on February 21, 2024. This discussion and analysis and other parts of this Quarterly Report on Form 10-Q contain forward-looking statements, such as those relating to our plans, objectives, expectations, intentions, and beliefs, that involve risks, uncertainties and assumptions. Our actual results could differ materially from these forward-looking statements as a result of many factors, including those discussed in the section titled "Risk Factors," "Special Note Regarding Forward-Looking Statements", and "Special Note Regarding Operating Metrics" included elsewhere in this Quarterly Report on Form 10-Q. Our historical results are not necessarily indicative of the results that may be expected for any periods in the future. Unless the context otherwise requires, all references in this report to "Roblox," the "Company", "we," "our," "us," or similar terms refer to Roblox Corporation and its subsidiaries.

Amounts reported in millions are rounded based on the amounts in thousands. As a result, the sum of the components reported in millions may not equal the total amount reported in millions due to rounding. In addition, percentages presented are calculated from the underlying numbers in thousands and may not add to their respective totals due to rounding.

Overview

People from around the world come to Roblox every day to connect with friends. Together they create, play, work, learn, and connect with each other in experiences built by our global community of creators. Our Platform is powered by user-generated content and draws inspiration from gaming, entertainment, social media, and even toys.

Our free to use immersive platform for connection and communication consists of the Roblox Client, the Roblox Studio, and the Roblox Cloud (collectively, the "Roblox Platform" or the "Platform"). Roblox Client is the free application that allows users to explore 3D immersive experiences. Roblox Studio is the free toolset that allows developers and creators to build, publish, and operate 3D immersive experiences and other content accessed with the Roblox Client. Roblox Cloud includes the services and infrastructure that power our Platform.

Our mission is to connect a billion users with optimism and civility. We are constantly improving the ways in which our Platform supports shared experiences, ranging from how these experiences are built by an engaged community of developers and creators to how they are enjoyed and safely accessed by users across the globe.

Consistent with our free to play business model, a small portion of our users have historically been payers. For example, in the three months ended March 31, 2024, of our 77.7 million average DAUs, only approximately 914,000 represented our average daily unique paying users. Similarly, in the three months ended March 31, 2024, our average daily bookings per DAU was \$0.13, whereas our average daily bookings per daily unique paying user was \$11.10. We believe that maintaining and growing our overall number of users, including the number of users who may not purchase and spend Robux, is important to the success of our business. As a result, we believe that the number of users who choose to purchase and spend Robux will continue to constitute a small portion of our overall users.

Our primary areas of investment have been, and we expect will continue to be, our developer and creator community, and the people, technology, and infrastructure required to keep improving the Roblox Platform. These areas of focus are how we drive the business and are reflected in our operating cost structure, which primarily consists of four major areas: payment processing and other fees, compensation and benefits, developer earnings, and direct infrastructure.

Key Metrics

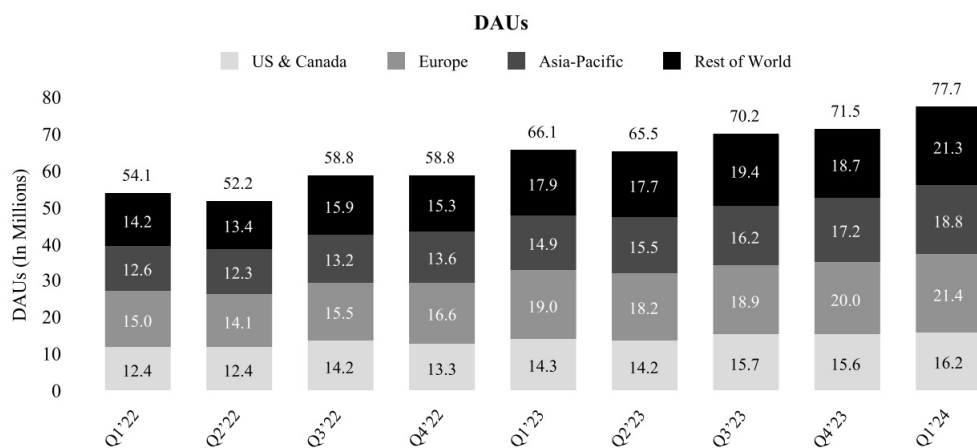
We believe our performance is dependent upon many factors, including the key metrics described below that we track and review to measure our performance, identify trends, formulate financial projections, and make strategic decisions.

Operating Metrics

We manage our business by tracking several operating metrics, including those outlined below. As a management team, we believe each of these operating metrics provides useful information to investors and others. For complete definitions and limitations of these metrics, refer to the section titled “Special Note Regarding Operating Metrics” of this Quarterly Report on Form 10-Q.

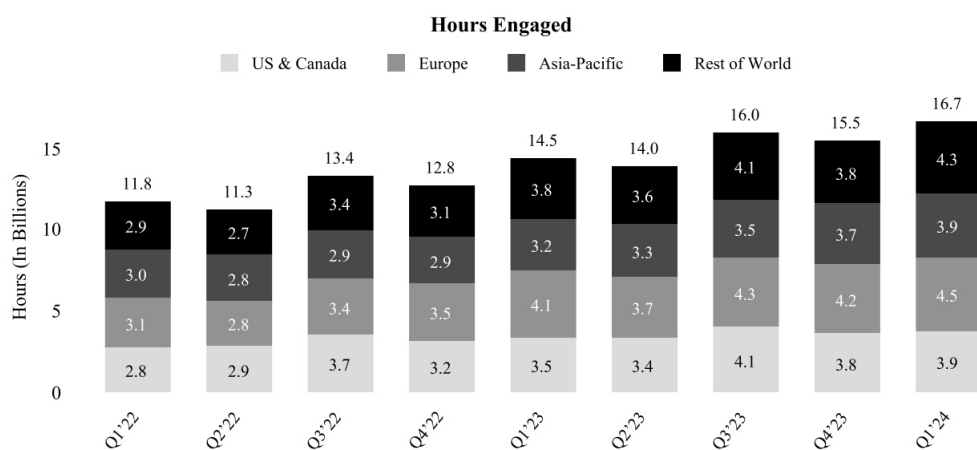
Average Daily Active Users (“DAUs”)

We define a DAU as a user who has logged in and visited Roblox through our website or application on a unique registered account on a given calendar day. If a registered, logged in user visits Roblox more than once within a 24-hour period that spans two calendar days, that user is counted as a DAU only for the first calendar day. We track DAUs as an indicator of the size of the audience engaged on our Platform. We believe that the growth in DAUs reflects the increasing value of our Platform.



Hours engaged

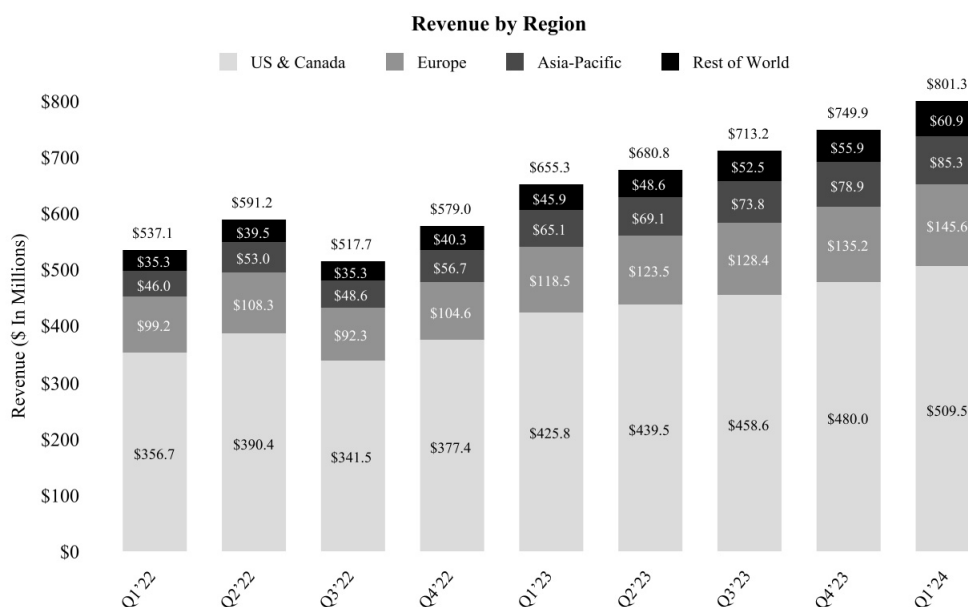
We define hours engaged as the time spent by our users on the Platform. We calculate total hours engaged as the aggregate of user session lengths in a given period. We estimate this length of time using internal company systems that track user activity on our Platform as discrete events, and aggregate these discrete activities into a user session. A given user session on our Platform may include, among other things, time spent in experiences, in Roblox Studio, in Platform features such as chat and avatar personalization, in the Creator Store, and some amount of non-active time due to limits within the tracking systems and our estimation methodology. We believe that the growth in hours engaged reflects the increasing value of our Platform.

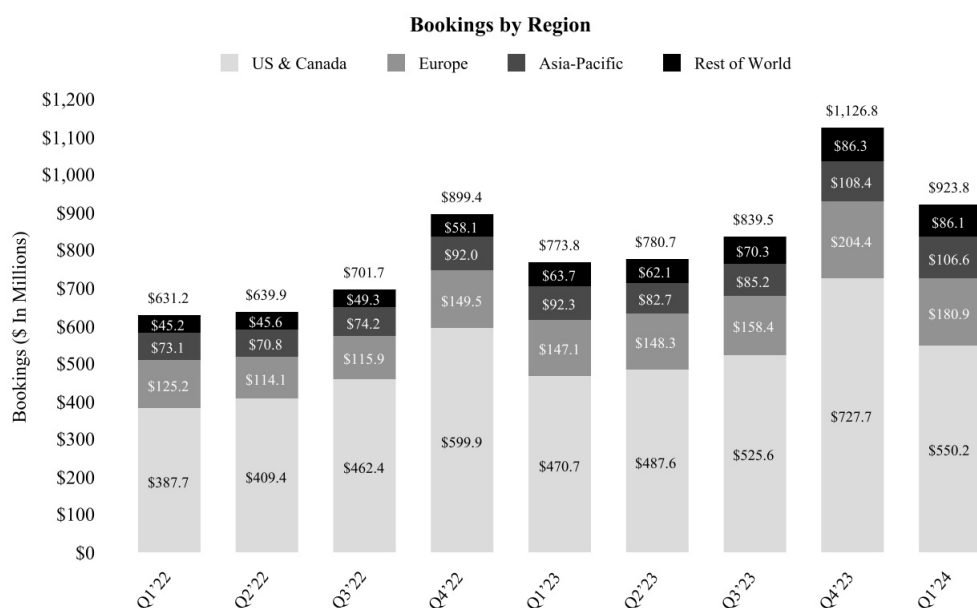


Bookings

Bookings is a non-GAAP financial measure and represents the sales activity in a given period without giving effect to certain non-cash adjustments. Bookings is presented for supplemental informational purposes only and should not be considered in isolation from, or as a substitute for, financial information presented in accordance with GAAP. Refer to the section "Non-GAAP Financial Measures" below for further discussion on this measure, including its limitations.

Below we also include revenue calculated in accordance with GAAP, the most directly comparable financial measure to bookings.

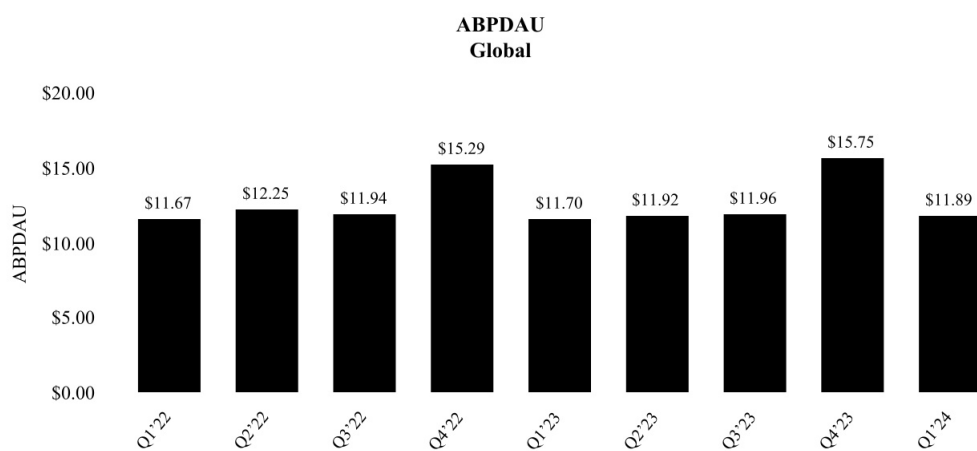


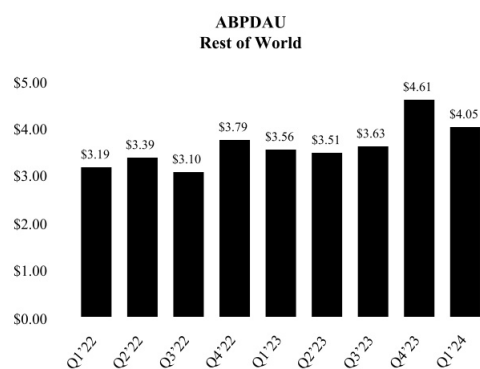
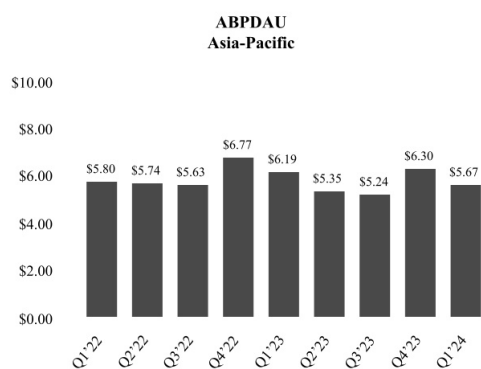
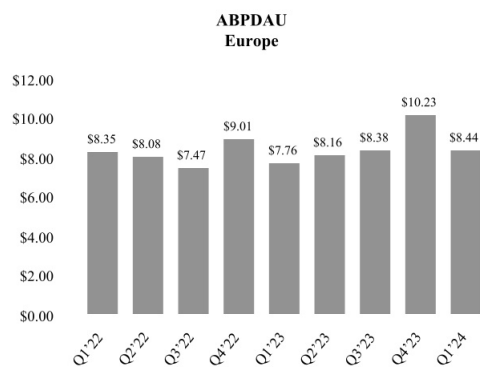
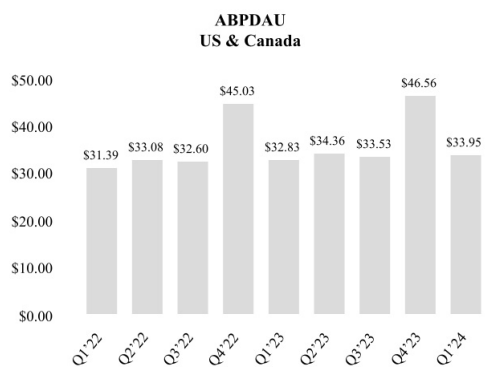


Average Bookings per DAU ("ABPDAU")

We define ABPDAU as bookings in a given period divided by the DAUs for the same period. We use ABPDAU as a way to understand our monetization across our users through the sale of virtual currency and subscriptions.

Refer to the section titled "Non-GAAP Financial Measures" for the definition of and discussion on bookings, including its limitations as a non-GAAP financial measure.





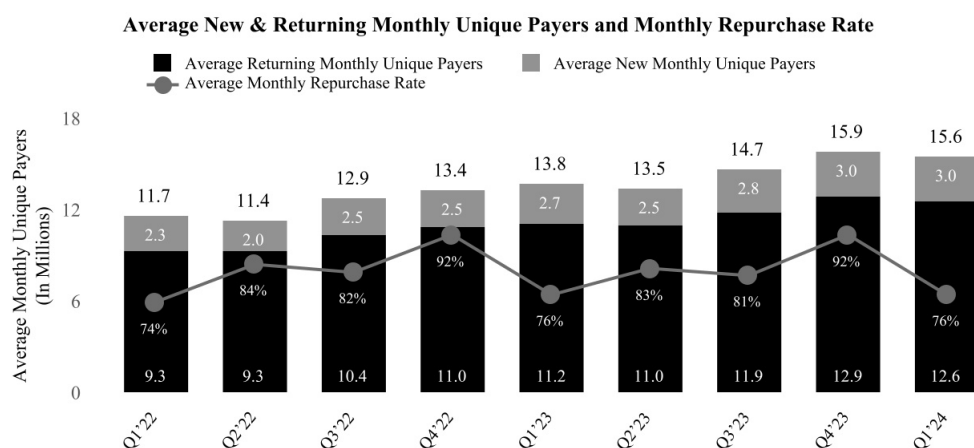
Average New and Returning Monthly Unique Payers and Monthly Repurchase Rate

We define new monthly unique payers as user accounts that made their first payment on the Platform, or via redemption of prepaid cards, during a given month. Average new monthly unique payers for a specified period is the average of the new monthly unique payers for each month during that period.

We define returning monthly unique payers as user accounts that have made a payment on the Platform, or via redemption of prepaid cards, in the current month and in any prior month. Average returning monthly unique payers for a specified period is the average of the returning monthly unique payers for each month during that period.

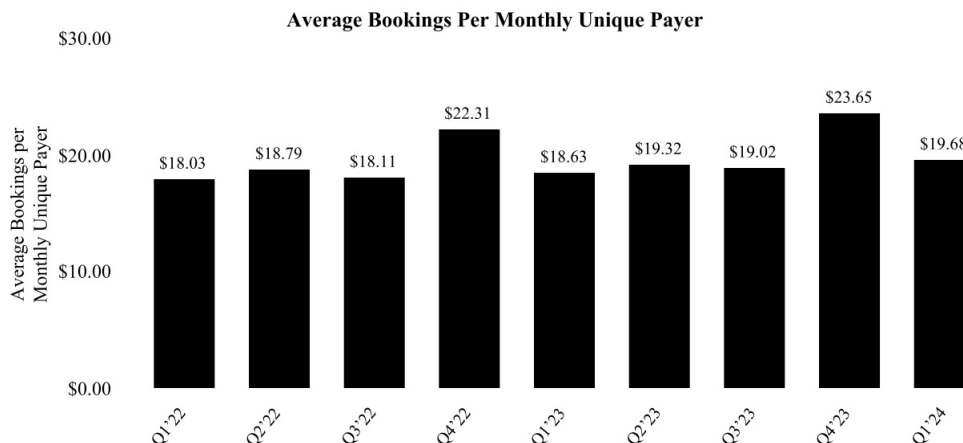
We define monthly repurchase rate as the returning monthly unique payers in the current month, divided by the sum of the prior month's new monthly unique payers and returning monthly unique payers. Average monthly repurchase rate for a specified period is the average of the monthly repurchase rates for each month during that period.

We use these measures to understand our monetization across our payers through the sale of virtual currency and subscriptions.



Average Bookings per Monthly Unique Payer

We define average bookings per monthly unique payer as bookings in the specified period divided by the average monthly unique payers for the same specified period. We use this measure to understand our monetization across our payers through the sale of virtual currency and subscriptions. Refer to the section titled “Non-GAAP Financial Measures” for the definition of and discussion on bookings, including its limitations as a non-GAAP financial measure.



Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe the following non-GAAP financial measures are useful in evaluating our performance. We use this non-GAAP financial information to evaluate our ongoing operations, for internal planning and forecasting purposes, and to evaluate our operating performance. We believe that this non-GAAP financial information may be helpful to investors because it provides consistency and comparability with past financial performance. However, non-GAAP financial measures have limitations in their usefulness to investors because they have no standardized meaning prescribed by GAAP and are not prepared under any comprehensive set of accounting rules or principles. In addition, other companies, including companies in our industry, 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 information as a tool for comparison. As a result, our non-GAAP financial information is presented for supplemental informational purposes only and should not be considered in isolation from, or as a substitute for financial information presented in accordance with GAAP.

Bookings

Bookings represent the sales activity in a given period without giving effect to certain non-cash adjustments, as detailed below. Substantially all of our bookings are generated from sales of virtual currency, which can ultimately be converted to virtual items on the Roblox Platform. Sales of virtual currency reflected as bookings include one-time purchases or monthly subscriptions purchased via payment processors or through prepaid cards. Bookings are initially recorded in deferred revenue and recognized as revenues over the estimated period of time the virtual items purchased with the virtual currency are available on the Roblox Platform (estimated to be the average lifetime of a paying user) or as the virtual items purchased with the virtual currency are consumed. Bookings also include an insignificant amount from advertising and licensing arrangements.

We believe bookings provide a timelier indication of trends in our operating results that are not necessarily reflected in our revenue as a result of the fact that we recognize the majority of revenue over the estimated average lifetime of a paying user. The change in deferred revenue constitutes the vast majority of the reconciling difference from revenue to bookings. By removing these non-cash adjustments, we are able to measure and monitor our business performance based on the timing of actual transactions with our users and the cash that is generated from these transactions. Over the long-term, the factors impacting our revenue and bookings trends are the same. However, in the short-term, there are factors that may cause revenue and bookings trends to differ.

The following table presents a reconciliation of revenue, the most directly comparable financial measure calculated in accordance with GAAP, to bookings, for each of the periods presented (in thousands):

	Three Months Ended March 31,	
	2024	2023
Reconciliation of revenue to bookings:		
Revenue	\$ 801,300	\$ 655,344
Add (deduct):		
Change in deferred revenue	127,604	123,783
Other	(5,147)	(5,308)
Bookings	\$ 923,757	\$ 773,819

Adjusted EBITDA

Adjusted EBITDA represents our GAAP consolidated net loss, excluding interest income, interest expense, other (income)/expense, provision for/(benefit from) income taxes, depreciation and amortization expense, stock-based compensation expense, and certain other nonrecurring adjustments and differs from Covenant Adjusted EBITDA which is used in certain covenant calculations specified in the indenture governing our senior notes due 2030. Refer to the section titled "Liquidity and Capital Resources" for the definition of and discussion on Covenant Adjusted EBITDA.

We believe that, when considered together with reported GAAP amounts, Adjusted EBITDA is useful to investors and management in understanding our ongoing operations and ongoing operating trends. Our definition of Adjusted EBITDA may differ from the definition used by other companies and therefore comparability may be limited.

