

**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, 2023
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 May 1, 2023, the registrant had 560,594,600 shares of Class A common stock and 50,086,273 of Class B common stock, each with a par value of \$0.0001 per share, outstanding.

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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 estimated paying user life, operating expenses, operating losses, 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 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 mobile operating systems;
- the demand for our platform in general;
- our ability to retain and increase our number of users, developers, and creators;
- the impact of the COVID-19 pandemic and the easing of restrictions related to the COVID-19 pandemic, including on our users’, developers’, and creators’ usage and spending habits;
- the impact of inflation and global economic conditions on our operations;
- challenges associated with our future of work 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;
- 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 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 and its impact on economies in Europe and 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 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.

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 (specifically, on a quarterly basis, previously reported average unique payers would have been up to 1% higher and average bookings per unique payer would have been up to 1% lower under the new methodology). Finally, the accuracy of our metrics may be affected by certain factors relating to user activity and systems and our ability to identify and detect attempts to replicate legitimate user activity, often referred to as botting. 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.”

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. We do not collect the geographic location of our Xbox users, which are grouped into Rest of World DAUs for the purposes of our reporting. The platform data collected is based on the platform associated with the account when an account is initially registered on Roblox. The demographic data collected is self-reported to us and may not always accurately represent the actual attributes of the user.

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 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, which includes time spent in experiences (which refer to the titles that have been created by developers) and within platform features such as chat and avatar personalization. We calculate total hours engaged as the aggregate of user session lengths in a given period. We determine this length of time using internal company systems that track user activity on our platform, and aggregate discrete activities into a user session.

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 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, which was 28 months as of March 31, 2023. 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 in any period.

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 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.

Average New and Returning Monthly Unique Payers and Monthly Repurchase Rate

We define new monthly unique payers as user accounts that made their first purchase 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 purchase 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, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 828,129	\$ 2,977,474
Short-term investments	1,412,862	—
Accounts receivable—net of allowances	265,246	379,353
Prepaid expenses and other current assets	76,307	61,641
Deferred cost of revenue, current portion	435,528	420,136
Total current assets	3,018,072	3,838,604
Long-term investments	850,929	—
Property and equipment—net	688,341	592,346
Operating lease right-of-use assets	492,686	526,030
Deferred cost of revenue, long-term	229,877	225,132
Intangible assets, net	50,739	54,717
Goodwill	134,335	134,335
Other assets	6,481	4,323
Total assets	\$ 5,471,460	\$ 5,375,487
Liabilities and Stockholders' equity		
Current liabilities:		
Accounts payable	\$ 120,256	\$ 71,182
Accrued expenses and other current liabilities	247,949	236,006
Developer exchange liability	227,839	231,704
Deferred revenue—current portion	2,037,696	1,941,943
Total current liabilities	2,633,740	2,480,835
Deferred revenue—net of current portion	1,123,321	1,095,291
Operating lease liabilities	467,187	494,590
Long-term debt, net	989,308	988,984
Other long-term liabilities	12,722	10,752
Total liabilities	5,226,278	5,070,452
Commitments and contingencies (Note 10)		
Stockholders' equity		
Common stock, \$0.0001 par value; 5,000,000 authorized as of March 31, 2023 and December 31, 2022, 610,487 and 604,674 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively; Class A common stock—4,935,000 shares authorized as of March 31, 2023 and December 31, 2022, respectively; 560,401 and 553,337 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively; Class B common stock—65,000 shares authorized as of March 31, 2023 and December 31, 2022, respectively; 50,086 and 51,337 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	60	59
Additional paid-in capital	2,424,340	2,213,603
Accumulated other comprehensive income	62	671
Accumulated deficit	(2,176,620)	(1,908,307)
Total Roblox Corporation Stockholders' equity	247,842	306,026
Noncontrolling interests	(2,660)	(991)
Total Stockholders' equity	245,182	305,035
Total Liabilities and Stockholders' equity	\$ 5,471,460	\$ 5,375,487