The following table presents a reconciliation of consolidated net loss, the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted EBITDA, for each of the periods presented (in thousands):

	Three Months Ended March 31,	
	2024	2023
Reconciliation of consolidated net loss to Adjusted EBITDA:		
Consolidated net loss	\$ (271,920)	\$ (269,948)
Add (deduct):		
Interest income	(42,170)	(31,082)
Interest expense	10,363	10,012
Other (income)/expense, net	346	440
Provision for/(benefit from) income taxes	1,053	731
Depreciation and amortization expense	53,741	47,412
Stock-based compensation expense	240,502	184,904
RTO severance charge ⁽¹⁾	1,182	—
Other non-cash charges ⁽²⁾	—	6,988
Adjusted EBITDA	\$ (6,903)	\$ (50,543)

(1) Relates to cash severance costs associated with the Company's return-to-office ("RTO") plan announced in October 2023, which requires a subset of the Company's remote employees to begin working from the San Mateo headquarters for three days a week, beginning in the summer of 2024.

(2) Includes impairment expense related to certain operating lease right-of-use assets and related property and equipment.

Free cash flow

We define free cash flow as net cash and cash equivalents provided by operating activities less purchases of property, equipment, and intangible assets acquired through asset acquisitions. We believe that free cash flow is a useful indicator of our unit economics and liquidity that provides information to management and investors about the amount of cash and cash equivalents generated from our core operations that, after the purchases of property, equipment, and intangible assets, can be used for strategic initiatives.

The following table presents a reconciliation of net cash and cash equivalents provided by operating activities, the most directly comparable financial measure calculated in accordance with GAAP, to free cash flow, for each of the periods presented (in thousands):

	Three Months Ended March 31,	
	2024	2023
Reconciliation of net cash and cash equivalents provided by operating activities to free cash flow:		
Net cash and cash equivalents provided by operating activities	\$ 238,946	\$ 173,781
Deduct:		
Acquisition of property and equipment	(46,680)	(91,359)
Purchases of intangible assets	(1,200)	(500)
Free cash flow	<u>\$ 191,066</u>	<u>\$ 81,922</u>

Acquisition of property and equipment primarily includes servers, infrastructure equipment, tenant improvements, and capitalized software licenses.

Future Change in Accounting Estimate

At the onset of each quarter, we complete an assessment of our estimated average lifetime of a paying user, which is used for revenue recognition of durable virtual items and calculated based on historical monthly retention data for each paying user cohort to project future participation on the Roblox Platform. The estimated average lifetime of a paying user was 28 months for the three months ended March 31, 2024 and 2023.

Beginning April 1, 2024, the estimated average lifetime of a paying user changed from 28 months to 27 months. The decrease was partially attributed to COVID impacted payer cohorts dropping out of the estimated average lifetime of a paying user calculation (as we consider historical monthly retention data), whose average lives generally trended higher than more recent payer cohorts, along with the other qualitative factors including macroeconomic factors, competition, and availability of the Platform.

Based on the carrying amount of deferred revenue and deferred cost of revenue as of March 31, 2024, the April 1, 2024 change in estimate will result in an increase in revenue and cost of revenue of \$58.9 million and \$12.4 million, respectively, during the three months ended June 30, 2024 and an increase in revenue and cost of revenue of \$98.0 million and \$20.4 million, respectively, during the twelve months ended December 31, 2024.

Refer to the heading "Critical Accounting Policies and Estimates — Revenue Recognition" as described in the Company's Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on February 21, 2024, for further background on the Company's process to estimate the average lifetime of a paying user.

Components of Results of Operations

Revenue

We generate substantially all of our revenue through the sale of virtual content or access to virtual content to users, enabling them to enhance their social experience on the Roblox Platform. We recognize revenue over the estimated period of time the virtual items are available to the user on the Roblox Platform (estimated average lifetime of a paying user) or at the time the virtual item is consumed. The estimated average lifetime of a paying user is calculated based on the monthly retention data for each paying user cohort. We then calculate the average retention period by determining the weighted-average period paying users have spent on the Platform and are projected to participate in the Roblox environment.

Other revenue streams include an insignificant amount of revenue from advertising and licensing arrangements. We plan to invest in and expand our advertising business for the foreseeable future.

All of our revenue is recorded net of taxes assessed by a government authority that are both imposed on and concurrent with specific revenue transactions between us and our users, and estimated chargebacks and refunds.

Costs and Expenses

We allocate shared costs, such as certain facilities (including rent and depreciation on equipment and leasehold improvements shared by all departments) and software costs, to all departments based on headcount. As such, allocated shared costs are reflected in each expense category, with the exception of cost of revenue and developer exchange fees expense.

Personnel costs generally include employee expenses (salaries, benefits, and stock-based compensation expense) and contractor expenses, and are reflected in each expense category, with the exception of cost of revenue and developer exchange fees. In the three months ended March 31, 2024, personnel costs were \$466.9 million, and during the three months ended March 31, 2023, were \$373.0 million.

Cost of revenue

Cost of revenue primarily consists of third-party payment processing fees charged by the various distribution channels in connection with sales of our virtual currency. We initially defer payment processing fees and recognize them as expense over the same period as the respective revenue. Cost of revenue also includes costs associated with the printing of prepaid cards and sales tax expense for jurisdictions where the Company does not collect sales tax from the purchaser at the time of the sale.

Cost of revenue as a percentage of revenue is affected by shifts in user purchasing preferences and trends. While in recent years, we saw a shift of our sales toward prepaid card distribution channels and credit card sales directly through our website, which are subject to lower processing fees compared to other distribution channels, such as the Apple App Store, Google Play Store, and consoles such as Xbox and PlayStation, we have seen this trend moderate over the last several quarters. We expect to see the overall distribution channel mix shift to higher processing fees continue in future periods with some seasonal variations.

We intend to use nearly all of any efficiencies earned in this area over time to increase earnings for our developers and creators.

Developer exchange fees

Developer exchange fees expense represent the amount earned by developers and creators on the Roblox Platform that are qualified and registered in the Developer Exchange Program. Developers and creators are able to exchange their earned Robux for real-world currency under certain conditions outlined in our Developer Exchange Program. Developers and creators can earn Robux primarily through the sale of access to their experiences and enhancements in their experiences, the incorporation of immersive ads, the sale of content and tools between developers through the Creator Store (formerly the Creator Marketplace), and the sale of items to users through the Marketplace. Developers can also earn Robux through our engagement-based reward program that rewards developers based on the number of hours spent in their experiences by Roblox Premium subscribers (the "Engagement-Based Payouts" program).

In order to be qualified for our Developer Exchange Program and eligible to exchange earned Robux for real-world currency, developers and creators must meet certain conditions, such as having earned the minimum amount of Robux required to qualify for the program, a verified developer account, and an account in good standing. On January 31, 2022, we reduced the minimum amount of earned Robux required to qualify for the program from 100,000 Robux to 50,000 Robux and subsequently on January 31, 2023, we further reduced the minimum requirement from 50,000 Robux to 30,000 Robux. We believe these reductions in the minimum amounts required further incentivize our developer and creator community, and promote the long term growth and the health of such community. As of March 31, 2024, over 18,000 developers and creators qualified for and were registered in our Developer Exchange Program.

Over the next few years, a major goal is to increase our developer and creator earnings (i) by creating new earnings methods and enhancing existing ones and (ii) through efficiencies realized in other areas of our business, while maintaining reasonable margins.

Infrastructure and trust & safety

Infrastructure and trust & safety expenses consist primarily of expenses related to the operation of our data centers and technical infrastructure. These costs include third-party service providers costs, such as cloud computing or other hosting and data storage, facilities-related expenses for our co-located data centers and edge data centers that we lease and operate, and network and bandwidth costs, as well as depreciation and associated support and maintenance costs of our servers and infrastructure equipment. Depreciation and amortization expense related to infrastructure and trust & safety in the three months ended March 31, 2024 and 2023 was \$46.2 million and \$41.0 million, respectively. Infrastructure and trust & safety expenses also include personnel costs and moderation and customer support related costs, as well as allocated overhead expenses, to support our infrastructure and trust & safety initiatives.

We plan to continue increasing the capacity, capability, and reliability of our infrastructure to support more sophisticated content, more users, and increased engagement. We expect to moderate our investment in infrastructure in fiscal year 2024, but generally expect to increase the dollar amount of our investment in infrastructure for the foreseeable future thereafter as we continue to build out our global infrastructure. We intend to achieve scalability by building and maintaining our own technical infrastructure, while generally generating operating leverage over the long-term.

Research and development

Research and development expenses consist primarily of personnel costs and allocated overhead expenses for our engineering, design, product management, data science, and other employees engaged in maintaining and enhancing the functionality of the Platform. Research and development expenses also include costs associated with our Game Fund program, which funds certain developers upfront to develop new experience types for the Platform. We plan to increase research and development expenses for the foreseeable future primarily driven by increased headcount to develop new features, functionality, and innovation of our product. However, we plan to slow our headcount growth rate and expect to generate operating leverage beginning in fiscal year 2024 and generally through the end of fiscal year 2025.

General and administrative

General and administrative expenses consist primarily of personnel costs and allocated overhead for our finance and accounting, legal, human resources, talent acquisition, and other administrative teams. General and administrative expenses also include professional services fees such as outside legal, accounting, audit, and outsourcing services, and other corporate expenses, as well as certain accruals and settlements associated with legal proceedings. We expect to moderate our headcount growth in fiscal year 2024, but generally expect to increase general and administrative expenses for the foreseeable future thereafter to support the growth of the business.

Sales and marketing

Sales and marketing expenses consist primarily of personnel costs and allocated overhead for our marketing, business development, brand partnerships, and developer relations functions, as well as user acquisition expenses. Other expenses include those associated with market research, branding, public relations, and developer relations programs, including our annual Roblox Developer Conference. We plan to increase our sales and marketing expenses for the foreseeable future, primarily to support the growth of our business.

Interest income

Interest income consists primarily of interest earned and net accretion/(amortization) of our short-term investments, long-term investments, and cash equivalents.

Interest expense

Interest expense consists primarily of contractual interest and amortization of debt issuance costs on our 3.875% Senior Notes due 2030 (the "2030 Notes").

Other income/(expense), net

Other income/(expense), net primarily includes foreign currency exchange gains/(losses) and realized gains/(losses) on our short-term and long-term investments, as well as certain insurance recoveries (if any).

Provision for/(benefit from) income taxes

Provision for/(benefit from) income taxes consists primarily of state, U.S. federal and foreign income taxes. We maintain a full valuation allowance on our federal, state, and foreign deferred tax assets as we have concluded that it is not likely that the deferred assets will be utilized.

Results of Operations

The following tables set forth our results of operations for the periods presented in dollars and as a percentage of our revenue for each period presented (in thousands, except per share data and percentages):

	Three Months Ended March 31,			
	2024		2023	
Revenue	\$ 801,300	100 %	\$ 655,344	100 %
Cost and expenses:				
Cost of revenue ⁽¹⁾	178,866	22	151,841	23
Developer exchange fees	202,405	25	182,440	28
Infrastructure and trust & safety ⁽²⁾	226,934	28	211,044	32
Research and development ⁽²⁾	362,065	45	275,537	42
General and administrative ⁽²⁾	97,824	12	97,574	15
Sales and marketing ⁽²⁾	35,534	4	26,755	4
Total cost and expenses	1,103,628	138	945,191	144
Loss from operations	(302,328)	(38)	(289,847)	(44)
Interest income	42,170	5	31,082	5
Interest expense	(10,363)	(1)	(10,012)	(2)
Other income/(expense), net	(346)	—	(440)	—
Loss before income taxes	(270,867)	(34)	(269,217)	(41)
Provision for/(benefit from) income taxes	1,053	—	731	—
Consolidated net loss	(271,920)	(34)	(269,948)	(41)
Net loss attributable to noncontrolling interests ⁽³⁾	(1,316)	—	(1,635)	—
Net loss attributable to common stockholders	\$ (270,604)	(34)%	\$ (268,313)	(41)%
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.43)		\$ (0.44)	
Weighted-average shares used in computing net loss per share attributable to common stockholders—basic and diluted	635,020		606,637	

(1) Depreciation of servers and infrastructure equipment included in infrastructure and trust & safety.

(2) Includes stock-based compensation expense as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Infrastructure and trust & safety	\$ 27,275	\$ 18,532
Research and development	173,247	129,257
General and administrative	31,645	30,650
Sales and marketing	8,335	6,465
Total stock-based compensation expense	\$ 240,502	\$ 184,904

(3) Our condensed consolidated financial statements include our majority-owned subsidiary Roblox China Holding Corp. The ownership interest of a minority investor, Songhua River Investment Limited, is recorded as a noncontrolling interest.

Comparison of the Three Months Ended March 31, 2024 and 2023

Revenue

	Three Months Ended March 31,		2024 to 2023
	2024	2023	% Change
	(dollars in thousands)		
Revenue	\$ 801,300	\$ 655,344	22 %

Revenue increased \$146.0 million, or 22%, for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The increase is primarily due to a higher amortization of prior period deferred revenue and an increase in bookings in the current period. The increase in bookings was primarily driven by a higher average number of daily unique paying users during the current period, which increased from approximately 812,000 during the three months ended March 31, 2023 to approximately 914,000 during the three months ended March 31, 2024. The average number of daily unique paying users represents the number of user accounts that made a payment on the Platform, including via redemption of prepaid cards for Robux, on an average daily basis during the respective period.

Cost of revenue

	Three Months Ended March 31,		2024 to 2023
	2024	2023	% Change
	(dollars in thousands)		
Cost of revenue	\$ 178,866	\$ 151,841	18 %

Cost of revenue increased \$27.0 million, or 18%, for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The increase is primarily due to a net increase of \$26.8 million in expense for payment processing fees, primarily driven by a higher amortization of prior period deferred cost of revenue and an increase in current period payment processing fees from the related growth in bookings.

Developer exchange fees

	Three Months Ended March 31,		2024 to 2023
	2024	2023	% Change
	(dollars in thousands)		
Developer exchange fees	\$ 202,405	\$ 182,440	11 %

Developer exchange fees increased \$20.0 million, or 11%, for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The increase is primarily driven by an increase in amounts earned by developers and creators due to the growth in bookings over the same period. However, the growth in bookings exceeded the growth in developer exchange fees, primarily driven by slower growth in our Engagement-Based Payouts program relative to overall bookings growth.

Infrastructure and trust & safety

	Three Months Ended March 31,		2024 to 2023
	2024	2023	% Change
	(dollars in thousands)		
Infrastructure and trust & safety	\$ 226,934	\$ 211,044	8 %

Infrastructure and trust & safety expenses increased \$15.9 million, or 8%, for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The increase is primarily driven by an increase of \$16.2 million in personnel costs, which includes an increase of \$8.7 million in stock-based compensation expense, primarily due to an increase in headcount to support our infrastructure growth.

Research and development

	Three Months Ended March 31,		2024 to 2023	
	2024	2023	% Change	
	(dollars in thousands)			
Research and development	\$ 362,065	\$ 275,537	31	%

Research and development expenses increased \$86.5 million, or 31%, for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The increase is primarily due to an increase of \$70.4 million in personnel costs, which includes an increase of \$44.0 million in stock-based compensation expense, primarily due to continued growth in headcount supporting our engineering, design, and product teams. The increase was further supplemented by an increase of \$8.8 million in facilities-related costs, primarily driven by higher rent expense associated with our office leases.

General and administrative

	Three Months Ended March 31,		2024 to 2023	
	2024	2023	% Change	
	(dollars in thousands)			
General and administrative	\$ 97,824	\$ 97,574	—	%

General and administrative expenses increased \$0.3 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The increase is primarily due to an increase of \$2.8 million in professional services expense and \$1.8 million in personnel costs, which includes an increase of \$1.0 million in stock-based compensation expense. The increase was offset by an impairment charge of \$7.0 million related to the operating lease right-of-use asset and related leasehold improvements of a portion of our San Mateo headquarters for which a sub-lease agreement was executed during the first quarter of 2023.

Sales and marketing

	Three Months Ended March 31,		2024 to 2023	
	2024	2023	% Change	
	(dollars in thousands)			
Sales and marketing	\$ 35,534	\$ 26,755	33	%

Sales and marketing expenses increased \$8.8 million, or 33%, for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The increase is primarily due to an increase of \$5.5 million in personnel costs, which includes an increase in stock-based compensation expense of \$1.9 million, primarily due to continued growth in headcount to support our sales and marketing teams, as well as an increase of \$1.7 million in advertising and promotional expenses.

Interest income, interest expense, other income/(expense), net, and provision for/(benefit from) income taxes

	Three Months Ended March 31,		2024 to 2023	
	2024	2023	% Change	
	(dollars in thousands)			
Interest income	\$ 42,170	\$ 31,082	36	%
Interest expense	\$ (10,363)	\$ (10,012)	4	%
Other income/(expense), net	\$ (346)	\$ (440)	(21)	%
Provision for/(benefit from) income taxes	\$ 1,053	\$ 731	44	%

Interest income increased by \$11.1 million for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, primarily due to rising interest rates, coupled with a higher average investment in debt securities.

Interest expense, other income/(expense), net, and provision for/(benefit from) income taxes, net were all relatively flat (in terms of amount) for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, respectively.

Liquidity and Capital Resources

As of March 31, 2024 and December 31, 2023, our principal sources of liquidity were cash and cash equivalents and short-term and long-term investments of \$3.5 billion and \$3.2 billion, respectively, which were primarily held for working capital purposes, capital expenditures, and acquisitions. Our investment policy and strategy are focused on the preservation of capital and supporting our liquidity requirements. We do not enter into investments for trading or speculative purposes.

Since our inception, we have financed our operations primarily through cash generated from operations and, to a lesser extent, sales of convertible preferred stock, borrowings under our credit facilities, and the sale of our 2030 Notes. We require payment upfront for substantially all of our bookings.

On October 29, 2021, we issued the 2030 Notes, which will mature on May 1, 2030, unless earlier repurchased or redeemed. Interest is payable semi-annually in arrears on May 1 and November 1 of each year, commencing on May 1, 2022. The net proceeds from the 2030 Notes issuance were approximately \$987.5 million and we intend to use the net proceeds for general corporate purposes, which may include working capital purposes, capital expenditures and acquisitions.

The 2030 Notes are unsecured obligations and the Indenture contains covenants limiting the Company and its subsidiaries' ability to: (i) create certain liens and enter into sale and lease-back transactions; (ii) create, assume, incur or guarantee indebtedness; or (iii) consolidate or merge with or into, or sell or otherwise dispose of all of substantially all of the Company and its subsidiaries' assets to another person, all of which are limited to amounts not to exceed the greater of \$4.0 billion and 3.5x "Consolidated EBITDA" (as defined in the Indenture and referred to as "Covenant Adjusted EBITDA" throughout this section). Non-compliance with these covenants may result in the acceleration of repayment of the 2030 Notes and any accrued and unpaid interest.

Accordingly, the Company presents Covenant Adjusted EBITDA calculated in accordance with "Consolidated EBITDA" as that term is defined in the Indenture, which is not calculated in accordance with GAAP and may not conform to the calculation of Adjusted EBITDA by other companies. Covenant Adjusted EBITDA should not be considered as a substitute for a measure of our financial performance or other liquidity measures prepared in accordance with GAAP and is also not indicative of income or loss calculated in accordance with GAAP. Management believes that this calculation is useful to investors for purposes of analyzing our compliance with certain covenants specified in the Indenture.

The following table presents the calculation of Covenant Adjusted EBITDA in accordance with the terms of the Indenture, for each of the periods presented (in thousands):

	Three Months Ended March 31,	
	2024	2023
Calculation of Covenant Adjusted EBITDA:		
Consolidated net loss	\$ (271,920)	\$ (269,948)
Add (deduct):		
Interest income	(42,170)	(31,082)
Interest expense	10,363	10,012
Other (income)/expense, net	346	440
Provision for/(benefit from) income taxes	1,053	731
Depreciation and amortization expense	53,741	47,412
Stock-based compensation expense	240,502	184,904
RTO severance charge ⁽¹⁾	1,182	—
Other non-cash charges ⁽²⁾	—	6,988
Change in deferred revenue	127,604	123,783
Change in deferred cost of revenue	(32,932)	(20,137)
Covenant Adjusted EBITDA	\$ 87,769	\$ 53,103

(1) Relates to cash severance costs associated with the Company's return-to-office ("RTO") plan announced in October 2023, which requires a subset of the Company's remote employees to begin working from the San Mateo headquarters for three days a week, beginning in the summer of 2024.

(2) Includes impairment expense related to certain operating lease right-of-use assets and related property and equipment.

As of March 31, 2024, contractual obligations related to the 2030 Notes are remaining payments of \$38.8 million in 2024 and \$38.8 million each year from 2025 through 2029 and \$1,019.4 million due in 2030. These amounts represent principal and interest cash payments over the term of the 2030 Notes based on the stated maturity date. Any future redemption of the 2030 Notes could impact the amount or timing of our cash payments. For more information regarding the 2030 Notes, see Note 9, "Debt" to the notes to condensed consolidated financial statements.

For all periods presented, we have generated losses from our operations and positive cash flows from operating activities. A substantial source of our net cash and cash equivalents provided by operating activities is our deferred revenue, which is included in our condensed consolidated balance sheet as a liability. Deferred revenue consists of the unearned portion of bookings for which we have not yet satisfied our performance obligations. Our deferred revenue obligation is recognized as revenue over the estimated average lifetime of a paying user or as the virtual items are consumed.

We also expect to continue making investments in our business, including, but not limited to, capital expenditures related to our technology infrastructure.

We believe our existing cash and cash equivalents and short-term investments, together with expected cash to be provided by future operations, will be sufficient to meet our needs for the next 12 months. Our future capital requirements, however, will depend on many factors, including our growth rate, investment in our headcount, capital expenditures to build out new facilities and purchase hardware for infrastructure, timing and extent of spending to support our efforts to develop our Platform, and the effects of inflation on these various expenses, amongst other factors. We may in the future enter into arrangements to acquire or invest in complementary businesses, services, and technologies, including intellectual property rights. In the event that additional financing is required from outside sources, we may seek to raise additional funds at any time through equity, equity-linked arrangements, or debt. If we are unable to raise additional capital when desired and at reasonable rates, our business, results of operations, and financial condition would be adversely affected. See Part 1, Item 1A. "Risk Factors" for more information.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Consolidated Statements of Cash Flow Data:		
Net cash and cash equivalents provided by operating activities	\$ 238,946	\$ 173,781
Net cash and cash equivalents used in investing activities	\$ (78,584)	\$ (2,347,780)
Net cash and cash equivalents provided by financing activities	\$ 28,220	\$ 24,722

Operating activities

Our largest source of operating cash is cash collection from sales of Robux and monthly subscriptions. Our primary uses of net cash and cash equivalents from operating activities are for payment processing fees, personnel-related expenses, data center and infrastructure-related operations, developer exchange fees, and other operating expenses.

During the three months ended March 31, 2024, net cash and cash equivalents provided by operating activities was \$238.9 million, which consisted of consolidated net loss of \$271.9 million, adjusted by non-cash charges of \$302.4 million and net cash inflows from the change in net operating assets and liabilities of \$208.5 million. The non-cash charges were primarily comprised of stock-based compensation expense of \$240.5 million and depreciation and amortization expense of \$53.7 million. The net cash and cash equivalents inflow from the change in our net operating assets and liabilities was primarily due to a \$174.1 million decrease in accounts receivable, primarily driven by collection of outstanding accounts receivable and partially offset by an increase in accounts receivable from bookings generated in the current period. The increase was further supplemented by a \$129.2 million increase in deferred revenue, primarily due to bookings generated in the current period. The overall increase was offset by a \$33.4 million increase in deferred cost of revenue, primarily due to payment processing fees incurred in the current period, and a \$22.2 million decrease in our developer exchange liability, primarily driven by payments and partially offset by the developer exchange fees expense generated in the current period.

Investing activities

During the three months ended March 31, 2024, net cash and cash equivalents used in investing activities was \$78.6 million, primarily consisting of \$30.7 million of investment purchases – net of sales and maturities, capital expenditures of \$46.7 million, and intangible asset purchases of \$1.2 million.

Financing activities

During the three months ended March 31, 2024, net cash and cash equivalents provided by financing activities was \$28.2 million, primarily consisting of \$32.7 million from the exercise of stock options and purchase of shares under our employee stock purchase plan, offset by \$4.5 million of post-acquisition purchase consideration payments related to the satisfaction of certain post-acquisition conditions related to our third quarter 2023 acquisition of Speechly, Inc.

Off-Balance Sheet Arrangements

The Company has letters of credit in connection with its office facilities in San Mateo, California and data center facilities in Ashburn, Virginia and Chicago, Illinois which are not reflected in the Company's condensed consolidated balance sheets as of March 31, 2024 and December 31, 2023. There have been no material changes to the Company's letters of credit during the three months ended March 31, 2024. We did not have any relationships with unconsolidated entities or financial partnerships, such as structured finance or special purpose entities that were established for the purpose of facilitating off-balance sheet arrangements or other purposes.

Contractual Obligations and Commitments

Contractual commitments include obligations under operating leases for office facilities and data center operations. There have been no material changes to the nature of our operating lease commitments since December 31, 2023 other than for lease commitments primarily related to office facilities and space for data center operations in the ordinary course of business. Refer to Note 4, "Leases" in the notes to condensed consolidated financial statements for more information on the Company's lease obligations.

Other purchase obligations primarily consist of non-cancelable obligations with our data center hosting providers and software vendors. There have been no material changes in the Company's purchase obligations since December 31, 2023 other than for non-cancelable obligations primarily related to data center hosting providers and software vendors in the ordinary course of business. Refer to Note 10, "Commitments and Contingencies" in the notes to condensed consolidated financial statements for additional information regarding our contractual commitments.

See our Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on February 21, 2024 for additional information regarding our contractual commitments.

Critical Accounting Policies and Estimates

The preparation of these financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts in our condensed consolidated financial statements and related notes. Our estimates are based on various factors that we believe are reasonable. Actual results may differ from these estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the condensed consolidated financial statements.

There have been no material changes to our critical accounting policies and estimates as compared to those described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in the Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on February 21, 2024.

Recent Accounting Pronouncements

See Note 2, "Basis of Presentation and Summary of Significant Accounting Policies" to the notes to our condensed consolidated financial statements included in Part I, Item I of this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign currency exchange rates.

Interest Rate Risk

As of March 31, 2024, our cash equivalents, short-term investments, and long-term investments primarily consist of debt securities, including corporate debt securities, commercial paper, money market funds, U.S. Treasury securities, and U.S. agency securities. Our debt securities are subject to market risk due to changes in prevailing interest rates that may cause their fair values to fluctuate in the future. Based on a sensitivity analysis, we have determined that a hypothetical 100 basis points increase in interest rates would have resulted in a decrease in the fair values of our debt securities of approximately \$22.0 million as of March 31, 2024. Such losses would only be realized if we sold the investments prior to maturity.

We do not enter into investments for trading or speculative purposes. Our investment policy and strategy are focused on the preservation of capital and supporting our liquidity requirements.

In October 2021, we issued \$1.0 billion aggregate principal amount of the 2030 Notes. The 2030 Notes were issued at par and we incurred approximately \$12.5 million in debt issuance costs. Interest on the 2030 Notes is payable semiannually in arrears on May 1 and November 1 of each year, beginning on May 1, 2022, and the entire outstanding principal amount of the 2030 Notes is due at maturity on May 1, 2030. The 2030 Notes have a fixed interest rate; therefore, we have no financial statement risk associated with changes in interest rates with respect to the 2030 Notes. Additionally, on our balance sheet we carry the 2030 Notes at face value less unamortized discount and debt issuance cost, and we present the fair value for disclosure purposes only. The fair value of our 2030 Notes will fluctuate with movements in interest rates, increasing in periods of declining rates of interest and declining in periods of increasing rates of interest.

Foreign Currency Exchange and Inflation Risk

During the three months ended March 31, 2024, there were no significant changes to our quantitative and qualitative disclosures about foreign currency exchange risk or inflation risk. For more information, refer to Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" set forth in the Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on February 21, 2024.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2024. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the disclosure controls and procedures are met. Based on the evaluation of our disclosure controls and procedures as of March 31, 2024, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

This information is set forth under "Note 10 – Commitments and Contingencies – Legal Proceedings" to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

RISK FACTORS

A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider the risks described below, as well as the other information in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The occurrence of any of the events or developments described below could materially and adversely affect our business, financial condition, results of operations, and growth prospects. In such an event, the market price of our Class A common stock could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently believe are not material may also impair our business, financial condition, results of operations, and growth prospects.

Risk Factors Summary

Below is a summary of the principal factors that make an investment in our Class A common stock speculative or risky:

- We have a history of net losses and we may not be able to achieve or maintain profitability in the future.
- Our business is affected by seasonal demands, and our financial condition and results of operations will fluctuate from quarter to quarter, which makes our financial results difficult to predict and may not fully reflect our underlying performance.
- We experienced rapid growth in prior periods and our prior growth may not be indicative of our future growth or the growth of our market.
- We depend on effectively operating with mobile operating systems, hardware, and networks that we do not control; changes to any of these or our Platform may significantly harm our user retention, growth, engagement, and monetization, or require us to change our data collection and privacy, cybersecurity, and data protection practices, business models, operations, practices, advertising activities or application content, which could restrict our ability to maintain our Platform through these systems, hardware, and networks and would adversely impact our business.
- Because we recognize revenue from bookings over the estimated average lifetime of a paying user or as the virtual items are consumed, changes in our business may not be immediately reflected in our operating results.
- If our business becomes constrained by changing legal and regulatory requirements, including with respect to privacy, cybersecurity and data protection, artificial intelligence ("AI"), consumer protection, communication, verified parental consent and user-generated content, or enforcement by government regulators, including fines, orders, or consent decrees in the US or other jurisdictions in which we operate, our operating results will suffer.
- The success of our business model is contingent upon our ability to provide a safe online environment for children to experience and if we are not able to continue to provide a safe environment, our business will suffer dramatically.
- If we are not able to provide sufficiently reliable services to our developers, creators, and users and maintain the performance of our Platform in the event of outages, constraints, disruptions or degradations in our services and our Platform, our business and reputation will suffer.
- If the security of our Platform is compromised, it could compromise our and our developers', creators', and users' private information, disrupt our internal operations and harm public perception of our Platform, which could cause our business and reputation to suffer.
- We must continue to attract and retain highly qualified personnel in very competitive markets to continue to execute on our business strategy and growth plans.
- We may identify material weaknesses or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our condensed consolidated financial statements or cause us to fail to meet our periodic reporting obligations.
- Our business and results of operations are affected by fluctuations in currency exchange rates.
- We may incur liability as a result of content published using our Platform or as a result of claims related to content generated by our developers, creators, and users, including copyright infringement, and legislation regulating content on our Platform may require us to change our Platform or business practices.
- The loss of one or more of the members of our senior management team or other key personnel (or the inability to attract senior management or other key personnel), in particular our Founder, President, CEO and Chair of our Board of Directors, David Baszucki, could significantly harm our business.
- The public trading price of our Class A common stock is volatile and may decline.

- The dual class stock structure of our common stock has the effect of concentrating voting control in our Founder, which may limit or preclude your ability to influence corporate matters, including the election of directors and the approval of any change of control transaction.
- Securities or industry analysts or other third parties may publish inaccurate or unfavorable research about us, our business or our market which may cause the market price and trading volume of our Class A common stock to decline.

Risks Related to Our Business

We have a history of net losses and we may not be able to achieve or maintain profitability in the future.

We have incurred net losses since our inception, and we expect to continue to incur net losses in the foreseeable future. We incurred net losses attributable to common stockholders of \$1,151.9 million, \$924.4 million and \$491.7 million for the years ended December 31, 2023, 2022, and 2021, respectively. As of March 31, 2024, we had an accumulated deficit of \$3,330.9 million. We also expect our operating expenses to continue to increase, and if our growth does not increase to offset these anticipated increases in our operating expenses, our business, results of operations, and financial condition will be harmed, and we may not be able to achieve or maintain profitability. We expect our costs and investments to continue to increase in future periods as we intend to continue to make investments to grow our business, including an expected increase in infrastructure, stock-based compensation expenses, and acquisitions. These efforts may be more costly than we expect and may not result in increased revenue or growth of our business. In addition to the expected costs to grow our business, we have incurred and expect to continue to incur significant additional legal, accounting, and other expenses as a public company. Compliance with these rules and regulations continues to increase our legal and financial compliance costs and demand on our systems, and requires significant attention from our senior management that could divert their attention away from the day-to-day management of our business. If we fail to increase our revenue to sufficiently offset the increases in our operating expenses, we will not be able to achieve or maintain profitability in the future.

Our business is affected by seasonal demands, and our financial condition and results of operations will fluctuate from quarter to quarter, which makes our financial results difficult to predict and may not fully reflect our underlying performance.

Historically, our business has been highly seasonal, with the highest percentage of our bookings occurring in the fourth quarter when holidays permit our users to spend increased time on our Platform and lead to increased spend on pre-paid Robux gift cards, and we expect this trend to continue. We also typically see higher levels of engagement in the months of June, July, and August, which are summer periods in the northern hemisphere, and lower levels of engagement in the post-summer months of September, October, and November. For example, our bookings for the quarter ending December 31, 2023 represented approximately 32% of our bookings for fiscal 2023. Other periods of seasonality include holidays such as Lunar New Year, Easter, and Ramadan, each of which may differ in timing year over year and therefore have and may continue to impact our quarterly results. We may also experience fluctuations due to factors that may be outside of our control that affect user, developer, or creator engagement with our Platform.

Accordingly, our quarterly results of operations have fluctuated in the past and will fluctuate in the future, both based on the seasonality of our business as well as external factors impacting the global economy, our industry and our company, including, but not limited to our ability to maintain and grow our user base, user engagement, developer base and developer engagement; the level of demand for our Platform; the ability of our developers to monetize their experiences; increased competition; our pricing model; the maturation of our business; our ability to introduce new revenue streams such as advertising; legislative or regulatory changes; macroeconomic conditions, such as high inflation, recessionary or uncertain environments, and fluctuating foreign currency exchange rates; our ability to maintain operating margins, cash used in operating activities, and free cash flow; system failures or actual or perceived breaches or other incidents relating to privacy or cybersecurity; adverse litigation judgments, settlements, or other litigation and dispute-related costs; adverse media coverage or unfavorable publicity; the effectiveness of our internal control over financial reporting; the amount and timing of our stock-based compensation expenses; changes in our effective tax rate; and changes in accounting standards, policies, guidance, interpretations, or principles. As a result, you should not rely on our past quarterly results of operations as indicators of future performance. You should take into account the risks and uncertainties frequently encountered by companies in rapidly evolving market segments.

We experienced rapid growth in prior periods, and our prior growth rates may not be indicative of our future growth or the growth of our market.

We experienced rapid growth in prior periods relative to our quarterly forecast and historic trends, which may not be indicative of our financial and operating results in future periods. Activity levels in prior periods are not sustainable, and our growth rates have moderated in most markets. The long-term impact to our business, operations, and financial results will depend on numerous evolving factors that we may not be able to accurately predict. For example, our bookings increased 171% from the year ended December 31, 2019 to the year ended December 31, 2020, while our bookings increased 23% from the year ended December 31, 2022 to the year ended December 31, 2023. Our revenue, bookings, and user base growth rates have slowed and may continue to slow, and we may not experience any growth in bookings or our user base during periods where we are comparing against historical periods. We believe our overall market acceptance, revenue growth, and increases in bookings depend on a number of factors, some of which are not within our control. There can be no assurance that users will not reduce their usage or engagement with our Platform or reduce their discretionary spending on Robux, which would adversely impact our revenue and financial condition. If we are unable to continue to maintain the attractiveness of our Platform to developers, creators, and users, they may no longer seek new experiences in our Platform, which would result in decreased market acceptance, fewer bookings, and lower revenue and could harm our operations.

We depend on effectively operating with third-party mobile operating systems, hardware, and networks that may make changes affecting our operating costs, as well as our ability to maintain our Platform which would hurt our ability to operate our business.

For the three months ended March 31, 2024, 29% of our revenue was attributable to Robux sales through the Apple App Store and 16% of our revenue was attributable to Robux sales through the Google Play Store. Because of the significant use of our Platform on mobile devices, our application must remain interoperable with these and other popular mobile app stores and platforms, and related hardware. We are subject to the standard policies and terms of service of these operating systems, as well as policies and terms of service of the various software application stores that make our application and experiences available to our developers, creators, and users. These policies and terms of service govern the availability, promotion, distribution, content, and operation of applications and experiences on such operating systems and stores. Each provider of these operating systems and stores has broad discretion to change and interpret its terms of service and policies with respect to our Platform and those changes may be unfavorable to us and our developers', creators', and users' use of our Platform. If an operating system provider or application store limits or discontinues access to, or changes the terms governing, its operating system or store for any reason, it could adversely affect our business, financial condition, or results of operations.

Additionally, an operating system provider or application store could also limit or discontinue our access to its operating system or store if it establishes more favorable relationships with one or more of our competitors, launches a competing product itself, or it otherwise determines that it is in its business interests to do so. If competitors control the operating systems and related hardware our application runs on, they could make interoperability of our Platform more difficult or display their competitive offerings more prominently than ours. There is no guarantee that new devices, platforms, systems and software application stores will continue to support our Platform or that we will be able to maintain the same level of service on these new systems. If it becomes more difficult for our users, developers or creators to access and engage with our Platform, our business and user retention, growth, and engagement could be significantly harmed.

Similarly, at any time, our operating system providers or application stores can change their policies on how we operate on their operating system or in their application stores by, for example, applying content moderation for applications and advertising or imposing technical or code requirements. These actions by operating system providers or application stores may affect our ability to collect, process, and use data as desired and could negatively impact our ability to leverage data about the experiences our developers create, which in turn could impact our resource planning and feature development planning for our Platform.

We rely on third-party distribution channels and third-party payment processors to facilitate Robux purchases by our Platform users. If we are unable to maintain a good relationship with such providers, if their terms and conditions change, or fail to process or ensure the safety of users' payments, our business will suffer.

Purchases of Robux and other products (e.g., prepaid gift cards) on our Platform are facilitated through third-party online distribution channels and third-party payment processors. We utilize these distribution channels, such as Amazon, Apple, Blackhawk, ePay, Google, Incomm, PayPal, Vantiv, Stripe, and Xsolla, to receive cash proceeds from sales of our Robux through direct purchases on our Platform. For our experiences accessed through mobile platforms such as the Apple App Store and the Google Play Store, we are required to share a portion of the proceeds from in-game sales with the platform providers. For operations through the Apple App Store and Google Play Store, we are obligated to pay up to 30% of any money paid by users to purchase Robux to Apple and Google and this amount could increase. These costs are expected to remain a significant operating expense for the foreseeable future. If the amount these platform providers charge increases, it could have a material impact on our ability to pay developers and our results of operations. Each provider of an operating system or application store may also change its fee structure or add fees associated with access to and use of its operating system, which could have an adverse impact on our business. There have been litigation and governmental inquiries over application store fees, and Apple or Google could modify their platform in response to such litigation and inquiries in a manner that may harm us. Any scheduled or unscheduled interruption in the ability of our users to transact with these distribution channels could adversely affect our payment collection and, in turn, our revenue and bookings.

Additionally, we do not directly process purchases of Robux on our Platform, and, thus, any information on those purchases (e.g., debit and credit card numbers and expiration dates, personal information, and billing addresses) is disclosed to the third-party online platform and service providers facilitating Robux purchases by users (such as Vantiv, Stripe, and Xsolla). We do not have control over the security measures of those providers, and their security measures may not be adequate. We could be exposed to litigation and possible liability if our users' transaction information involving Robux purchases is compromised, which could harm our reputation and our ability to attract users and may materially adversely affect our business.

We also rely on the stability of such distribution channels and their payment transmissions, and third-party payment processors, to ensure the continued payment services provided to our users. If any of these providers fail to process or ensure the security of users' payments for any reason, our reputation may be damaged and we may lose our paying users, and users may be discouraged from purchasing Robux in the future, which, in turn, would materially and adversely affect our business, financial condition, and prospects.

In addition, from time to time, we encounter fraudulent use of payment methods, which could impact our results of operations and if not adequately controlled and managed could create negative consumer perceptions of our service. If we are unable to maintain our fraud and chargeback rate at acceptable levels, card networks may impose fines, our card approval rate may be impacted and we may be subject to additional card authentication requirements. The termination of our ability to process payments on any major payment method would significantly impair our ability to operate our business.

Our estimates or judgments relating to our critical accounting policies could cause our results of operations to fall below expectations, and changes in our business may not be immediately reflected in our operating results.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. For example, the majority of the virtual items available on our Platform are durable virtual items, which, when acquired, are recognized ratably over the estimated period of time the virtual items are available to the user (estimated to be the average lifetime of a paying user). Every quarter, we complete an assessment of our estimated average lifetime of a paying user, which is used for revenue recognition of durable virtual items and calculated based on historical monthly retention data for each paying user cohort to project future participation on our Platform. We calculate the average historical monthly retention data by determining the weighted average of monthly paying users that have spent time on our Platform. In 2021, our estimated average lifetime of a paying user was 23 months. In the first quarter of 2022, we updated our estimated average lifetime of a paying user from 23 months to 25 months, which was subsequently updated to 28 months in the third quarter of 2022. Based on the carrying amount of deferred revenue and deferred cost of revenue as of December 31, 2021, these changes in estimates resulted in a decrease in revenue of \$344.9 million and a decrease in cost of revenue of \$79.3 million during the twelve months ended December 31, 2022. In the second quarter of 2024, we updated our estimated average lifetime of a paying user from 28 months to 27 months. Much of the revenue we report in each quarter is the result of purchases of Robux during previous periods. Consequently, a decline in purchases of Robux in any one quarter will not be fully reflected in our revenue and operating results for that quarter. Any such decline, however, will negatively impact our revenue and operating results in future quarters. Accordingly, the effect of significant near-term downturns in purchases of Robux for a variety of reasons may not be fully reflected in our results of operations until future periods.

We are subject to state, federal, and international regulations and any changes in such regulations could harm or prevent our ability to operate our Platform in those jurisdictions.

Uncertainty over changes in laws and regulations could adversely affect our ability to operate across demographics and geographies or our developer's ability to monetize their experiences in some geographies. The widespread availability of user generated content is a relatively newer development, and the regulatory framework is new and evolving. In addition, many states and foreign governments have enacted legislation designed to protect children and regulate violent content, and we expect additional legislation to be enacted, that focuses on online safety. If we are unable to comply with applicable regulations, some of the experiences on our Platform, or our entire Platform, may not be available in such jurisdictions, and our ability to execute on our business model and grow our business would be severely impacted.

We are also subject to content moderation obligations, notice and transparency obligations, advertising restrictions and other requirements on digital platforms to protect consumers and their rights online, and existing and new regulations and policies with respect to privacy, biometrics, data protection, cybersecurity, gambling, loot boxes, intellectual property, childhood protection, consumer protection, ratings, and taxes. Additionally, the Federal Trade Commission regulates and restricts deceptive or unfair commercial activities, including with relation to targeted advertising. We are subject to regulations with respect to advertising, in particular, advertising to minors, and advertising regulations could differ based on the jurisdiction of the user. We may not be able to implement an advertising model that is compliant with regulations in all jurisdictions in which we operate. These requirements may increase our moderation and compliance related costs and expenses, reduce the overall use or demand of our Platform, or result in significant injunctive and monetary remedies for violations.

Moreover, changes to these laws, regulations, standards, or obligations could require us to change our business model, take on more onerous obligations, including, but not limited to, applying for government-issued licenses to operate, establishing a local presence in certain jurisdictions, or developing localized product offerings, and impact the functionality of our Platform. The costs of compliance with, and other burdens imposed by, these laws, regulations, standards, and obligations, could be prohibitively expensive. Furthermore, any inability to adequately address these burdens, would harm our ability to operate our Platform, limit the attractiveness of our Platform, or reduce overall demand for our Platform, which would harm our business, financial condition, and results of operations.

The success of our business model is contingent upon maintaining a strong reputation and brand, including our ability to provide a safe online environment for children to experience.