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,	
	2023	2022
Revenue	\$ 655,344	\$ 537,134
Cost and expenses:		
Cost of revenue ⁽¹⁾	151,841	135,632
Developer exchange fees	182,440	147,122
Infrastructure and trust & safety	211,044	141,355
Research and development	275,537	177,762
General and administrative	97,574	57,772
Sales and marketing	26,755	29,102
Total cost and expenses	945,191	688,745
Loss from operations	(289,847)	(151,611)
Interest income	31,082	245
Interest expense	(10,012)	(9,999)
Other income/(expense), net	(440)	(379)
Loss before income taxes	(269,217)	(161,744)
Provision for/(benefit from) income taxes	731	276
Consolidated net loss	(269,948)	(162,020)
Net loss attributable to noncontrolling interests	(1,635)	(1,818)
Net loss attributable to common stockholders	\$ (268,313)	\$ (160,202)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.44)	\$ (0.27)
Weighted-average shares used in computing net loss per share attributable to common stockholders—basic and diluted	606,637	588,521

(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 INCOME/(LOSS)
(in thousands)
(unaudited)

	Three Months Ended	
	March 31,	
	2023	2022
Consolidated net loss	\$ (269,948)	\$ (162,020)
Other comprehensive income/(loss), net of tax:		
Foreign currency translation adjustments	(68)	(6)
Net change in unrealized gains (losses) on available-for-sale marketable securities	(575)	—
Other comprehensive income/(loss), net of tax	(643)	(6)
Total comprehensive loss, including noncontrolling interests	(270,591)	(162,026)
Less: net loss attributable to noncontrolling interests	(1,635)	(1,818)
Less: cumulative translation adjustments attributable to noncontrolling interests	(34)	86
Other comprehensive loss attributable to noncontrolling interests, net of tax	(1,669)	(1,732)
Total comprehensive loss attributable to common stockholders	\$ (268,922)	\$ (160,294)

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, 2023

	Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount					
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

Three Months Ended March 31, 2022

	Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2021	585,878	\$ 58	\$ 1,568,638	\$ 62	\$ (983,941)	\$ 8,106	\$ 592,923
Issuance of common stock upon exercise of stock options	4,150	1	10,175	—	—	—	10,176
Issuance of common stock under Employee Stock Purchase Plan	335	—	14,243	—	—	—	14,243
Vesting of restricted stock units	1,808	—	—	—	—	—	—
Withholding taxes related to net share settlement of restricted stock units	(3)	—	(150)	—	—	—	(150)
Stock-based compensation expense	—	—	112,295	—	—	—	112,295
Other	28	—	—	—	—	—	—
Other comprehensive income/(loss)	—	—	—	(92)	—	86	(6)
Net loss	—	—	—	—	(160,202)	(1,818)	(162,020)
Balance at March 31, 2022	592,196	\$ 59	\$ 1,705,201	\$ (30)	\$ (1,144,143)	\$ 6,374	\$ 567,461

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,	
	2023	2022
Cash flows from operating activities:		
Consolidated net loss	\$ (269,948)	\$ (162,020)
Adjustments to reconcile net loss including noncontrolling interests to net cash and cash equivalents provided by operations:		
Depreciation and amortization	47,412	24,497
Stock-based compensation expense	184,904	112,295
Operating lease non-cash expense	21,244	13,997
(Accretion)/amortization on marketable securities, net	(12,122)	—
Amortization of debt issuance costs	324	311
Impairment expense, (gain)/loss on investment and other asset sales, and other, net	8,236	(567)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	113,193	128,183
Accounts payable	18,307	(3,768)
Prepaid expenses and other current assets	(8,359)	(10,940)
Other assets	(2,158)	(435)
Developer exchange liability	(3,865)	(14,090)
Accrued expenses and other current liabilities	(17,004)	(2,066)
Other long-term liability	1,970	—
Operating lease liabilities	(11,999)	(11,709)
Deferred revenue	123,783	96,797
Deferred cost of revenue	(20,137)	(14,049)
Net cash and cash equivalents provided by operating activities	<u>173,781</u>	<u>156,436</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(91,359)	(51,790)
Purchases of investments	(2,340,200)	—
Sales of investments	84,279	—
Purchases of intangible assets	(500)	—
Net cash and cash equivalents used in investing activities	<u>(2,347,780)</u>	<u>(51,790)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock	25,472	24,328
Payment of withholding taxes related to net share settlement of restricted stock units	—	(150)
Payment of debt issuance cost	—	(154)
Payments related to business combination, after acquisition date	(750)	—
Net cash and cash equivalents provided by financing activities	<u>24,722</u>	<u>24,024</u>
Effect of exchange rate changes on cash and cash equivalents	(68)	(6)
Net increase/(decrease) in cash and cash equivalents	<u>(2,149,345)</u>	<u>128,664</u>
Cash and cash equivalents		
Beginning of period	2,977,474	3,004,300
End of period	<u>\$ 828,129</u>	<u>\$ 3,132,964</u>
Supplemental disclosure of noncash investing and financing activities:		
Property and equipment additions in accounts payable and accrued expenses and other liabilities	\$ 109,617	\$ 86,813