Our Platform hosts a number of experiences intended for audiences of varying ages, a significant percentage of which are designed to be experienced by children. As a user-generated content platform, it is relatively easy for developers, creators, and users to upload content that can be viewed broadly. Although illicit activities are in violation of our terms and policies, and we attempt to block objectionable material, we are unable to prevent all such violations from occurring. We continue to make significant efforts to provide a safe and enjoyable experience for users of all ages. We invest significant technical and human resources to prevent inappropriate content on our Platform by reviewing all images, audio, video, and 3D models at the time of upload in order to block inappropriate content before users have a chance to encounter it on our Platform. Notwithstanding our efforts, from time to time, inappropriate content is successfully uploaded onto our Platform and can be viewed by others prior to being identified and removed by us. Moreover, measures intended to make our Platform more attractive to an older, age verified audience, such as less highly moderated or unmoderated chat and the introduction of experiences with mature content, and new methods of communication could fail to gain sufficient market acceptance by its intended audience and may create the perception that our Platform is not safe for young users. In addition, the introduction of experiences for users who are 17 years of age and older may create the perception that our Platform is not safe for young users and may cause some operating system providers, application stores, or regulatory agencies to require a higher age rating for our Platform, which could cause us to become less available to younger users and harm our business, financial condition, and results of operations. Further, children may attempt to evade our age verification system, which could lead them to be exposed to inappropriate behavior by participating in experiences that are not age-appropriate or that feature spatial voice chat. While we have introduced experience guidelines that will allow developers to flag more mature content in their experiences, and are updating our parental controls, users may still be exposed to content that may not be age-appropriate. In addition, as more of our brand partners, developers, and creators offer physical products for sale through our Platform, young users may be able to purchase products that may not be age-appropriate. Unintentional access to content or physical products could cause harm to our audience and to our reputation of providing a safe environment for young users. If we are unable to limit, or are perceived as not being able to sufficiently limit, all or substantially all age-inappropriate content and physical products to only users who have been verified as being the appropriate age for such content or goods, parents and children could lose their trust in the safety of our Platform, which would harm our overall acceptance by these audiences and would likely result in significantly reduced revenue, bookings, profitability, and ultimately, our ability to continue to successfully operate our Platform.

In addition to limiting content to the age-appropriate audience and blocking other inappropriate content, we have statutory obligations under U.S. federal law to block or remove child pornography and report offenses to the National Center for Missing and Exploited Children. While we have dedicated technology and trained human moderator staff that can detect and remove sexual content involving children, there have been instances where such content has been uploaded, and any future non-compliance by us or allegations of non-compliance by us with respect to U.S. federal laws on child pornography or the sexual exploitation of children could significantly harm our reputation, create criminal liability, and could be costly and time consuming to address or defend. We may also be subject to additional criminal liability related to child pornography or child sexual exploitation under other domestic and international laws and regulations.

We believe that maintaining, protecting, and enhancing our reputation and brand is critical to grow the number of developers, creators, and users on our Platform, especially given the safe and civil atmosphere that we strive to achieve for our users, many of whom are children. Maintaining, protecting, and enhancing our brand will depend largely on our ability to continue to provide reliable high-quality, engaging, and shared experiences on our Platform. If users, developers, or creators do not perceive our Platform to be reliable or of high quality, the value of our brand could diminish, thereby decreasing the attractiveness of our Platform. Further, we have faced and are currently defending allegations that our Platform has been used by criminal offenders to identify and communicate with children and to possibly entice them to interact off-Platform, outside of the restrictions of our chat, content blockers, and other on-Platform safety measures. While we devote considerable resources to prevent this from occurring, we are unable to prevent all such interactions from taking place. We have also received and may continue to receive a high degree of media coverage, including the use of our Platform for illicit or objectionable ends. For example, we have experienced negative media publicity related to the age of some of our developers, the content that developers produce for, or the conduct of users on our Platform that may be deemed illicit, explicit, profane, or otherwise objectionable. Additional unfavorable publicity has covered our privacy, cybersecurity, or data protection practices, terms of service, product changes, product quality, litigation or regulatory activity, our use of generative AI, the actions of our users, and the actions of our developers or creators whose products are integrated with our Platform. Our reputation and brand could also be negatively affected by the actions of developers, contractors and users that are hostile, inappropriate, or illegal, whether on or off our Platform. Actual or perceived incidents or misuses of user data or other privacy or security incidents, the substance or enforcement of our community standards, the quality, integrity, characterization and age-appropriateness of content shared on our Platform, or the actions of other companies that provide similar services to ours, has in the past, and could in the future, adversely affect our reputation. Any criminal incidents or allegations involving Roblox, whether or not we are directly responsible, could adversely affect our reputation as a safe place for children and hurt our business. Any negative publicity could create the perception that we do not provide a safe online environment and may have an adverse effect on the size, engagement, and loyalty of our developer, creator, and user community, which would adversely affect our business and financial results. Maintaining, protecting, and enhancing our reputation and brand may require us to make substantial investments, and these investments may not be successful.

If we fail to retain users or add new users, or if our users decrease their level of engagement with our Platform, revenue, bookings, and operating results will be harmed.

We view DAUs as a critical measure of our user engagement, and adding, maintaining, and engaging users has been and will continue to be necessary to our continued growth. Our DAU growth rate has fluctuated in the past and may slow in the future due to various factors including: the introduction of new experiences or virtual items on our Platform, performance issues with our Platform, higher market penetration rates, the availability of our Platform across markets and user demographics, which may be impacted by regulatory or legal requirements, including the use of verified parental consent, changing responses to outbreaks of COVID-19, and competition from a variety of entertainment sources for our users and their time. In addition, our strategy seeks to expand the age groups and geographic markets that make up our users. If and when we achieve maximum market penetration rates among any particular user cohort overall and in particular geographic markets, future growth in DAUs will need to come from other age or geographic cohorts, which may be difficult, costly or time consuming for us to achieve. Accessibility to the internet and bandwidth or connectivity limitations as well as regulatory requirements, may also affect our ability to further expand our user base in a variety of geographies. If our DAU growth rate slows or becomes stagnant, or we have a decline in DAUs, or we fail to effectively monetize users in certain geographic markets, our financial performance will increasingly depend on our ability to elevate user activity or increase the monetization of our users.

Our business plan assumes that the demand for interactive entertainment offerings will increase for the foreseeable future. However, if this market shrinks or grows more slowly than anticipated or if demand for our Platform does not grow as quickly as we anticipate, whether as a result of competition, product obsolescence, budgetary constraints of our developers, creators, and users, technological changes, unfavorable economic conditions, uncertain geopolitical or regulatory environments or other factors, we may not be able to increase our revenue and bookings sufficiently to ever achieve profitability and our stock price would decline.

Moreover, a large number of our users are under the age of 13. This demographic may be less brand loyal and more likely to follow trends, including viral trends, than other demographics. These and other factors may lead users to switch to another entertainment option rapidly, which can interfere with our ability to forecast usage or DAUs and would negatively affect our user retention, growth, and engagement. We also may not be able to penetrate other demographics in a meaningful manner to compensate for the loss of DAUs in this age group. Falling user retention, growth, or engagement rates could seriously harm our business.

We depend on our developers to create digital content that our users find compelling, and if we fail to properly incentivize our developers and creators to develop and monetize content, our business will suffer.

We spend substantial amounts of time and money to research, develop, and enhance versions of our Platform to incorporate additional features, improve functionality or other enhancements and prioritize user safety and security in order to meet the rapidly evolving demands of our developers, creators, and users. Maintaining adequate research and development resources, such as the appropriate personnel and development technology, to meet the demands of the market is essential. Developments and innovations on our Platform may rely on new or evolving technologies which are still in development and may never be fully developed. For instance, use of AI algorithms presents risks associated with developing technologies, which create technical challenges for us to successfully maintain our technology. In addition, the use of AI involves significant technical complexity and requires specialized expertise. This specialized expertise can be difficult and costly to obtain given the increasing industry focus on AI development and competition for talent.

Our Platform relies on our developers and creators to create experiences and virtual items on our Platform for our users, and we believe the interactions between and within the developer, creator, and user communities on our Platform create a thriving and organic ecosystem, and this network effect drives our growth. To facilitate and incentivize the creation of the experiences and virtual items by developers our Platform offers developers an opportunity to earn Robux, a virtual currency on our Platform. When virtual items are acquired on our Platform, the originating developer or creator earns a portion of the Robux paid for the item. Developers are able to exchange their accumulated earned Robux for real-world currency under certain conditions outlined in our Developer Exchange Program. While we have millions of developers and creators on our Platform, 48% of engagement hours were spent in the top 50 experiences in the month ending December 31, 2023 and only 526 experiences had engagement hours of 10 million or more. We continuously review and revise our Platform policies to enhance regulatory compliance and the trust and safety of our Platform. Changes to our Platform policies may reduce the ability of developers to monetize their experience. The loss of any of our top developers could have a material impact on our business, financial condition, and operations. If we fail to provide a sufficient return to developers, they may elect to develop user-generated content on other platforms, which would result in a loss of revenue.

Despite our efforts, users, developers, or creators may become dissatisfied with our billing or payment policies, our handling of personal data, or other aspects of our Platform. If we fail to adequately address these or other user, developer, or creator complaints, negative publicity about us or our Platform could diminish confidence in and the use of our Platform. If we do not provide the right technologies, education or financial incentives to our developers and creators, they may develop fewer experiences or virtual items or be unable to or choose not to monetize their experiences, and our users may elect to not participate in the experiences or acquire the virtual items, and, thus, our Platform, revenue, and bookings could be adversely affected. Additionally, if we fail to anticipate developers' and creators' needs, the quality of the content they create may not attract users to engage with experiences and result in a decline of users on our Platform. When we develop new or enhanced features for our Platform, we typically incur expenses and expend resources upfront to develop, market, promote, and sell new features, and we may not be able to realize some or all of the anticipated benefits of these investments.

If we are not successful in our efforts to further develop live experiences on our Platform, our business could suffer.

We have undergone efforts to further develop the live experiences available on our Platform, such as virtual concerts, classrooms, meetings, and conferences and to offer commercial partners with branding opportunities in conjunction with key events, such as a product launch. There is no guarantee that these efforts will be successful or that users will engage with these experiences. New features or enhancements and changes to the existing features of our Platform, such as these live experiences or virtual reality applications, could fail to attain sufficient market acceptance for many reasons, including failure to predict market demand accurately in terms of functionality and to supply features that meet this demand in a timely fashion; defects, errors, or failures; negative publicity about performance, safety, privacy, or effectiveness; delays in releasing new features or enhancements on our Platform; and introduction or anticipated introduction of competing products by competitors. The failure to obtain market acceptance for these live experiences would negatively affect our business, financial condition, results of operations, and brand.

If we experience outages, constraints, disruptions, or degradations in our services, Platform support and/or technological infrastructure, our ability to provide sufficiently reliable services to our customers and maintain the performance of our Platform could be negatively impacted, which could harm our relationships with our developers, creators, and users, and, consequently, our business.

Our users expect fast, reliable, and resilient systems to enhance their experience and support their activity on our Platform, which depends on the continuing operation and availability of our Platform from our global network of data centers controlled and operated by us and our external service providers, including third-party “cloud” computing services. We also provide services to our developer and creator community through our Platform, including DevForum and Creator Hub for tutorials, hosting, customer service, regulatory compliance, and translation, among many others. The experiences and technologies on our Platform are complex software products and maintaining the sophisticated internal and external technological infrastructure required to reliably deliver these experiences and technologies is expensive and complex. The reliable delivery and stability of our Platform has been, and could in the future be, adversely impacted by outages, disruptions, failures, or degradations in our network and related infrastructure or those of our partners or service providers.

We have experienced outages from time to time since our inception when the Platform is unavailable for all or some of our users, developers, and creators, including in May 2022 and October 2021. In addition, there may be times when access to our Platform for users, developers, and creators may be temporarily unavailable or limited. This could be due to proactive actions we take while we provide critical updates or as an unexpected outcome of routine maintenance, which most recently occurred in July 2023. Outages can be caused by a number of factors, including a move to a new technology, the demand on our Platform exceeding the capabilities of our technological infrastructure, delays or failures resulting from natural disasters, manmade disasters, or other catastrophic events, the migration of data among data centers and to third-party hosted environments, and issues relating to our reliance on third-party software, third-party application stores, and third parties that host our Platform in areas where we do not operate our own data centers. The unavailability of our Platform, particularly if outages should become more frequent or longer in duration, could cause our users to seek other entertainment options, including those provided by our competitors, which may adversely affect our financial results. If we or our partners or third party service providers experience outages and our Platform is unavailable or if our developers, creators, and users are unable to access our Platform within a reasonable amount of time or at all, as a result of any such events, our reputation and brand may be harmed, developer, creator and user engagement with our Platform may be reduced, and our revenue, bookings and profitability could be negatively impacted. We may also experience a negative impact to our financial results as a result of decreased usage on our Platform or decrease of payouts to developers and creators. We may not have full redundancy for all of our systems at all times and our disaster recovery planning may not be sufficient to mitigate the risks posed by unanticipated technological exploitation used by threat actors and to address all aspects of any unanticipated consequence or incident or allow us to maintain business continuity at profitable levels or at all. Further, in the event of damage or service interruption, our business interruption insurance policies will not adequately compensate us for any losses that we may incur. These factors in turn could further reduce our revenues, subject us to liability, or otherwise harm our business, financial condition, or results of operations.

In addition to the events described above, our data and our technological infrastructure may also be subject to local and federal administrative actions or regulations, changes to legal or permitting requirements, and litigation that could stop, limit, or delay operations. Despite a reliability program focused on anticipating and solving issues that may impact the availability of our Platform and precautions taken at our data centers, such as disaster recovery and business continuity arrangements, the occurrence of spikes in usage volume, the occurrence of a natural disaster, a hacking event or act of terrorism, a decision to close the facilities without adequate notice, our inability to secure additional or replacement data center capacity as needed, or other unanticipated problems at our data centers could result in interruptions or delays on our Platform, impede our ability to scale our operations or have other adverse impacts upon our business and adversely impact our ability to serve our developers, creators, and users.

Customer support personnel and technologies are critical to resolve issues and to allow developers, creators, and users to realize the full benefits that our Platform provides and provide an excellent customer experience. High-quality support is important for the retention of our existing developers, creators, and users and to encourage the expansion of their use of our Platform. We rely on third party service providers to assist in our customer support. Our third party providers have been and may in the future be a source of exploitation for bad actors to attempt to compromise our systems and information. If a threat actor is successful in using one or more of our third party service providers to compromise our systems or personal information of our users, it could impact our business and results of operation as well as our reputation.

We must continue to invest in the infrastructure required to support our Platform. If we do not help our developers, creators, and users quickly resolve issues and provide effective ongoing support, our ability to maintain and expand our Platform to existing and new developers, creators, and users could suffer. In addition, if we do not make sufficient investments in servers, software or personnel in support of our infrastructure, to scale effectively and accommodate increased demands placed on our infrastructure, the reliability of our underlying infrastructure will be harmed and our ability to provide a quality experience for our developers, creators, and users will be significantly harmed. This would lead to a reduction in the number of developers, creators, and users on our Platform, a reduction in our revenues, bookings, and ability to compete, and our reputation with existing or potential developers, creators, or users could suffer.

The lack of comprehensive encryption for communications on our Platform may increase the impact of a security breach or incident.

Communications on our Platform are not comprehensively encrypted at this time. As such, any security breach or incident that involves unauthorized access, acquisition, disclosure, or use of communications on our Platform may be particularly impactful to our business. We may experience greater incident response forensics, data recovery, legal fees, and costs of notification related to any such potential incident, and we may face an increased risk of reputational harm, regulatory enforcement, and consumer litigation, which could further harm our business, financial condition, results of operations, and future business opportunities.

If the security of our Platform is compromised, it could compromise our and our developers', creators', and users' private information, disrupt our internal operations, and harm public perception of our Platform, which could cause our business and reputation to suffer.

We collect and store personal data and certain other sensitive and proprietary information in the operation of our business, including developer, creator, user and employee information, and other confidential data. While we have implemented measures designed to prevent unauthorized access to or loss of our confidential data, malware, ransomware, viruses, hacking, social engineering, spam, and phishing attacks have occurred and may occur on our Platform and our systems and those of our third-party service providers again in the future. Because of the popularity of our Platform, we believe that we are an attractive target for these sorts of attacks and have seen the frequency of these types of attacks increase.

The techniques used by malicious actors to obtain unauthorized access to, to sabotage, systems or networks, or to utilize our systems maliciously are constantly evolving and generally are not recognized until launched against a target. Consequently, despite the measures we have taken, we may be unable to anticipate these techniques, detect or react in a timely manner, or implement preventive measures, which could result in delays in our detection or remediation of, or other responses to, security breaches and other security-related incidents. The use of open source software used in our Platform has exposed us to security vulnerabilities in the past and will likely continue to expose us to security vulnerabilities in the future. For example, in December 2021, a vulnerability in popular logging software, Log4j, was publicly announced, and while we have taken steps to ensure these and similar vulnerabilities have been patched in our systems, we cannot guarantee that all vulnerabilities have been patched in every system upon which we are dependent or that additional critical vulnerabilities of open source software which we rely upon will not be discovered. Our use of AI in our products and business practices may increase or create additional cybersecurity risks, including risks of security breaches and incidents.

Our Platform and service operate in conjunction with, and we are dependent upon, third-party products, services, and components. Our ability to monitor our third-party service providers' cybersecurity is limited, and in any event, attackers may be able to circumvent our third-party service providers' cybersecurity measures. There have been and may continue to be significant attacks on certain of our third-party providers, and we cannot guarantee that our or our third-party providers' systems and networks have not been breached or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our systems and networks or the systems and networks of third parties that support us and our Platform and service. If there is a security vulnerability, error, or other bug in one of these third-party products, services, or components and if there is a security exploit targeting them or even simply the allegation of a vulnerability or security exploit targeting one of these third-party products, services or components, we could face increased costs, claims, liability, reduced revenue, and harm to our reputation or competitive position. We and our service providers may be unable to anticipate these techniques, react, remediate, or otherwise address any security vulnerability, breach, or other incident in a timely manner, or implement adequate preventative measures.

If any unauthorized access to our network, systems or data, including our sensitive and proprietary information, personal data from our users, developers, or creators, or other data, or any other loss or unavailability of, or unauthorized use, modification, disclosure, or other processing of personal data or any other security breach or incident, occurs or is believed to have occurred, whether as a result of third-party action, employee negligence, error or malfeasance, defects, social engineering techniques, ransomware attacks, or otherwise, our reputation, brand and competitive position could be damaged, our and our users', developers' and creators' data and intellectual property could potentially be lost or compromised, and we could be required to spend capital and other resources to alleviate problems caused by such actual or perceived breaches or incidents and remediate our systems. In the past, we have experienced social engineering and phishing attacks, and if similar attacks occur and are successful, this could have a negative impact on our business or result in unfavorable publicity. Additionally, we contract with certain third parties to store and process certain data for us, including our distribution channels, and these third parties face similar risks of actual and potential security breaches and incidents, which could present similar risks to our business, reputation, financial condition, and results of operations.

We incur significant costs in an effort to detect and prevent security breaches and other security-related incidents, including those to secure our product development, test, evaluation, and deployment activities, and we expect our costs will increase as we make improvements to our systems and processes to prevent future breaches and incidents. The economic costs to us to reduce cyber or other security problems, such as spammers, errors, bugs, flaws, "cheating" programs, defects or corrupted data, could be significant and may be difficult to anticipate or measure. Even the perception of these issues may cause developers, creators, and users to use our Platform less or stop using it altogether, and the costs could divert our attention and resources, any of which could result in claims, demands, and legal liability to us, regulatory investigations and other proceedings, and otherwise harm our business, reputation, financial condition, or results of operations. There could also be regulatory fines imposed for certain data breaches that take place around the world. Further, certain laws and regulations relating to privacy, biometrics, cybersecurity, and data protection, such as the California Consumer Privacy Act ("CCPA"), allow for a private right of action, which may lead to consumer litigation for certain data breaches that relate to specified categories of personal information. From time to time, we do identify product vulnerabilities, including through our bug bounty program. Although we have policies and procedures in place designed to swiftly characterize the potential impact of such vulnerabilities and develop appropriate patching or upgrade recommendations and also maintain policies and procedures related to vulnerability scanning and management of our internal corporate systems and networks, such policies and procedures may not be followed or detect every issue, and from time to time, we have, and may in the future again, need to proactively disable access to our Platform in order to provide necessary patching or upgrades.

Although we maintain cyber and privacy insurance, subject to applicable deductibles and policy limits, such coverage may not extend to all types of incidents relating to privacy, data protection, or cybersecurity, and it may be insufficient to cover all costs and expenses associated with such incidents. Further, such insurance may not continue to be available to us in the future on economically reasonable terms, or at all, and insurers may deny us coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

The expansion of our Platform outside the United States exposes us to risks inherent in international operations.

We operate our Platform throughout the world and are subject to risks and challenges associated with international business. For the three months ended March 31, 2024, approximately 79% of our DAUs and 36% of our revenue was derived from outside the U.S. and Canada region. We intend to continue to expand internationally, and this expansion is a critical element of our future business strategy. However, as we continue to expand internationally, including into developing countries where consumer discretionary spending is relatively weak, while our DAUs increase, the growth rate of our bookings could decelerate due to weaker spending by users from those regions, and our ABPDAU has been and may continue to be negatively impacted. While we have a number of developers, creators, and users outside of the U.S., we have limited offices located outside of the U.S. and Canada, and there is no guarantee that our international expansion efforts will be successful. The risks and challenges associated with expanding our international presence and operations include:

- greater difficulty in enforcing contracts and accounts receivable collection, and longer collection periods;
- higher costs of doing business internationally, including increased accounting, travel, infrastructure, legal and compliance costs;
- double taxation of our international earnings and potentially adverse tax consequences due to changes in the tax laws of the U.S. or the foreign jurisdictions in which we operate;
- compliance with multiple, ambiguous, or evolving governmental laws and regulations, including those relating to employment, tax, content regulation, privacy, data protection, anti-corruption, import/export, customs, anti-boycott, sanctions and embargoes, antitrust, data transfer, storage and security, content monitoring, preclusion, and removal, online entertainment offerings, advertising and consumers in general, and industry-specific laws and regulations, particularly as these rules apply to interactions with children;

- expenses related to monitoring and complying with differing labor regulations, especially in jurisdictions where labor laws may be more favorable to employees than in the U.S.;
- increased exposure to fluctuations in exchange rates between the U.S. dollar and foreign currencies in markets where we do business;
- challenges inherent to efficiently recruiting and retaining qualified employees in foreign countries and maintaining our company culture and employee programs across all of our offices;
- management communication and integration problems resulting from language or cultural differences and geographic dispersion;
- the uncertainty of protection for intellectual property in some countries;
- the uncertainty of our exposure to third-party claims of intellectual property infringement and the availability of statutory safe harbors in some countries;
- foreign exchange controls that might prevent us from repatriating cash earned outside the U.S.;
- risks associated with trade restrictions and foreign legal requirements, and greater risk of unexpected changes in regulatory requirements, tariffs and tax laws, trade laws, and export and other trade restrictions;
- risks relating to the implementation of exchange controls, including restrictions promulgated by the Office of Foreign Asset Control (“OFAC”), and other similar trade protection regulations and measures;
- exposure to regional or global public health issues, and to travel restrictions and other measures undertaken by governments in response to such issues;
- general economic and political conditions in these foreign markets, including political and economic instability in some countries and regions;
- localization of our services, including translation into foreign languages and associated expenses and the ability to monitor our Platform in new and evolving markets and in different languages to confirm that we maintain standards consistent with our brand and reputation;
- regulatory frameworks or business practices favoring local competitors;
- changes in the perception of our Platform by governments in the regions where we operate or plan to operate;
- uncertainty regarding the imposition of and changes in the U.S.’ and other governments’ trade regulations, trade wars, tariffs, other restrictions or other geopolitical events, and without limitation, including the evolving relations between the U.S. and China, evolving relations with Russia due to Russia’s invasion of Ukraine, and the escalation of regional tension as a result of Hamas’ attack against Israel and the ensuing war; and
- natural disasters, acts of war, and terrorism, and resulting changes to laws and regulations, including changes oriented to protecting local businesses.

These and other factors could harm our ability to generate revenue and bookings outside of the U.S. and, consequently, adversely affect our business, financial condition and results of operations. We may not be able to expand our business and attract users in international markets and doing so will require considerable management attention and resources. International expansion is subject to the particular challenges of supporting a business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. We may not be able to offer our Platform in certain countries, and expanding our international focus may subject us to risks that we have not faced before or increase risks that we currently face.

If we are unable to successfully grow our user base, compete effectively with other platforms, and further monetize our Platform, our business will suffer.

We have made, and are continuing to make, investments to enable our developers and creators to design and build compelling content and deliver it to our users on our Platform. Existing and prospective developers may not be successful in creating content that leads to and maintains user engagement (including maintaining the quality of experiences); they may fail to expand the types of experiences that they can build for users; or our competitors may entice our developers, users and potential users away from, or to spend less time with, our Platform, each of which could adversely affect users’ interest in our Platform and lead to a loss of revenue opportunities and harm our results of operations. The multitude of other entertainment options, online gaming, and other interactive experiences is high, making it difficult to retain users who are dissatisfied with our Platform and seek other entertainment options.

Additionally, we may not succeed in further monetizing our Platform and user base. As a result, our user growth, user engagement, financial performance and ability to grow revenue could be significantly harmed if we fail to increase or maintain DAUs; our user growth outpaces our ability to monetize our users, including if our user growth occurs in markets that are not profitable; we fail to provide the tools and education to our developers and creators to enable them to monetize their experiences and developers do not create engaging or new experiences for users; we fail to establish a successful advertising model; we fail to increase or maintain the amount of time spent on our Platform, the number of experiences that our users engage with, or the usage of our technology for our developers; we fail to increase the features of our Platform, allowing it to more broadly serve the entertainment, education, communication and business markets; we fail to increase penetration and engagement across all demographics or measures intended to make our Platform more attractive to older-age verified users create the perception that our Platform is not safe for young users; or the experiences on our Platform do not maintain or gain popularity.

If we are able to continue to grow, we will need to manage our growth effectively, which could require expanding our internal IT systems, technological operations infrastructure, financial infrastructure, and operating and administrative systems and controls. In addition, we have expended in the past and may in the future expend significant resources to launch new features and changes on our Platform that we are unable to monetize, which may significantly harm our business. Any future growth would add complexity to our organization and require effective coordination across our organization, and an inability to do so would adversely affect our business, financial conditions, and results of operations.

We introduced our users to offerings for Robux that are subscription-based. Only a small portion of our users regularly purchase Robux compared to all users who use our Platform in any period. While we intend for these efforts to generate increased recurring revenues from our existing user base, they may cause users to decrease their purchases of Robux and decrease these users' overall spend on our Platform. Our ability to continue to attract and retain users of our paid subscription services will depend in part on our ability to consistently provide our subscribers with a quality experience. If our users do not perceive these offerings to be of value, or if we introduce new or adjust existing features or pricing in a manner that is not favorably received by them, we may not be able to attract and retain subscribers or be able to convince users to become subscribers of such additional service offerings, and we may not be able to increase the amount of recurring revenue from our user base. If users fail to purchase Robux at rates similar to or greater than they have historically and if we fail to attract new paying users, or if our paying users fail to continue interacting with the Platform and purchasing Robux as they increase in age, our revenue will suffer. Subscribers may cancel their subscription to our service for many reasons, including a perception that they do not use the service sufficiently, the need to reduce household expenses, competitive services that provide a better value or experience or as a result of changes in pricing. If our efforts to attract and retain subscribers are not successful, our business, operating results, and financial condition may be adversely impacted.

Introduction of new technology could harm our business and results of operations.

The market for an immersive platform for connection and communication is a new and evolving market characterized by rapid, complex, and disruptive changes in technology and user, developer, and creator demands that could make it difficult for us to effectively compete. The expectations and needs of our users, developers, and creators are constantly evolving. Our future success depends on a variety of factors, including our continued ability to innovate, introduce new products and services efficiently, enhance and integrate our products and services in a timely and cost-effective manner, extend our core technology into new applications, and anticipate technological developments. If we are unable to react quickly to new technology trends—for example the continued growth of generative AI solutions which disrupts the ways developers create experiences or may disrupt the way users consume virtual goods—it may harm our business and results of operation. Further, social and ethical issues relating to the use of new and evolving technologies such as AI in our offerings, may result in reputational harm and liability, and may cause us to incur additional research and development costs to resolve such issues. AI presents emerging ethical issues and if we enable or offer solutions that draw controversy due to their perceived or actual impact on society, we may experience brand or reputational harm, competitive harm, or legal liability. Failure to address AI ethics issues by us or others in our industry could undermine public confidence in AI.

In addition, our use of generative AI in aspects of our Platform may present risks and challenges that could increase as AI solutions become more prevalent. The Roblox Cloud may be relied upon in the future for increasingly complex decision-making as it integrates hardware, accelerated machine learning AI, including generative AI, for a broad range of compute tasks, including control of non-player characters, improved personalization, synthetic content generation, and automation of the player experience. It is possible that at some point the Roblox Cloud may make decisions unpredictably or autonomously, which can raise new or exacerbate existing ethical, technological, legal, and other challenges, and may negatively affect the performance of the Roblox Platform and the user, developer, and creator experience. However, AI algorithms may be flawed. Datasets may be insufficient or contain biased information. These deficiencies and other failures of AI systems could subject us to competitive harm, regulatory action, legal liability, and brand or reputational harm.

Our user metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics may significantly harm and negatively affect our reputation and our business.

We regularly review metrics, including our DAUs, hours engaged, unique payers, user demographics, and ABPDAU to evaluate growth trends, measure our performance, and make strategic decisions. These metrics are calculated using internal data gathered on an analytics platform that we developed and operate and have not been validated by an independent third party. Our metrics and estimates may also differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology or the assumptions on which we rely. If our estimates are inaccurate, then investors will have less confidence in our company and our prospects, which could cause the market price of our Class A common stock to decline, and our reputation and brand could be harmed.

While these metrics are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring how our Platform is used and as a result, the metrics may overstate the number of DAUs, monthly unique payers, average monthly repurchase rate, hours engaged, ABPDAU, and average bookings per monthly unique payer. The methodologies used to measure these metrics require significant judgment and are also susceptible to algorithm or other technical errors. In addition, we are continually seeking to improve our estimates of our user base and hours engaged, and such estimates may change due to improvements or changes in our methodology. We regularly review our processes for calculating these metrics, and from time to time we discover inaccuracies in our metrics or make adjustments to improve their accuracy, which can result in adjustments to our historical metrics. Our ability to recalculate our historical metrics may be impacted by data limitations, limitations in functionality of and user behaviors on different platforms, or other factors that require us to apply different methodologies for such adjustments.

Additionally, there are users who have multiple accounts, fake user accounts, or fraudulent accounts created by bots to inflate user activity for a particular developer or creator on our Platform, thus making the developer's or creator's experience or other content appear more popular than it really is. We strive to detect and minimize fraud and unauthorized access to our Platform, and these practices are prohibited in our terms of service, and we implement measures to detect and suppress that behavior. If we are successful in our efforts to minimize fraud, the use of bots and unauthorized access to our Platform, our operating results may be negatively affected. Some of our demographic data may also be incomplete or inaccurate. For example, because users self-report their dates of birth, our age demographic data may differ from our users' actual ages. If our users provide us with incorrect or incomplete information regarding their age or other attributes, then our estimates may prove inaccurate.

Errors or inaccuracies in our metrics or data could also result in incorrect business decisions and inefficiencies. For instance, if a significant understatement or overstatement of active users or hours engaged were to occur, we may expend resources to implement unnecessary business measures or fail to take required actions to attract a sufficient number of users to satisfy our growth strategies. If our investors or developers do not perceive our user, geographic, or other demographic metrics to be accurate representations of our user base, or if we discover material inaccuracies in our user, geographic, or other demographic metrics, our reputation may be seriously harmed. Our developers, creators, and brand and other partners may also be less willing to allocate their budgets or resources to our Platform, which could seriously harm our business.

We rely on suppliers for certain components of the equipment we use to operate our Platform and any disruption in the availability of these components could delay our ability to expand or increase the capacity of our Platform or replace defective equipment.

We rely on suppliers for several components of the equipment we use to operate our Platform. Our reliance on these suppliers exposes us to risks, including reduced control over production costs and constraints based on the current availability, terms, and pricing of these components. While the network equipment and servers we purchase generally are commodity equipment and we believe an alternative supply source for network equipment and servers on substantially similar terms could be identified quickly, our business could be adversely affected until those efforts are completed. In addition, the technology equipment industry has experienced component shortages and delivery delays, and we have and may in the future experience shortages or delays, including as a result of increased demand in the industry, natural disasters, export and import control restrictions, or our suppliers lacking sufficient rights to supply the components in all jurisdictions in which we have data centers and edge data centers that support our Platform. For example, supply chain constraints for servers and other networking equipment required for our operations has resulted and could in the future result in disruptions and delays for these components and the delivery and installation of such components at our data centers and edge data centers. If our supply of certain components is disrupted or delayed, there can be no assurance that additional supplies or components can serve as adequate replacements for the existing components or that supplies will be available on terms that are favorable to us, if at all. Any disruption or delay in the supply of our hardware components may delay the opening of new data centers, edge data centers, co-location facilities or the creation of fully redundant operations, limit capacity expansion, or replacement of defective or obsolete equipment at existing data centers and edge data centers or cause other constraints on our operations that could damage our ability to serve our developers, creators, and users.

Some developers, creators, and users on our Platform may make unauthorized, fraudulent, or illegal use of Robux and other digital goods or experiences on our Platform, including through unauthorized third-party websites or “cheating” programs.

Robux and digital goods on our Platform have no monetary value outside of our Platform, but users have made and may in the future make unauthorized, fraudulent, or illegal sales and/or purchases of Robux and other digital goods on or off of our Platform, including through unauthorized third-party websites in exchange for real-world currency. For example, some users have made fraudulent use of credit cards owned by others on our Platform to purchase Robux and offer the purchased Robux for sale at a discount on a third-party website. For the three months ended March 31, 2024, total chargebacks to us from all fraud was approximately 3.5% of bookings.

While we regularly monitor and screen usage of our Platform with the aim of identifying and preventing these activities, and regularly monitor third-party websites for fraudulent Robux or digital goods offers as well as regularly send cease-and-desist letters to operators of these third-party websites, we are unable to control or stop all unauthorized, fraudulent, or illegal transactions in Robux or other digital goods that occurs on or off of our Platform. Although we are not responsible for such unauthorized, fraudulent, and/or illegal activities conducted by these third parties, our user experience may be adversely affected, and users and/or developers may choose to leave our Platform if these activities are pervasive. These activities may also result in negative publicity, disputes, or even legal claims, and measures we take in response may be expensive, time consuming, and disruptive to our operations.

In addition, unauthorized, fraudulent, and/or illegal purchases and/or sales of Robux or other digital goods on or off of our Platform, including through third-party websites, bots, fake accounts, or “cheating” or malicious programs that enable users to exploit vulnerabilities in the experiences on our Platform or our partners’ websites and platforms, could reduce our revenue and bookings by, among other things, decreasing revenue from authorized and legitimate transactions, increasing chargebacks from unauthorized credit card transactions, causing us to lose revenue and bookings from dissatisfied users who stop engaging with the experiences on our Platform, or could increase costs that we incur to develop technological measures to curtail unauthorized transactions and other malicious programs, or could reduce other operating metrics.

Under our community rules for our Platform, which developers, creators, and users are obligated to comply with, we reserve the right to temporarily or permanently ban individuals for breaching our Terms of Use by violating applicable law or Roblox policies which include engaging in illegal activity on the Platform. We have banned individuals as a result of unauthorized, fraudulent, or illegal use of Robux or other digital goods on our Platform. We have also employed technological measures to help detect unauthorized Robux transactions and continue to develop additional methods and processes through which we can identify unauthorized transactions and block such transactions. However, there can be no assurance that our efforts to prevent or minimize these unauthorized, fraudulent, or illegal transactions will be successful.

We have made and are continuing to make investments in privacy, data protection, user safety, cybersecurity, and content review efforts to combat misuse of our services and user data by third parties, including investigations of individuals we have determined to have attempted to access and, in some cases, have accessed, user data without authorization. Our internal teams also continually monitor and address any unauthorized attempts to access data stored on servers that we own or control or data available to our third-party customer service providers. As a result of these efforts, we have discovered and disclosed, and anticipate that we will continue to discover and disclose, additional incidents of misuse of or unauthorized access of user data or other undesirable activity by third parties. We have taken steps to protect the data that we have access to, but despite these efforts, our security measures, or those of our third-party service providers, could be insufficient or breached as a result of third-party action, malfeasance, employee errors, service provider errors, technological limitations, defects or vulnerabilities in our Platform or otherwise. Additionally, many of our employees and third-party service providers with access to user data currently are and may in the future be working remotely, which may increase our or our third-party service providers’ risk of security breaches or incidents. Moreover, the risk of state-supported and geopolitical-related cyber-attacks may increase with recent geopolitical events. We may not discover all such incidents or activity or be able to respond to or otherwise address them, promptly, in sufficient respects or at all. Such incidents and activities have in the past, and may in the future, involve the use of user data or our systems in a manner inconsistent with our terms, contracts or policies, the existence of false or undesirable user accounts, theft of in-game currency or virtual items in valid user accounts, and activities that threaten people’s safety on- or offline. We may also be unsuccessful in our efforts to enforce our policies or otherwise remediate any such incidents. Any of the foregoing developments, whether actual or perceived, may negatively affect user trust and engagement, harm our reputation and brands, require us to change our business practices in a manner adverse to our business, and adversely affect our business and financial results. Any such developments may also subject us to future litigation and regulatory inquiries, investigations, and proceedings, including from data protection authorities in countries where we offer services and/or have users, which could subject us to monetary penalties and damages, divert management’s time and attention, and lead to enhanced regulatory oversight.

We focus our business on our developers, creators, and users, and acting in their interests in the long-term may conflict with the short-term expectations of analysts and investors.

A significant part of our business strategy and culture is to focus on long-term growth and developer, creator, and user experience over short-term financial results. We expect our expenses to continue to increase in the future as we broaden our developer, creator, and user community, as developers, creators, and users increase the amount and types of experiences and virtual items they make available on our Platform and the content they consume, as we continue to seek ways to increase payments to our developers and as we develop and further enhance our Platform, expand our technical infrastructure and data centers, and hire additional employees to support our expanding operations. As a result, in the near- and medium-term, we may continue to operate at a loss, or our near- and medium-term profitability may be lower than it would be if our strategy were to maximize near- and medium-term profitability. We expect to continue making significant expenditures to grow our Platform and develop new features, integrations, capabilities, and enhancements to our Platform for the benefit of our developers, creators, and users. We will also be required to invest in our internal IT systems, technological operations infrastructure, financial infrastructure, and operating and administrative systems and controls. Such expenditures may not result in improved business results or profitability over the long-term. If we are ultimately unable to achieve or improve profitability at the level or during the time frame anticipated by securities or industry analysts, investors and our stockholders, the trading price of our Class A common stock may decline.

We may require additional capital to meet our financial obligations and support business growth, and this capital might not be available on acceptable terms or at all.

We intend to continue to make significant investments to support our business growth and may require additional funds to respond to business challenges, improve our Platform and operating infrastructure or acquire complementary businesses, personnel, and technologies. Accordingly, we may need to engage in additional equity or debt financings. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of our Class A common stock. Any debt financing that we secure in the future could involve offering security interests and undertaking restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. Recently, the trading prices of technology companies have been highly volatile, which may reduce our ability to access capital on favorable terms or at all. Also, to the extent outstanding additional shares subject to options and warrants to purchase our capital stock are authorized and exercised, there will be further dilution. The amount of dilution could be substantial depending on the size of the issuance or exercise. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business, financial condition or results of operations may be harmed.

The popularity of our Lua scripting language is a key driver of content creation and engagement with our Platform, and if other programming languages or platforms become more popular with our developers, it may affect engagement with and content creation for our Platform.

Roblox experiences are programmed using Lua scripting language on the Roblox Platform. In order to enhance the attractiveness of our Platform to potential developers, we have made the Lua scripting language available without charge. The Lua scripting language permits developers on the Roblox Platform to develop customized add-on features for their own or others' use, and we have trained our developers on how to write add-on programs using Lua scripting language. As part of this strategy, we have encouraged the development of an active community of Lua programmers similar to those which have emerged for other software platforms. The widespread use and popularity of our Lua scripting language is critical to creating engaging content on and demand for our Platform. If developers do not find the Lua scripting language or our Platform simple and attractive for developing content or determine that our Lua scripting language or other features of our Platform are undesirable or inferior to other scripting languages or platforms, or Lua scripting language becomes unavailable for use by the developers for any reason, they may shift their resources to developing content on other platforms and our business may be harmed.

We rely on Amazon Web Services for a portion of our cloud infrastructure in certain areas, and as a result any disruption of AWS would negatively affect our operations and significantly harm our business.

We rely on Amazon Web Services ("AWS") as a third-party provider for a portion of our backend services, including for some of our high-speed databases, scalable object storage, and message queuing services, as well as virtual cloud infrastructure. For location-based support areas, we outsource certain aspects of the infrastructure relating to our cloud-native Platform. As a result, our operations depend, in part, on AWS' ability to protect their services against damage or interruption from natural or manmade disasters. Our developers, creators, and users need to be able to access our Platform at any time, without interruption or degradation of performance. Although we have disaster recovery plans that utilize multiple AWS availability zones to support our cloud infrastructure, any incident affecting their infrastructure that may be caused by natural or manmade disasters and other similar events beyond our control, could adversely affect our cloud-native Platform. Any disruption of or interference with our use of AWS could impair our ability to deliver our Platform reliably to our developers, creators, and users.

Additionally, if AWS were to experience a hacking attack or another security incident, it could result in unauthorized access to, damage to, disablement or encryption of, use or misuse of, disclosure of, modification of, destruction of, or loss of our data or our developers', creators', and users' data or disrupt our ability to provide our Platform or service. A prolonged AWS service disruption affecting our cloud-native Platform for any of the foregoing reasons would adversely impact our ability to serve our users, developers, and creators and could damage our reputation with current and potential users, developers, and creators, expose us to liability, result in substantial costs for remediation, cause us to lose users, developers, and creators, or otherwise harm our business, financial condition, or results of operations. and users. We may also incur significant costs for using alternative hosting cloud infrastructure services or taking other actions in preparation for, or in reaction to, events that damage or interfere with the AWS services we use.

We have entered into an enterprise agreement with AWS and a supplemental private pricing addendum that will remain in effect until June 2026. In the event that our AWS service agreements are terminated, or there is a lapse of service, elimination of AWS services or features that we utilize, we could experience interruptions in access to our Platform as well as significant delays and additional expense in arranging for or creating new facilities or re-architecting our Platform for deployment on a different cloud infrastructure service provider, which would adversely affect our business, financial condition, and results of operations.

We must continue to attract and retain users, developers, and creators, and highly qualified personnel in very competitive markets to continue to execute on our business strategy and growth plans, and the loss of key personnel or failure to attract and retain users, developers, and creators could significantly harm our business.

We compete for users, developers, and creators. We compete to attract and retain our users' attention and their engagement hours with other global technology leaders such as Amazon, Apple, Meta Platforms, Google, Microsoft, and Tencent, global entertainment companies such as Comcast, Disney, ViacomCBS, and Warner Bros Discovery, global gaming companies such as Activision Blizzard (now owned by Microsoft), Electronic Arts, Take-Two, Epic Games, Krafton, NetEase, and Valve, online content platforms including Netflix, Spotify, and YouTube, as well as social platforms such as Facebook, TikTok, Instagram, WhatsApp, Pinterest, X (Twitter), Reddit, Discord and Snap.

We also rely on developers and creators to create the content that leads to and maintains user engagement (including maintaining the quality of experiences). We compete to attract and retain developers and engineering talent with gaming and metaverse platforms such as Epic Games, Unity, Meta Platforms, and Valve Corporation, which also give developers the ability to create or distribute interactive content. We do not have any agreements with our developers that require them to continue to use our Platform for any time period. Some of our developers have developed attractive businesses in developing content, including games, on our Platform. In the future, if we are unable to continue to provide value to these developers and they have alternative methods to publish and commercialize their offerings, they may not continue to provide content to our Platform. Should we fail to provide compelling advantages to continued use of our ecosystem to developers, they may elect to develop content on competing interactive entertainment platforms. If a significant number of our developers no longer provide content, we may experience an overall reduction in the quality of our experiences, which could adversely affect users' interest in our Platform and lead to a loss of revenue opportunities and harm our results of operations.

We expect competition to continue to increase in the future. Many of our existing competitors have, and some of our potential competitors could have, substantial competitive advantages, such as larger sales and marketing budgets and resources; broader and more established relationships with users, developers, and creators; greater resources to make acquisitions and enter into strategic partnerships; lower labor and research and development costs; larger and more mature intellectual property portfolios; and substantially greater financial, technical, and other resources.

Additionally, we depend on the continued services and performance of our Founder, President, CEO and Chair of our Board of Directors, David Baszucki, members of our senior management team, and other key personnel. David Baszucki has been responsible for our strategic vision, and should he stop working for us for any reason, it is unlikely that we would be able to immediately find a suitable replacement. We do not maintain key man life insurance for David Baszucki, and do not believe any amount of key man insurance would allow us to recover from the harm to our business if David Baszucki were to leave the Company for any reason. Similarly, members of our senior management team and other key personnel are highly sought after and others may attempt to encourage these individuals to leave the Company. The loss of one or more of the members of the senior management team or other key personnel for any reason, or the inability to attract new or replacement members of our senior management team, other key personnel, or highly qualified employees could disrupt our operations, create uncertainty among investors, adversely impact employee retention and morale, and significantly harm our business.

Our business and results of operations are affected by fluctuations in currency exchange rates.

As we continue to expand our international operations, we become more exposed to the effects of fluctuations in currency exchange rates. We generally collect revenue from our international markets in the local currency. For the three months ended March 31, 2024, approximately 79% our DAUs and 36% of our revenue was derived from outside the U.S. and Canada region. While we periodically adjust the price of Robux to account for the relative value of this local currency to the U.S. dollar, these adjustments are not immediate nor do they typically exactly track the underlying currency fluctuations. As a result, rapid appreciation of the U.S. dollar against these foreign currencies has harmed and may in the future harm our reported results and cause the revenue derived from our foreign users and overall revenue to decrease. In addition, even if we do adjust the cost of our Robux in foreign markets to fluctuations in the U.S. dollar, such fluctuations could change the costs of purchasing Robux to our users outside of the U.S., which may adversely affect our business, results of operations and financial condition, or improve our financial performance.

We also incur expenses for employee compensation and other operating expenses at our non-U.S. locations in the local currency. Additionally, global events as well as geopolitical developments, including conflict in Europe and inflation have caused, and may in the future cause, global economic uncertainty, and uncertainty about the interest rate environment, which could amplify the volatility of currency fluctuations. Fluctuations in the exchange rates between the U.S. dollar and other currencies could result in the dollar equivalent of our expenses being higher which may not be offset by additional revenue earned in the local currency. This could impact our reported results of operations. To date, we have not engaged in any hedging strategies and any such strategies, such as forward contracts, options, and foreign exchange swaps related to transaction exposures that we may implement in the future to mitigate this risk may not eliminate our exposure to foreign exchange fluctuations. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

We plan to continue to make acquisitions and investments in other companies, which could require significant management attention, disrupt our business, dilute our stockholders, and significantly harm our business.

As part of our business strategy, we have made and intend to make acquisitions to add specialized employees and complementary companies, features, and technologies. Our ability to acquire and successfully integrate larger or more complex companies, features, and technologies is unproven. In the future, we may not be able to find other suitable acquisition or investment candidates, and we may not be able to complete acquisitions or similar strategic transactions on favorable terms, if at all. The pursuit of potential acquisitions may divert the attention of management and cause us to incur significant expenses related to identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated. Our previous and future acquisitions may not achieve our goals, and any future acquisitions we complete could be viewed negatively by users, developers, creators, partners, or investors. In addition, if we fail to successfully close transactions or integrate new teams into our corporate culture, or fail to integrate the features and technologies associated with these acquisitions, our business could be significantly harmed. Any integration process may require significant time and resources, and we may not be able to manage the process successfully. We may not successfully evaluate or use the acquired products, technology, and personnel, or accurately forecast the financial impact of an acquisition, including accounting charges which could be recognized as a current period expense. We also may not achieve the anticipated benefits of synergies from the acquired business, may encounter challenges with incorporating the acquired features and technologies into our Platform while maintaining quality and security standards consistent with our brand, or may fail to identify security vulnerabilities in acquired technology prior to integration with our technology and Platform. We may also incur unanticipated liabilities that we assume as a result of acquiring companies, including claims related to the acquired company, its offerings or technologies or potential violations of applicable law or industry rules and regulations arising from prior or ongoing acts or omissions by the acquired business that were not discovered during diligence. We will pay cash, incur debt, or issue equity securities to pay for any acquisitions, any of which could significantly harm our business. In addition, it generally takes several months after the closing of an acquisition to finalize the purchase price allocation. Therefore, it is possible that our valuation of an acquisition may change and result in unanticipated write-offs or charges, impairment of our goodwill, or a material change to the fair value of the assets and liabilities associated with a particular acquisition, any of which could significantly harm our business. Selling equity to finance any such acquisition would also dilute our stockholders. Incurring debt would increase our fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations.

Our acquisition strategy may not succeed if we are unable to remain attractive to target companies or expeditiously close transactions. If we develop a reputation for being a difficult acquirer or having an unfavorable work environment, or if target companies view our Class A common stock unfavorably, we may be unable to consummate key acquisition transactions essential to our corporate strategy and our business may be significantly harmed.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited, each of which could significantly harm our business.

As of December 31, 2023, we had federal net operating loss carryforwards of \$2,382.3 million, which do not expire, federal net operating loss carryforwards of \$52.2 million, which begin to expire in 2035, state net operating loss carryforwards of \$1,261.4 million, which begin to expire in 2024, and foreign net operating loss carryforwards of \$66.8 million, which begin to expire in 2024. Utilization of our net operating loss carryforwards and other tax attributes may be subject to limitations on utilization or benefit due to the ownership change limitations provided by Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), and other similar provisions. All of the \$2,382.3 million of federal net operating losses are carried forward indefinitely but the deductibility of these losses is generally limited to 80% of current year taxable income. Our net operating loss carryforwards may also be subject to limitations under state law. If our net operating loss carryforwards and other tax attributes expire before utilization or are subject to limitations, our business and financial results could be harmed.

Our estimates or judgments relating to our critical accounting policies may be based on assumptions that change or prove to be incorrect, which could cause our results of operations to fall below expectations of securities analysts and investors.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as described in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The results of these estimates form the basis for making judgments about the recognition and measurement of certain assets and liabilities and revenue and expenses that is not readily apparent from other sources. In addition to revenue recognition and estimates of the average lifetime of a paying user, our accounting policies that involve judgment include those related to assumptions used for estimating the fair value of common stock to calculate stock-based compensation, capitalization of internal-use software costs, valuation of goodwill and intangible assets, certain accrued liabilities, and valuation allowances associated with income taxes. If our assumptions change or if actual circumstances differ from those in our assumptions, our results of operations could be adversely affected, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our Class A common stock.

Our results of operations may be harmed if we are required to collect sales, value added, or other similar taxes for the purchase of our virtual currency, or for the sale of content between our developers, creators, and users.

Although we, either directly or through our third-party distribution channels, collect and remit taxes from users in certain countries and regions on the sale of our virtual currency, there are some jurisdictions in which we operate where we do not currently collect taxes from users. The application of tax laws pertaining to the collection of sales, value added, and similar taxes to e-commerce businesses, such as ours, is a complex and evolving area. For example, many countries have recently enacted tax laws that require non-resident providers to register for and levy value added taxes on electronically provided services to such country's residents. This would require us to calculate, collect, and remit value added taxes in some jurisdictions, even if we have no physical presence in such jurisdictions. Further, we may need to invest substantial amounts to modify our solutions or our business model to be able to collect and remit sales, value added, or similar taxes under such tax laws in the future.

Further, many jurisdictions have also adopted or are considering adopting marketplace facilitator laws that shift the burden of tax collection to online marketplaces. If we are characterized as a marketplace facilitator for the sale of content between our developers, creators, and users, we may need to invest substantial amounts to modify our solutions or business model to be able to meet any reporting and collection obligations with respect to sales, value added, or similar taxes. A successful assertion by a jurisdiction that we should have been or should be collecting additional sales, value added, or other taxes for the sale of content between our developers, creators, and users, could, among other things, result in substantial tax payments, create significant administrative burdens for us, discourage potential users, developers, or creators from subscribing to our Platform, or otherwise harm our business, results of operations, and financial condition.

We may not realize the benefits expected through our China joint venture.

In February 2019, we entered into a joint venture agreement with Songhua River Investment Limited, referred to as Songhua, an affiliate of Tencent Holdings Ltd. ("Tencent Holdings"), under which we created Roblox China Holding Corp (the "China JV"), of which we own a 51% ownership interest. Through a wholly-owned subsidiary based in Shenzhen, branded as "Luobu," the China JV is engaged in the development, localization, and licensing to Chinese creators of a Chinese version of Roblox Studio. Luobu also develops and oversees relations with local Chinese developers and helps them build and publish experiences and content for our global Platform. In December 2020, Shenzhen Tencent Computer Systems Co. Ltd ("Tencent"), received a required publishing license from the Chinese government, which enabled Tencent to publish a localized version of the Roblox Client as a game in China under the name "Luobulesi." The license could be withdrawn if Tencent fails to comply with applicable existing or future regulations. Such withdrawal could significantly impair or eliminate the ability to publish and operate Luobulesi in China. The Luobulesi app is not currently available to users in China while we and Tencent build the next version of Luobulesi.

Tensions between the U.S. and China have resulted in trade restrictions that could harm our ability to participate in Chinese markets and numerous additional such restrictions have been threatened by both countries. Sustained uncertainty about, or worsening of, current global economic conditions and further escalation of trade tensions between the U.S. and China could result in a global economic slowdown and long-term changes to global trade, including retaliatory trade restrictions that could restrict our ability to participate in the China JV. We may find it difficult or impossible to comply with these or other conflicting regulations in the U.S. and China, which could make it difficult or impossible to achieve our business objectives in China or realize a return on our investment in this market.

Relations may also be compromised if the U.S. pressures the Chinese government regarding its monetary, economic, or social policies. Changes in political conditions in China and changes in the state of China-U.S. relations are difficult to predict and could adversely affect the operations or financial condition of the China JV. In addition, because of our proposed involvement in the Chinese market, any deterioration in political or trade relations might result in our products being perceived as less attractive in the U.S. or elsewhere. The Committee on Foreign Investment in the U.S. ("CFIUS") has continued to apply a more stringent review of certain foreign investment in U.S. companies, including investment by Chinese entities, and has made inquiries to us with respect to Tencent Holding's equity investment in us and involvement in the China JV. We cannot predict what effect any further inquiry by CFIUS into our relationship with Tencent and Tencent Holdings or changes in China-U.S. relations overall may have on our ability to effectively support the China JV or on the operations or success of the China JV.

The Chinese economic, legal, and political landscape also differs from other countries in many respects, including the level of government involvement and regulation, control of foreign exchange, and uncertainty regarding the practical enforceability of intellectual property rights. The laws, regulations and legal requirements in China are also subject to frequent changes and the exact obligations under and enforcement of laws and regulations are often subject to unpublished internal government interpretations and policies which makes it challenging to ascertain compliance with such laws. We may incur increased operating expenses related to cybersecurity and data protection in China, including with respect to access to Chinese user data and confidential company information as well as any network interconnections and cross border system integrations.

In addition to market and regulatory factors, any future success of the China JV will require a collaborative effort with Tencent to build and operate Luobu and Luobulesi as together, they will form the exclusive basis for growing our penetration in the China market. In addition, upon the occurrence of certain events, such as a termination of certain of the contractual relationships applicable to Luobu, a change of control of us, or the acquisition of 20% of our outstanding securities by certain specified Chinese industry participants, we may be required to purchase Songhua's interest in the China JV at a fair market value determined at the time of such purchase. Any future requirement to purchase the interest in China JV from Songhua may have a material adverse effect upon our liquidity, financial condition, and results of operations both as a result of the purchase of such interests and the fact that we would need to identify and partner with an alternative Chinese partner in order for operations to continue in the China market.

Risks Related to Government Regulations

We are subject to laws and regulations worldwide, many of which are unsettled and still developing, which could increase our costs or adversely affect our business.

We are subject to a variety of laws in the U.S. and abroad that affect our business. As a global Platform with users in over 180 countries, we are subject to a myriad of regulations and laws regarding consumer protection, including the use of prepaid cards, subscriptions, advertising, electronic marketing, protection of minors, including verified parental consent, privacy, biometrics, cybersecurity, data protection and data localization requirements, AI, online services, online gaming, anti-competition, freedom of speech, labor, real estate, taxation, escheatment, intellectual property ownership and infringement, tax, export and national security, tariffs, anti-corruption and telecommunications, all of which are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to us, which in some cases can be enforced by private parties in addition to government entities, are often uncertain and may be conflicting, particularly laws outside the U.S., and compliance with laws, regulations and similar requirements may be burdensome and expensive. Laws and regulations may be inconsistent from jurisdiction to jurisdiction, which may increase the cost of compliance and doing business and expose us to possible litigation, penalties or fines. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could make our Platform less attractive to our users, developers, or creators or cause us to change or limit our ability to sell our Platform. We have policies and procedures designed to ensure compliance with applicable laws and regulations, but we cannot assure you that we will not experience violations of such laws and regulations or our policies and procedures.

In addition, there are ongoing academic, political, and regulatory discussions in the U.S., Canada, Europe, United Kingdom, Australia, and other jurisdictions regarding whether certain mechanisms that may be included in the experiences on our Platform, such as features commonly referred to as “loot boxes,” and certain genres of experiences, such as social casino, that may reward gambling, should be subject to a higher level or different type of regulation than other genres of experiences to protect consumers, in particular minors and persons susceptible to addiction, and, if so, what such regulation should include. In July 2022, Spanish gambling regulators introduced a bill aimed at prohibiting minors from accessing “loot boxes”, which if passed, may require us to limit the availability of certain features in Spain. Australia may in the future require higher age-rating for content containing “loot boxes”. If we are required to increase the age rating for certain content in Australia, we may become less attractive for the younger users. In addition, the introduction of experiences for users who are 17 and older may cause regulatory agencies to require a higher age rating for our Platform, which could cause us to become less attractive to younger users and harm our business, financial condition and results of operations. Other countries may adopt similar rules, which may have a negative impact on our revenue. In addition, it is possible that similar lawsuits could be filed against us in Brazil or possibly other jurisdictions. Also, new regulation by the U.S. federal government and its agencies, such as the FTC, state agencies or foreign jurisdictions, which may vary significantly, could require that certain content in the experiences on our Platform be modified or removed, increase the costs of operating or monitoring the experiences on our Platform, impact user engagement and thus the functionality and effectiveness of our Platform or otherwise harm our business performance. It is difficult to predict how existing or new laws may be applied. If we become liable, directly or indirectly, under these laws or regulations, we could be harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to modify our Platform, which would harm our business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise impact the growth of our business. Any costs incurred as a result of this potential liability could harm our business, financial condition, or results of operations.

Governmental agencies in any of the countries in which we, our users, developers, or creators are located from time to time seek to and could seek to block access to, impose restrictions on, or require a license for our Platform, our website, operating system platforms, application stores or the internet generally for a number of reasons, including cybersecurity, privacy, data protection, confidentiality, or regulatory concerns which may include, among other things, governmental restrictions on certain content in a particular country, requirements to establish a local presence in a particular jurisdiction, and a requirement that user information be stored on servers in a country within which we operate. Moreover, the adoption of any laws or regulations adversely affecting the growth, popularity or use of the internet, including laws impacting Internet neutrality, could decrease the demand for our Platform and increase our operating costs. The legislative and regulatory landscape regarding the regulation of the internet and, in particular, internet neutrality, in the U.S and internationally is subject to uncertainty. Governmental agencies could issue fines or penalties if there are instances where we are found not to have been in compliance with regulations in any of these areas. Users generally need to access the internet, including in geographically diverse areas, and also mobile platforms such as the Apple App Store and the Google Play Store, to engage with experiences on our Platform. If governmental or other entities block, limit or otherwise restrict developers, creators, and users from accessing our Platform, or users from engaging with experiences on our Platform, we may need to take on more onerous obligations, limit the functionality of our Platform, and/or establish certain local entities, each of which could adversely affect our results of operations or subject us to additional fines and penalties.

Because we store, process, and use data, some of which contains personal information, we are subject to complex and evolving federal, state, and international laws and regulations regarding privacy, cybersecurity, data protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in investigations, claims, changes to our business practices, increased cost of operations, and declines in user growth, retention, or engagement, any of which could significantly harm our business.

We are subject to a variety of laws and regulations in the U.S. and other countries that involve matters central to our business, including privacy, cybersecurity, and data protection. The regulatory frameworks for these matters worldwide are rapidly evolving and are likely to remain uncertain for the foreseeable future.

Certain privacy, biometrics, cybersecurity, and data protection laws and regulations have placed and will continue to place significant privacy, data protection, and cybersecurity obligations on organizations such as ours and may require us to continue to change our policies and procedures. For example, the European Union's ("EU") General Data Protection Regulation ("GDPR") imposed more stringent data protection requirements regarding EU personal data, and its provisions include increasing the maximum level of fines that EU regulators may impose for the most serious breaches of noncompliance of €20 million or 4% of annual global revenues of the previous year, whichever is greater. Such fines would be in addition to (i) the rights of individuals to sue for damages in respect of any data privacy breach which causes them to suffer harm, (ii) the right of individual member states to impose additional sanctions over and above the administrative fines specified in the GDPR, and (iii) the ability of supervisory authorities to impose orders requiring companies to modify their practices. If we are found not to be compliant with GDPR or similar requirements, including obligations to comply with data protection requirements when transferring personal data from the European Economic Area ("EEA"), Switzerland, and the United Kingdom ("U.K.") to the U.S., we may be subject to significant fines and the risk of civil litigation.

The United Kingdom maintains the Data Protection Act of 2018 and the UK GDPR, which collectively implement and complement the GDPR and provide for penalties for noncompliance of up to the greater of £17.5 million or 4% of annual global revenues of the previous year. On June 28, 2021, the European Commission announced a decision of "adequacy" concluding that the United Kingdom ensures an equivalent level of data protection to the GDPR, which provides some relief regarding the legality of continued personal data flows from the EEA to the U.K. Such adequacy decision must, however, be renewed after four years and may be modified or revoked in the interim. We cannot fully predict how the Data Protection Act, the UK GDPR and other United Kingdom data protection laws or regulations may develop in the medium to longer term, nor the effects of divergent laws and guidance regarding how data transfers to and from the United Kingdom will be regulated.

In addition, various local, national, and foreign laws and regulations apply to our operations, including the Children's Online Privacy Protection Act ("COPPA"), in the U.S., Article 8 of the GDPR and similar regulations in other jurisdictions. COPPA imposes strict requirements on operators of websites or online services directed to children under 13 years of age (or 16 years of age under other regulatory regimes). 41% of our DAUs were under the age of 13 during the three months ended March 31, 2024. COPPA requires companies to obtain verifiable parental consent before collecting personal information from children under the age of 13. Both the U.S. federal government and the states can enforce COPPA and violations of COPPA can lead to significant fines. No assurances can be given that our compliance efforts will be sufficient to avoid allegations of COPPA violations, and any non-compliance or allegations of non-compliance could expose us to significant liability, penalties and loss of revenue, significantly harm our reputation, and could be costly and time consuming to address or defend. To the extent we rely on consent for processing personal data under the GDPR, consent or authorization from the holder of parental responsibility is required in certain cases for the processing of personal data of children under the age of 16, and member states may enact laws that lower that age to 13. Additionally, in certain jurisdictions the law may allow minors to disaffirm their contracts, including our Terms of Use. If minors on our Platform are able to avoid enforcement of our Terms of Use under applicable law, it could have a material adverse impact on our business, financial condition, results of operations, and cash flow.

We continue to monitor updated guidance from the United Kingdom's Information Commissioner Office ("ICO") on the Age Appropriate Design Code ("AADC"), which focuses on online safety and protection of children's privacy online. The AADC became effective September 2, 2021, and noncompliance with the AADC may result in audits or other proceedings by the ICO, the regulatory body set up to uphold information rights in the United Kingdom, and other regulators in the EEA or Switzerland, as noncompliance with the AADC may indicate noncompliance with applicable data protection law. Further, the United Kingdom Online Safety Act ("OSA") was enacted in October 2023 and will gradually be implemented as Ofcom publishes its guidance and codes of practice. The OSA introduces, among other things, duties to protect children online, complete risk assessments, and remove illegal content. Noncompliance with the OSA could lead to fines of up to £18 million or 10% of global revenues of the previous year and possible criminal liability on senior managers and company officers, particularly if they fail to safeguard children online. We are also monitoring developments with the EU's, Digital Services Act ("DSA"), which became fully applicable on February 17, 2024. The DSA imposes new content moderation obligations, notice and transparency obligations, advertising restrictions and other requirements on digital platforms to protect consumers and their rights online. Noncompliance with the DSA could result in fines of up to 6% of annual global revenues, which are in addition to the ability of civil society organizations and non-governmental organizations to lodge class action lawsuits. We may incur liabilities, expenses, costs, and other operational losses under the GDPR and laws and regulations of applicable EU Member States and the United Kingdom relating to privacy, cybersecurity and data protection in connection with any measures we take to comply with them.

Other jurisdictions have adopted laws and regulations addressing privacy, data protection, and cybersecurity, many of which share similarities with the GDPR. For example, Law no. 13.709/2018 of Brazil, the Lei Geral de Proteção de Dados Pessoais or LGPD, entered into effect on September 18, 2020, authorizing a private right of action for violations. Penalties may include fines of up to 2% of the organization's revenue in Brazil in the previous year or 50M reais (approximately \$9.5 million U.S. dollars). The LGPD applies to businesses (both inside and outside Brazil) that process the personal data of users who are located in Brazil. The LGPD provides users with the similar rights as the GDPR regarding their data. A Brazilian Data Protection Authority, Brazilian National Data Protection Authority (Autoridade Nacional de Proteção de Dados) has been established to provide rules and guidance on how to interpret and implement the LGPD's requirements, including regarding notice of processing, data transfer requirements, and other compliance obligations, such as security measures, recordkeeping, training, and governance. Additionally, the Personal Information Protection Law, or PIPL of the People's Republic of China ("PRC"), was adopted on August 20, 2021, and went into effect on November 1, 2021. The PIPL shares similarities with the GDPR, including extraterritorial application, data minimization, data localization, and purpose limitation requirements, and obligations to provide certain notices and rights to citizens of the PRC. The PIPL allows for fines of up to 50 million renminbi or 5% of a covered company's revenue in the prior year. Our approach with respect to the LGPD and PIPL may be subject to further evaluation and change, our compliance measures may not be fully adequate and may require modification, we may expend significant time and cost in developing and maintaining a privacy governance program, data transfer or localization mechanisms, or other processes or measures to comply with the LGPD, the PIPL, and any implementing regulations or guidance under these regimes, and we may potentially face claims, litigation, investigations, or other proceedings or liability regarding the LGPD or PIPL and may incur liabilities, expenses, costs, and other operational losses under the LGPD and PIPL and any measures we take to comply with them.

In addition, the CCPA, which established a new privacy framework for covered businesses such as ours, went into effect in January 2020, requiring us to modify our data processing practices and policies and incur compliance related costs and expenses. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches, which may increase the likelihood and cost of data breach litigation. The CCPA was significantly modified and supplemented by the California Privacy Rights Act ("CPRA"), which was approved in November 2020. The CPRA went into effect on January 1, 2023 and, among other things, gives California residents the ability to limit the use of their sensitive information, provides for penalties for CPRA violations concerning California residents under the age of 16, and establishes a new agency to implement and enforce the law. Further, the CCPA has prompted similar legislative developments in other states in the U.S., including laws enacted in Virginia, Colorado, Utah, Connecticut, Florida, Iowa, Indiana, Montana, Tennessee, Oregon, Delaware, Texas, New Hampshire and New Jersey. These developments create the potential for a patchwork of overlapping but different state laws. Other states, including California, Utah and Arkansas, have passed legislation imposing substantial new obligations upon companies that offer online services, products, or features "likely to be accessed" by children 17 years of age or under, or certain types of social media and digital services, respectively. The California legislation includes certain requirements and principles from the AADC including, among other things, data protection impact assessments and the implementation of privacy by design. The laws in Utah, Florida, and Arkansas impose new restrictions and obligations in connection with users who are, or are deemed to be, under 18, including access restrictions and restrictions on abilities for minors to create accounts. Many states have also passed their own laws that require verifiable parental consent before allowing children to create an account or impact companies that process children's personal data. Some countries also are considering or have passed legislation requiring local storage and processing of data, or similar requirements, which could increase the cost and complexity of operating our products and services and other aspects of our business. The potential effects of new and evolving legislation relating to privacy, cybersecurity, data protection, and related matters, such as age verification, are far-reaching, create the potential for a patchwork of overlapping but different laws, and may require us to modify practices and policies, incur substantial costs and expenses, or restrict our operations. Additionally, requirements for verified parental consent before allowing children to create an account may limit the use of our Platform or reduce or overall demand for our Platform, which could harm our business, financial condition, and results of operations.

We believe we take reasonable efforts to comply with all applicable laws, regulations, and other legal obligations and certain industry codes of conduct relating to privacy, cybersecurity, and data protection. However, it is possible that the obligations imposed on us by applicable laws and regulations, industry codes of conduct or other actual or asserted obligations relating to privacy, cybersecurity, data protection, or related matters, may be interpreted and applied in inconsistent manners and may conflict with other rules or our practices in certain jurisdictions. Additionally, due to the nature of our service, we are unable to maintain complete control over cybersecurity or the implementation of measures that reduce the risk of a security breach or incident. For example, our customers may accidentally disclose their passwords or store them on a mobile device that is "SIM swapped," lost, or stolen, creating the perception that our systems are not secure against third-party access. Any failure or perceived failure by us to comply with our privacy policies, our obligations to users or other third parties relating to privacy, cybersecurity, data protection, or related matters, or our other policies or obligations relating to privacy, cybersecurity, data protection, or related matters, or any actual or perceived compromise of security, including any such compromise that results in the unauthorized loss, unavailability, modification, release, transfer, or other processing of personal information or other user, developer or creator data, may result in governmental investigations and enforcement actions, litigation, claims or public statements against us by consumer advocacy groups or others and could cause our developers, creators, and users to lose trust in us, any or all of which could have an adverse effect on our business, financial condition, or results of operations.

Legal and regulatory restrictions on virtual currencies like Robux may adversely affect our Platform, experiences, and virtual items on our Platform, which may negatively impact our revenue, bookings, business, and reputation.

The regulations that apply to virtual currencies in the jurisdictions in which we operate are subject to change. It is possible that regulators in the U.S. or elsewhere may take regulatory actions in the future that restrict our ability to license Robux, allow users to acquire or use other digital goods available on our Platform, or that prohibit developers or creators on our Platform from earning Robux. We also make prepaid gift cards available for sale internationally that may be used to redeem Robux, and regulators may impose restrictions or bans on the sale of such prepaid gift cards. Any such restrictions or prohibitions may adversely affect our Platform, business, revenue, and bookings. In the United States, the SEC, its staff, and similar state regulators have deemed certain virtual currencies to be securities subject to regulation under the federal and state securities laws. While we do not consider Robux to be a security, if Robux were subject to the federal or state securities laws of the U.S., we may be required to redesign our Platform considerably, in a manner that would be disruptive to operations and costly to implement, which may threaten the viability of the Platform. We may also be subject to enforcement or other regulatory actions by federal or state regulators, as well as private litigation, which could be costly to resolve. For example, some existing laws regarding the regulation of currency, money transmitters and other financial institutions, and unclaimed property have been interpreted to cover virtual currencies, like Robux.

The increased use of interactive entertainment offerings like ours by consumers, including younger consumers, may prompt calls for more stringent consumer protection laws and regulations throughout the world that may impose additional burdens on companies such as ours making virtual currencies like Robux available for sale. The U.S. Consumer Financial Protection Bureau (“CFPB”) recently announced that it is monitoring business practices in video gaming marketplaces and gaming currencies for compliance with federal consumer financial protection laws. Increased regulatory scrutiny may increase compliance obligations and require us to devote legal and other resources and make changes to our Platform to address such regulation, which may negatively impact our revenue and profitability. Any inability, or perceived inability, to comply with existing or new compliance obligations issued by the CFPB or any other regulatory authority could lead to regulatory investigations, or result in administrative or enforcement action, such as fines, penalties, and/or enforceable undertakings and adversely affect us and our results of operations.

Although we have structured Robux, as well as our sales of other digital goods and prepaid cards on our Platform, with applicable laws and regulations in mind, including applicable laws relating to money laundering and money transmission services, and believe we are in compliance with all applicable laws, it is possible that a relevant regulator may disagree, which could expose us to penalties. If a relevant regulator disagreed with our analysis of and compliance with applicable laws, we may be required to seek licenses, authorizations, or approvals from those regulators, which may be dependent on us meeting certain capital and other requirements and may subject us to additional regulation and oversight, all of which could significantly increase our operating costs.

Regulatory scrutiny, changes in current laws or regulations or the imposition of new laws and regulations in the U.S. or elsewhere that prohibit us from making Robux available on our Platform would require us to make significant changes to our Platform, which would materially impair our business, financial condition, and operating results.

We are subject to various governmental export control, trade sanctions, and import laws and regulations that require our compliance and may subject us to liability if we violate these controls.

In some cases, our software and experiences are subject to export control laws and regulations, including the Export Administration Regulations administered by the U.S. Department of Commerce and trade and economic sanctions, including those administered by OFAC, which we collectively refer to as Trade Control Laws and Regulations. Thus, we are subject to laws and regulations that could limit our ability to offer access or full access to our Platform and experiences to certain persons and in certain countries or territories. For example, certain U.S. laws and regulations administered and enforced by OFAC, may limit our ability to give certain users, developers, and creators access to aspects of our Platform and experiences. Trade Control Laws and Regulations are complex and dynamic, and monitoring and ensuring compliance can be challenging. In addition, we rely on our payment processors for compliance with certain of these Trade Control Laws and Regulations, including preventing paid activity by users, developers, and creators that attempt to access our Platform from various jurisdictions comprehensively sanctioned by OFAC, including Cuba, Iran, North Korea, Syria, and sanctioned regions of Ukraine. Users, developers, and creators from certain of these countries and territories have access to our Platform and experiences and there can be no guarantee we will be found to have been in full compliance with Trade Control Laws and Regulations during all relevant periods. Any failure by us or our payment processors to comply with the Trade Control Laws and Regulations may lead to violations of the Trade Control Laws and Regulations that could expose us to liability. Additionally, following Russia’s invasion of Ukraine, the United States and other countries imposed certain economic sanctions and severe export control restrictions against Russia and Belarus and have continued to strengthen these controls. These countries could impose even broader sanctions and additional export restrictions or take other actions that could impact our business. Any failure to comply with applicable laws and regulations could have negative consequences for us, including reputational harm, government investigations, and monetary penalties.

In addition, various foreign governments may also impose controls, export license requirements, and/or restrictions applicable to our Platform and experiences. Compliance with such applicable regulatory requirements may create delays in the introduction of our Platform in some international markets or prevent certain international users from accessing our Platform.

Changes in tax laws could have a material adverse effect on our business, cash flow, results of operations or financial conditions.

We are subject to tax laws, regulations, and policies of several taxing jurisdictions. Changes in tax laws, as well as other factors, could cause us to experience fluctuations in our tax liability and reporting obligations and effective tax rates and otherwise adversely affect our tax positions, cost of compliance, and/or our tax liabilities. Certain jurisdictions, such as Canada, the United Kingdom and France, have recently enacted or have proposed to enact a digital services tax on certain digital revenue streams. Other jurisdictions, such as Brazil, have proposed indirect tax reform which may impose value added tax on the sales of electronically supplied services. Such laws and other attempts to impose taxes on e-commerce activities would likely increase the cost to us of operating our business, discourage potential customers from subscribing to our Platform, or otherwise adversely affect our business, results of operations or financial conditions. In addition, the E.U.’s Directive 2011/16/EU on administrative cooperation in the field of taxation (referred to as “DAC7”), which implements new digital platform reporting rules, may require us to modify our data processing and reporting practices and policies, which may cause us to incur substantial costs and expenses to comply.

Finally, the Organization for Economic Cooperation and Development has proposed the Pillar One framework as part of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project, which would revise existing profit allocation and nexus rules to require profit allocation based on location of sales versus physical presence for certain large multinational businesses, but if implemented, could result in the removal of unilateral digital services tax initiatives described above. Any developments or changes in federal, state, or international tax laws or tax rulings could adversely affect our compliance costs, effective tax rate, and our operating results.

We are subject to the Foreign Corrupt Practices Act and similar anti-corruption and anti-bribery laws, and anti-money laundering laws, and non-compliance with such laws can subject us to criminal or civil liability and harm our business, financial condition and results of operations.

We are subject to the Foreign Corrupt Practices Act, U.S. domestic bribery laws, the UK Bribery Act and other anti-corruption and anti-bribery laws, and anti-money laundering laws in the countries in which we conduct activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, agents, representatives, business partners, and third-party intermediaries from authorizing, offering or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector in order to influence official action, direct business to any person, gain any improper advantage, or obtain or retain business. These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions.

With regard to our international business, we have engaged with business partners and third-party intermediaries to market our solutions and obtain necessary permits, licenses, and other regulatory approvals. We or our employees, agents, representatives, business partners or third-party intermediaries have had direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of our employees, agents, representatives, business partners or third-party intermediaries, even if we do not authorize such activities and notwithstanding having policies, training, and procedures to address compliance with these laws, we cannot assure you that no violations of our policies or these laws will occur.

Detecting, investigating, and resolving actual or alleged violations of anti-corruption and anti-bribery laws and anti-money laundering laws can require a significant diversion of time, resources, and attention from senior management, as well as significant defense costs and other professional fees. In addition, noncompliance with these laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, enforcement actions, fines, damages, other civil or criminal penalties or injunctions against us, our officers, or our employees, disgorgement of profits, suspension or debarment from contracting with the U.S. government or other persons, reputational harm, adverse media coverage, and other collateral consequences. If any subpoenas or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal proceeding, our reputation, business, financial condition, prospects and results of operations and the price of our Class A common stock could be harmed. Responding to any investigation or action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees.

We may incur liability as a result of content published using our Platform or as a result of claims related to content generated by our developers, creators, and users, including copyright infringement, and legislation regulating content on our Platform may require us to change our Platform or business practices.

Our success relies in part on the ability of developers and creators to drive engagement with content that is challenging, engaging, fun, interesting, and novel. Developers and creators are responsible for clearing the rights to all of the content they upload to our service or physical goods that they make available for sale, but some developers or creators may upload content or link goods that infringes the rights or violates the terms of use of third parties in violation of our Terms of Use. We rely upon legal protections in various jurisdictions to protect us from claims of monetary damages for content that is uploaded to and stored on our system at the direction of our users, or counterfeit goods and copyright-infringing material made available for sale, but those protections may change or disappear over time, increasing our exposure for claims of copyright or other intellectual property infringement. If we should lose or fail to qualify for statutory or other legal protections that immunize us from monetary damages for intellectual property infringement, the damages could be significant and have a material impact on our business. While we have implemented measures designed to limit our exposure to claims of intellectual property infringement, intellectual property owners may allege that we failed to take appropriate measures to prevent infringing activities on our systems, that we turned a blind eye to infringement, or that we facilitated, induced or contributed to infringement.

Even though we are not required to monitor uploaded content for copyright infringement in the U.S., we have chosen to do so through the services of a third-party audio monitoring service. We now monitor all uploaded sound recordings to exclude recordings owned or controlled by the major record labels and any other record labels who provide their music to the third-party audio monitoring service. These record labels register certain of their content with our service provider. When audio is uploaded to our Platform, we check the service provider's system to exclude recordings owned or controlled by these record labels from being published on our Platform. If our monitoring proves ineffective or we cease to rely upon a third-party monitoring service to exclude certain content from our Platform, our risk of liability may increase.

In the past, certain record companies and music publishers, either directly or through their authorized representatives, claimed that we are subject to liability for allegedly infringing content that was uploaded and may continue to exist on our Platform. We vigorously disputed such claims of infringement by such labels and publishers and reached settlements. However, we could be subject to additional claims in the future. An adverse judgment against us in any such lawsuit could require us to settle any claims for an undetermined amount which could have a material impact on our business, financial condition, or results of operations.

We may also be required to enter into license agreements with various licensors, including record labels, music publishers, performing rights organizations, and collective management organizations, to obtain licenses that authorize the storage and use of content uploaded by our users. We may not be able to develop technological solutions to comply with these license agreements on economically reasonable terms and there is no guarantee that we will be able to enter into agreements with all relevant rights holders on terms that we deem reasonable. Compliance may therefore negatively impact our financial prospects.

The EU enacted copyright laws such as the Copyright Directive that came into effect on June 6, 2019 that may require us to use best efforts in accordance with the high industry standards of professional diligence to exclude infringing content from our Platform that may be uploaded by our users. In addition, the monitoring and reporting obligations of the DSA may apply also with respect to copyright infringements that would fall outside the scope of the Copyright Directive.

On March 13, 2024, the European Parliament approved the Artificial Intelligence Act (the "AI Act") which is expected to become law with some minor amendments. The AI Act proposes a framework of prohibitions as well as disclosure, transparency and other regulatory obligations based on various levels of risk for businesses introducing AI systems in the EU. Once the AI Act becomes effective, certain provisions could require us to alter or restrict our use of AI both in features or products available to our users and in our systems that interact with our users, depending on respective levels of risk-categorization, types of systems, and manner of use, under the AI Act. The AI Act also may require us to comply with monitoring and reporting requirements. As a result, we may need to devote substantial time and resources to evaluate our obligations under the AI Act and to develop and execute a plan designed to ensure compliance. Noncompliance with the AI Act could result in fines of up to €35 million or 7% of annual global turnover for the previous year, whichever is higher.

Further, new content related regulations, including the DSA and OSA mentioned above, may increase our compliance cost.

Risks Related to Intellectual Property

Claims by others that we infringe their proprietary technology or other rights, the activities of our users, or the content of the experiences on our Platform could subject us to liability and harm our business.

We have been and may in the future become subject to intellectual property disputes, and may become subject to liability, costs, and awards of damages and/or injunctive relief as a result of these disputes. Our success depends, in part, on our ability to develop and commercialize our Platform without infringing, misappropriating, or otherwise violating the intellectual property rights of third parties. However, there is no assurance that our technologies or Platform will not be found to infringe, misappropriate, or otherwise violate the intellectual property rights of third parties. We also have agreements with third parties to manufacture and distribute merchandise based on user content on our Platform, and there is a possibility that such content could be found to be infringing. Lawsuits are time-consuming and expensive to resolve and they divert management's time and attention. Further, because of the substantial amount of discovery required in connection with intellectual property litigation, we risk compromising our confidential information during this type of litigation. Companies in the internet, technology, and gaming industries own large numbers of patents, copyrights, trademarks, domain names, and trade secrets and frequently enter into litigation based on allegations of infringement, misappropriation, or other violations of intellectual property or other rights. As we face increasing competition and gain a higher profile, the possibility of intellectual property rights and other claims against us grows. Our technologies may not be able to withstand any third-party claims against their use. In addition, many companies have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them.

We have a number of issued patents. We have also filed a number of additional U.S. and foreign patent applications but these applications may not successfully result in issued patents. Any patent litigation against us may involve patent holding companies or other adverse patent owners that have no relevant product revenue, and therefore, our patents and patent applications may provide little or no deterrence as we would not be able to reach meaningful damages if we assert them against such entities or individuals. If a third party is able to obtain an injunction preventing us from accessing or exercising intellectual property rights, or if we cannot license or develop alternative technology for any infringing aspect of our business, we could be forced to limit or cease access to our Platform or cease business activities related to such intellectual property. In addition, we may need to settle litigation and disputes on terms that are unfavorable to us. We may be required to make substantial payments for legal fees, settlement fees, damages, royalties, license, or other fees in connection with a claimant securing a judgment against us. Although we carry general liability insurance, our insurance may not cover potential claims of this type or may not be adequate to cover all liability that may be imposed. We cannot predict the outcome of lawsuits and cannot ensure that the results of any such actions will not have an adverse effect on our business, financial condition, or results of operations. Any intellectual property claim asserted against us, or for which we are required to provide indemnification, may require us to cease selling or using or recall products that incorporate the intellectual property rights that we allegedly infringe, misappropriate, or violate; make substantial payments for legal fees, settlement payments, or other costs or damages; obtain a license, which may not be available on reasonable terms or at all, to sell or use the relevant technology; or redesign or rebrand the allegedly infringing products to avoid infringement, misappropriation, or violation, which could be costly, time-consuming, or impossible.

Furthermore, certain federal statutes in the U.S. may apply to us with respect to various activities of our users, including the Digital Millennium Copyright Act of 1998 ("DMCA") and Section 230 of the Communications Decency Act ("CDA"). For example, we filter communications to eliminate speech we determine to be offensive based on our objective of creating a civil and safe place for all users. Bills have recently been proposed in Congress calling for a range of changes to Section 230 of the CDA which include a complete repudiation of the statute to modifications of it in such a way as to remove certain social media companies from its protection. The U.S. Supreme Court has also heard two cases in its most recent term that may result in substantial changes to the scope of protection provided to interactive computer services such as Roblox. If Section 230 of the CDA were so repealed, amended, or modified by judicial determination we could potentially be subject to liability if we continue to censor speech, even if that speech were offensive to our users, or we could experience a decrease in user activity and revenues if we are unable to maintain a safe environment for our users if certain blocking and screening activities are prohibited by law. In addition, certain states have either passed or are debating laws that would create potential liability for moderating or removing certain user content. While we believe these laws are of dubious validity under the U.S. Constitution and in light of Section 230 of the CDA, they nevertheless present some risk to our content-moderation efforts going forward.

While we rely on a variety of statutory and common-law frameworks and defenses, including those provided by the DMCA, the CDA, the fair-use doctrine in the U.S. and the E-Commerce Directive in the EU, differences between statutes, limitations on immunity, requirements to maintain immunity, and moderation efforts in the many jurisdictions in which we operate may affect our ability to rely on these frameworks and defenses, or create uncertainty regarding liability for information or content uploaded by developers, creators, or users or otherwise contributed by third parties to our Platform. As an example, Article 17 of the Directive on Copyright in the Digital Single Market was passed in the EU, which affords copyright owners some enforcement rights that may conflict with U.S. safe harbor protections afforded to us under the DMCA. Member states in the EU are in the process of determining how Article 17 will be implemented in their particular country. In addition, the EU's DSA became fully applicable on February 17, 2024. The DSA imposes additional obligations as provided under the E-Commerce Directive and includes new content moderation obligations, notice and transparency obligations, advertising restrictions and other requirements on digital platforms to protect consumers and their rights online. In countries in Asia and Latin America, generally there are no similar statutes to the CDA or the DSA. The laws of countries in Asia and Latin America generally provide for direct liability if a platform is involved in creating such content or has actual knowledge of the content without taking action to take it down. Further, laws in some Asian countries also provide for primary or secondary liability, which can include criminal liability, if a platform fails to take sufficient steps to prevent such content from being uploaded. Although these and other similar legal provisions provide limited protections from liability for platforms like ours, if we are found not to be protected by the safe harbor provisions of the DMCA, CDA or other similar laws, or if we are deemed subject to laws in other countries that may not have the same protections or that may impose more onerous obligations on us, including Article 17, we may owe substantial damages, and our brand, reputation, and financial results may be harmed.

Additionally, any content created by using generative AI tools may not be subject to copyright protection which may adversely affect our intellectual property rights in, or ability to commercialize or use, the content. In the United States, a number of civil lawsuits have been initiated related to the foregoing and other concerns, the outcome of any one of which may, amongst other things, require us to limit the ways in which we use AI in our business. While AI-related lawsuits to date have generally focused on the AI service providers themselves, our use of any output produced by generative AI tools may expose us to claims, increasing our risks of liability.

Even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business and operating results. Moreover, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our Class A common stock. We expect that the occurrence of infringement claims is likely to grow as the market for our Platform grows. Accordingly, our exposure to damages resulting from infringement claims could increase, and this could further exhaust our financial and management resources.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses.

Some of our agreements with third parties include indemnification provisions under which we agree to indemnify these third parties for losses suffered or incurred as a result of claims of intellectual property infringement, or other liabilities relating to or arising from our software, services, Platform, or other contractual obligations. Large indemnity payments could harm our business, results of operations, and financial condition. Although we normally contractually limit our liability with respect to such indemnity obligations, those limitations may not be fully enforceable in all situations, and we may still incur substantial liability under those agreements. Any dispute with a third-party with respect to such obligations could have adverse effects on our relationship with such party and harm our business and results of operations.

Failure to protect or enforce our intellectual property rights or the costs involved in such enforcement would harm our business.

Our success depends to a significant degree on our ability to obtain, maintain, protect, and enforce our intellectual property rights, including our proprietary software technology, know-how, and our brand. We rely on a combination of trademarks, trade secret laws, patents, copyrights, service marks, contractual restrictions, and other intellectual property laws and confidentiality procedures to establish and protect our proprietary rights. However, the steps we take to obtain, maintain, protect, and enforce our intellectual property rights may be inadequate. We will not be able to protect our intellectual property rights if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property rights. If we fail to protect our intellectual property rights adequately, or fail to continuously innovate and advance our technology, our competitors could gain access to our proprietary technology and develop and commercialize substantially identical products, services, or technologies. In addition, defending our intellectual property rights might entail significant expense and may not ultimately be successful.

Further, any patents, trademarks, or other intellectual property rights that we have or may obtain may be challenged or circumvented by others or invalidated or held unenforceable through administrative processes, including re-examination, inter partes review, interference and derivation proceedings, and equivalent proceedings in foreign jurisdictions, such as opposition proceedings or litigation. In addition, despite our pending patent applications, there is no assurance that our patent applications will result in issued patents. Even if we continue to seek patent protection in the future, we may be unable to obtain or maintain patent protection for our technology. In addition, any patents issued from pending or future patent applications or licensed to us in the future may not provide us with competitive advantages or may be successfully challenged by third parties. Furthermore, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy our Platform and use information that we regard as proprietary to create products that compete with ours. Patent, trademark, copyright, and trade secret protection may not be available to us in every country in which our products are available. The value of our intellectual property could diminish if others assert rights in or ownership of our trademarks and other intellectual property rights, or trademarks that are similar to our trademarks. We may be unable to successfully resolve these types of conflicts to our satisfaction. In some cases, litigation or other actions may be necessary to protect or enforce our trademarks and other intellectual property rights. In addition, the laws of some foreign countries may not be as protective of intellectual property rights as those in the U.S., and mechanisms for enforcement of intellectual property rights may be inadequate. As we expand our global activities, our exposure to unauthorized copying and use of our Platform and proprietary information will likely increase.

We rely, in part, on trade secrets, proprietary know-how, and other confidential information to maintain our competitive position. While we enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with other third parties, including suppliers and other partners, we cannot guarantee that we have entered into such agreements with every entity that has or may have had access to our proprietary information, know-how and trade secrets or that has or may have developed intellectual property in connection with an engagement with us. Moreover, there are no assurances that these agreements will be effective in controlling access to, distribution, use, misuse, misappropriation, reverse engineering, or disclosure of our proprietary information, know-how, and trade secrets. Further, these agreements may not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our Platform. These agreements may be breached, and we may not be able to detect any such breach and may not have adequate remedies for any such breach even if we know about it.

We use open source software as part of, and in connection with certain experiences on, our Platform, which may pose particular intellectual property and security risks to and could have a negative impact on our business.

We have in the past and may in the future continue to use open source software in our codebase and our Platform. Some open source software licenses require users who make available open source software as part of their proprietary software to publicly disclose all or part of the source code to such proprietary software or make available any derivative works of such software free of charge, under open source licensing terms. The terms of various open source licenses have not been interpreted by courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our use of the open source software. Enforcement activity for open source licenses can also be unpredictable. Were it determined that our use was not in compliance with a particular license, we may be required to release our proprietary source code, defend claims, pay damages for breach of contract or copyright infringement, grant licenses to our patents, re-engineer our games or products, discontinue distribution in the event re-engineering cannot be accomplished on a timely basis, or take other remedial action that may divert resources away from our game development efforts, any of which could negatively impact our business. Open source compliance problems can also result in damage to reputation and challenges in recruitment or retention of engineering personnel. Although we have certain policies and procedures in place to monitor our use of open-source software that are designed to avoid subjecting our Platform to open source licensing conditions, those policies and procedures may not be effective to detect or address all such conditions.

Additionally, although we devote significant resources to ensuring the security of our use of open source software on our Platform, we cannot ensure that these security measures will be sufficient to prevent or mitigate the damage caused by a cybersecurity incident or network disruption, and our open source software may be vulnerable to hacking, insider threats, employee error or manipulation, theft, system malfunctions, or other adverse events.

Risks Related to Ownership of our Class A Common Stock

The public trading price of our Class A common stock is volatile and could decline regardless of our operating performance.

To date, the public trading price of our Class A common stock has been volatile, similar to other newly public companies that have historically experienced highly volatile trading prices. The public trading price of our Class A common stock may fluctuate in response to various factors, including those listed in this Quarterly Report on Form 10-Q, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment in our Class A common stock since you might be unable to sell your shares at or above the price you paid. Factors that could cause fluctuations in the public trading price of our Class A common stock include the following:

- the number of shares of our Class A common stock made available for trading;
- sales or expectations with respect to sales of shares of our Class A common stock by holders of our Class A common stock;
- price and volume fluctuations in the overall stock market from time to time;
- volatility in the trading prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow us or our failure to meet these estimates or the expectations of investors;
- any plans we may have to provide or not provide disclosure about certain key metrics, financial guidance, or projections, which may increase the probability that our financial results are perceived as not in line with analysts' expectations;
- if we do provide disclosure about certain key metrics, financial guidance, or projections, any changes with respect to timing or our failure to meet those projections;
- announcements by us or our competitors of new services or Platform features;
- the public's reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- actual or anticipated developments in our business, our competitors' businesses, or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- actual or perceived privacy or security breaches or other incidents;
- developments or disputes concerning our intellectual property or other proprietary rights;

- announced or completed acquisitions of businesses, services, or technologies by us or our competitors;
- new laws or regulations, public expectations regarding new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- any significant change in our management or other key personnel;
- other events or factors, including those resulting from war, such as Russia's invasion of Ukraine and Hamas' attack against Israel, incidents of terrorism, pandemics, or wildfires, earthquakes or severe weather and power outages or responses to these events; and
- general economic conditions and slow or negative growth of our markets.

In addition, stock markets, and the market for technology companies in particular, have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies, including technology companies, have fluctuated in a manner often unrelated to the operating performance of those companies. In the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources. In addition, we may be subject to stockholder activism, which can lead to additional substantial costs, distract management, and impact the manner in which we operate our business in ways we cannot currently anticipate.

The dual class stock structure of our common stock has the effect of concentrating voting control in David Baszucki, our Founder, President, CEO, and Chair of our Board of Directors, which limits or precludes your ability to influence corporate matters, including the election of directors and the approval of any change of control transaction.

Our Class B common stock has 20 votes per share, and our Class A common stock has one vote per share. Our Founder, President, CEO, Chair of our Board of Directors, and largest stockholder, David Baszucki, and his affiliates, beneficially own 100% of our outstanding Class B common stock, together as a single class, representing a substantial percentage of the voting power of our capital stock, which voting power may increase over time as Mr. Baszucki exercises or vests in his equity awards. Mr. Baszucki and his affiliates could exert substantial influence over matters requiring approval by our stockholders. This concentration of ownership may limit or preclude your ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may believe are in your best interest as one of our stockholders. We believe we are eligible for, but do not intend to take advantage of, the "controlled company" exemption to the corporate governance rules for NYSE-listed companies. We cannot predict whether our dual class structure will result in a lower or more volatile trading price of our Class A common stock, in adverse publicity, or other adverse consequences. For example, certain index providers, such as S&P Dow Jones, exclude companies with multiple classes of common stock from being added to certain stock indices, including the S&P 500. As a result, the dual class structure of our common stock may trigger actions or publications by stockholder advisory firms or institutional investors critical of our corporate governance practices or capital structure, or prevent the inclusion of our Class A common stock in certain indices and, as a result, large institutional investors, mutual funds, exchange-traded funds, and other investment vehicles that attempt to passively track those indices may not invest in our Class A common stock. Any exclusion from certain indices could result in a less active trading market for our Class A common stock. As a result, the trading price of our Class A common stock could be adversely affected. Delaware law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the market price of our Class A common stock.

If securities or industry analysts or other third parties do not publish research or publish inaccurate or unfavorable research about us, our business, or our market, or if they change their recommendation regarding our Class A common stock adversely, the market price and trading volume of our Class A common stock could decline.

The market price and trading volume for our Class A common stock will depend in part on the research and reports that securities or industry analysts and other third parties publish about us, our business, our market or our competitors. The analysts' estimates are based upon their own opinions and are often different from our estimates or expectations or incorrect. If any of the analysts who cover us change their recommendation regarding our Class A common stock adversely, provide more favorable relative recommendations about our competitors or publish inaccurate or unfavorable research about our business, the price of our Class A common stock would likely decline. If few securities analysts commence coverage of us, or if one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets and demand for our securities could decrease, which could cause the price and trading volume of our Class A common stock to decline. In addition, third parties regularly publish data about us and other mobile, gaming, and social platform companies with respect to DAUs, revenue, bookings, top experience, or game charts, hours engaged and other information concerning social game application usage. These metrics are proprietary to the provider, and in many cases do not accurately reflect the actual levels of bookings, revenue, or usage of our experiences across all platforms. There is a possibility that third parties could change their methodologies for calculating these metrics in the future. To the extent that securities analysts or investors base their views of our business or prospects on such third-party data, the price of our Class A common stock may be volatile and may not reflect the performance of our business.

Delaware law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby depressing the market price of our Class A common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws will contain provisions that may make the acquisition of our company more difficult, including the following:

- any amendments to our amended and restated certificate of incorporation or our amended and restated bylaws will require the approval of at least 66 2/3% of our then-outstanding voting power;
- our Board of Directors is classified into three classes of directors with staggered three-year terms and stockholders will only be able to remove directors from office for cause;
- upon the conversion of our Class A common stock and Class B common stock into a single class of common stock, our stockholders will only be able to take action at a meeting of stockholders and will not be able to take action by written consent for any matter;
- our amended and restated certificate of incorporation does not provide for cumulative voting;
- vacancies on our Board of Directors will be able to be filled only by our Board of Directors and not by stockholders;
- a special meeting of our stockholders may only be called by the chairperson of our Board of Directors, our CEO, our President, or a majority of our Board of Directors;
- certain litigation against us can only be brought in Delaware;
- our amended and restated certificate of incorporation authorizes 100 million shares of undesignated preferred stock, the terms of which may be established and shares of which may be issued without further action by our stockholders; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

These provisions, alone or together, could discourage, delay, or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware and the federal district courts of the United States will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another State court in Delaware or the federal district court for the District of Delaware) is the exclusive forum for the following (except for any claim as to which such court determines that there is an indispensable party not subject to the jurisdiction of such court (and the indispensable party does not consent to the personal jurisdiction of such court within ten days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than such court or for which such court does not have subject matter jurisdiction):

- any derivative action or proceeding brought on behalf of us;
- any action asserting a claim of breach of a fiduciary duty;
- any action asserting a claim against us arising under the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws (as either may be amended from time to time); and
- any action asserting a claim against us that is governed by the internal affairs doctrine.

This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act, or any other claim for which the U.S. federal courts have exclusive jurisdiction.

Our amended and restated bylaws further provide that the federal district courts of the U.S. will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. These exclusive-forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to these provisions. There is uncertainty as to whether a court would enforce such provisions, and the enforceability of similar choice of forum provisions in other companies' charter documents has been challenged in legal proceedings. We also note that stockholders cannot waive compliance (or consent to noncompliance) with the federal securities laws and the rules and regulations thereunder. It is possible that a court could find these types of provisions to be inapplicable or unenforceable, and if a court were to find either exclusive-forum provision in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could significantly harm our business.

We do not expect to pay dividends in the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not anticipate declaring or paying any dividends to holders of our capital stock in the foreseeable future. Consequently, you may need to rely on sales of our Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on your investment.

Risks Related to our Indebtedness

We may not be able to generate sufficient cash to service our debt and other obligations, including our obligations under the 2030 Notes.

Our ability to make payments on our indebtedness, including the 2030 Notes, and our other obligations will depend on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business, and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the 2030 Notes, and other obligations.

If we are unable to service our debt and other obligations from cash flows, we may need to refinance or restructure all or a portion of our debt obligations prior to maturity. Our ability to refinance or restructure our debt and other obligations will depend on various factors, including the condition of the capital markets and our financial condition at such time. Any refinancing or restructuring could be at higher interest rates, less favorable terms, or may require us to comply with more onerous covenants, which could further restrict our business operations. If our cash flows are insufficient to service our debt and other obligations, we may not be able to refinance or restructure any of these obligations on commercially reasonable terms or at all. Any refinancing or restructuring could have a material adverse effect on our business, results of operations, or financial condition.

If our cash flows are insufficient to fund our debt and other obligations and we are unable to refinance or restructure these obligations, we could face substantial liquidity problems and may be forced to reduce or delay investments and capital expenditures, or to sell material assets or operations to meet our debt and other obligations. We cannot assure you that we would be able to implement any of these alternative measures on satisfactory terms (if at all) or that the proceeds from such alternatives would be adequate to meet any debt or other obligations then due. If it becomes necessary to implement any of these alternative measures, our business, results of operations, or financial condition could be materially and adversely affected.

Our indebtedness could have adverse consequences to us.

Our indebtedness could have adverse consequences to us, including the following:

- making it more difficult for us to satisfy our obligations with respect to the 2030 Notes and our other indebtedness;
- requiring us to dedicate a substantial portion of our cash flow from operations to debt service payments on our and our subsidiaries' debt, which reduces the funds available for working capital, capital expenditures, acquisitions, and other general corporate purposes;
- requiring us to comply with restrictive covenants in the Indenture, which limit the manner in which we conduct our business;
- limiting our flexibility in planning for, or reacting to, changes in the industry in which we operate;
- placing us at a competitive disadvantage compared to any of our less leveraged competitors;
- increasing our vulnerability to both general and industry-specific adverse economic conditions; and
- limiting our ability to obtain additional debt or equity financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements and increasing our cost of borrowing.

General Risks

If we are unable to maintain effective disclosure and internal controls over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations may be impaired.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended ("the Exchange Act"), the Sarbanes-Oxley Act, and the rules and regulations of the listing standards of the NYSE. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. Our disclosure controls and other procedures are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. In addition, changes in accounting principles or interpretations could also challenge our internal controls and require that we establish new business processes, systems, and controls to accommodate such changes. If these new systems, controls, or standards and the associated process changes do not operate as intended, it could adversely affect our financial reporting systems and processes, our ability to produce timely and accurate financial reports, or the effectiveness of internal control over financial reporting. Moreover, our business may be harmed if we experience problems with any new systems and controls that result in delays in their implementation or increased costs to correct any post-implementation issues that may arise. We have identified in the past, and may identify in the future, deficiencies in our controls, which could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. If we are not able to comply with the requirements of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls over financial reporting, we may not be able to produce timely and accurate financial statements. If that were to happen, our investors could lose confidence in our reported financial information, the trading price of our Class A common stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports.

Any legal proceedings or claims against us could be costly and time-consuming to defend and could harm our reputation regardless of the outcome.

We are and/or may in the future become subject to legal proceedings and claims that arise in the ordinary course of business, including intellectual property, privacy, biometrics, cybersecurity, data protection, product liability, consumer protection, false and misleading advertising, employment, class action, whistleblower, contract, securities, tort, civil Racketeer Influenced and Corrupt Organizations Act, unfair competition, and other litigation claims, including claims related to our advertising practices and use of generative AI, and governmental and other regulatory investigations and proceedings. As a result of disclosure of information in filings required of a public company, our business and financial condition will become more visible, which may result in threatened or actual litigation, including by competitors. We are and may continue to be subject to legal proceedings asserting claims arising from allegations that we disabled access to virtual items found to violate our Terms of Use, that we have facilitated gambling by users of our Platform including by minors, that we have misrepresented the safety of our Platform, that our Platform is addictive or otherwise unsafe, that we unlawfully or unfairly benefit from child labor, and suits related to our refund policies. In these and similar lawsuits brought on behalf of child users, the court may allow minors to disaffirm or avoid enforcement of our Terms of Use, depending on the circumstances. We have and may continue to be subject to legal proceedings asserting claims on behalf of shareholders related to allegations that discussions of our growth prospects have been misleading and unsustainable due to concerns related to safety and our implementation of parental controls on the Platform. In particular, on August 1, 2023, a putative class action was filed against us in the United States District Court for the Northern District of California captioned *Colvin v. Roblox* asserting various claims arising from allegations that minors used third-party virtual casinos to gamble Robux and on March 14, 2024, *Gentry v. Roblox* was filed in the United States District Court for the Northern District of California premised on substantially identical allegations as *Colvin v. Roblox*. The two cases were consolidated on April 18, 2024. Such matters can be time-consuming, divert management's attention and resources, cause us to incur significant expenses or liability, or require us to change our business practices. The expense of litigation and the timing of this expense from period to period are difficult to estimate, subject to change, and could adversely affect our financial condition and results of operations. Because of the potential risks, expenses, and uncertainties of litigation, we may, from time to time, settle disputes, even where we have meritorious claims or defenses, by agreeing to settlement agreements. Any of the foregoing could adversely affect our business, financial condition, and results of operations.

Catastrophic events may disrupt our business.

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce, and the global economy, and thus could harm our business. We have our headquarters and a large employee presence in San Mateo, California, an area which in recent years has been increasingly susceptible to fires, severe weather events, and power outages, any of which could disrupt our operations, and which contains active earthquake zones. In the event of a major earthquake, hurricane, or catastrophic event such as fire, power loss, rolling blackouts or power loss, telecommunications failure, pandemic, geopolitical conflict such as the Russian invasion of Ukraine and Hamas' attack against Israel and the ensuing war, cyber-attack, war, other physical security threats or terrorist attack, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our Platform development, lengthy interruptions in our Platform, breaches of security, and loss of critical data, all of which would harm our business, results of operations, and financial condition. Acts of terrorism and similar events would also cause disruptions to the internet or the economy as a whole. Global climate change could also result in natural disasters occurring more frequently or with more intense effects, which could cause business interruptions. The long-term effects of the COVID-19 pandemic and recovery from it on society and developer, creator, and user engagement remain uncertain, and a subsequent health crisis or pandemic, as well as the actions taken by various governmental, business and individuals in response, will impact our business, operations and financial results in ways that we may not be able to accurately predict. In addition, the insurance we maintain would likely not be adequate to cover our losses resulting from disasters or other business interruptions. Our disaster recovery plan may not be sufficient to address all aspects of any unanticipated consequence or incident, we may not be able to maintain business continuity at profitable levels or at all, and our insurance may not be sufficient to compensate us for the losses that could occur.

Our operations are subject to the effects of changing inflation rates and volatile global economic conditions.

The United States, Europe, and other key global markets have recently experienced historically high levels of inflation. If the inflation rate continues to increase, it will likely affect all of our expenses, including, but not limited to, employee compensation expenses and energy expenses and it may reduce consumer discretionary spending, which could affect the buying power of our users, developers, and creators and lead to a reduced demand for our Platform.

Geopolitical developments, such as the war in Ukraine, Hamas' attack against Israel and the ensuing war, and tensions with China, and the responses by central banking authorities to control inflation, can increase levels of political and economic unpredictability globally and increase the volatility of global financial markets. Adverse macroeconomic conditions, including lower consumer confidence, persistent unemployment, wage and income stagnation, slower growth or recession, changes to fiscal and monetary policy, inflation, changes in interest rates, currency fluctuations, economic and trade sanctions, the availability and cost of credit, and the strength of the economies in which we and our users are located, have adversely affected and may continue to adversely affect our condensed consolidated financial condition and results of operations.

Additionally, we maintain cash balances at third-party financial institutions in excess of the Federal Deposit Insurance Corporation (the "FDIC") insurance limit. If the financial conditions affecting the banking industry and financial markets cause additional banks and financial institutions to enter receivership or become insolvent, our ability to access our existing cash, cash equivalents and investments, or to draw on our existing lines of credit, may be threatened and could have a material adverse effect on our business and financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

During our last fiscal quarter, none of the Company's director(s) or officer(s), as defined in Rule 16a-1(f), adopted or terminated a "Rule 10b5-1 trading arrangement," or a "non-Rule 10b5-1 trading arrangement," as defined in Regulation S-K Item 408.

Item 6. Exhibits.

Exhibit No.	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	10-Q	001-39763	3.1	May 13, 2021
3.2	Amended and Restated Bylaws of the Registrant.	8-K	001-39763	3.1	September 14, 2023
31.1*	Certification of the Principal Executive Officer pursuant to Exchange Act Rules 13a-14 and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of the Principal Financial Officer pursuant to Exchange Act Rules 13a-14 and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1†	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.				
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				
104*	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101).				

* Filed herewith

† The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Roblox Corporation

Date: May 9, 2024

By: /s/ Michael Guthrie

Michael Guthrie
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Baszucki, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Roblox Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

By: /s/ David Baszucki

David Baszucki
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Guthrie, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Roblox Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

By: /s/ Michael Guthrie

Michael Guthrie
Chief Financial Officer
(Principal Financial Officer)

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ David Baszucki
David Baszucki
President and Chief Executive Officer
(Principal Executive Officer)

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Michael Guthrie
Michael Guthrie
Chief Financial Officer
(Principal Financial Officer)