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 human co-experience platform (the “Roblox Platform” or “Platform”) where users interact with each other to explore and create immersive, user-generated, 3D experiences. 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 build the experiences that are published on Roblox and can earn Robux through microtransactions in their experiences, through engagement-based payouts, and by selling virtual items in the Roblox virtual economy.

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 2023 and 2022 refer to the fiscal year ending December 31, 2023 and December 31, 2022, 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, 2022, which was filed with the SEC on February 28, 2023.

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, 2023 shown in this report are not necessarily indicative of the results to be expected for the full year ending December 31, 2023 or any other interim period.

For a discussion of the Company’s significant accounting policies, refer to the headers “Developer Exchange Fees Expense” and “Short-Term and Long-Term Investments” 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, 2022, which was filed with the SEC on February 28, 2023.

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 we use for revenue recognition, 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.

Change in Accounting Estimate

In the first quarter of 2022, we updated our estimated paying user life from 23 months to 25 months, which was subsequently updated again 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, the change in estimate in the first quarter of 2022 resulted in a decrease in revenue of \$82.5 million and a decrease in cost of revenue of \$19.6 million during the three months ended March 31, 2022. The estimated paying user life for the quarter ended March 31, 2023 was 28 months.

Refer to the heading "Basis of Presentation and Summary of Significant Accounting Policies — Revenue Recognition Policy" 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, 2022, which was filed with the SEC on February 28, 2023, for a complete discussion on the Company's revenue recognition policies.

Developer Exchange Fees Expense

The Company has established an incentive program for developers and creators to build and operate virtual experiences within the Roblox environment. Developers and creators can earn Robux through the sale of access to their experiences and enhancements in their experiences, the sale of content and tools between developers through the Studio Marketplace, and the sale of items to users through the Avatar 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. Under certain conditions, and in compliance with applicable law, these developers and creators are eligible to receive a cash payout based on the amount of accumulated earned Robux through our Developer Exchange 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.

The Company recognizes the expense associated with the Developer Exchange Program as Robux are earned by developers and creators that are qualified and registered in the Developer Exchange Program.

Short-Term and Long-Term Investments

Short-term and long-term investments consist of corporate debt securities, commercial paper, U.S. Treasury securities, U.S. agency securities, foreign government securities, and certificates of deposits. Based on our intentions, all debt investments are classified as available-for-sale and are reported at fair value with unrealized gains and losses recorded as a separate component of other comprehensive income, net of income taxes. The Company determines the appropriate classification of its investments as short-term or long-term at the time of purchase and reevaluates such determination at each reporting period based on their respective maturity dates and the Company's reasonable expectation with regard to those investments (e.g. expectations of future sales or redemptions).

For debt securities in an unrealized loss position, we first consider whether we intend to or it is more likely than not that we will be required to sell the individual security prior to recovery of its amortized cost basis and if so, we adjust the carrying value of security down to its fair value, with the amount of the write-down recorded as a realized loss within other income/(expense), net.

Otherwise, we determine whether a decline in fair value is attributable to a partial or full credit loss by reviewing factors such as the extent to which the fair value is less than the amortized cost basis, changes in interest rates since the purchase of the security, the financial condition of the issuer, including changes in credit ratings, the remaining payment terms of the security, as well as any adverse conditions specifically related to the security, the issuer's industry or its geographic area. If a credit loss exists, we adjust the carrying value by recording expense within other income/(expense), net equal to the amount of the credit loss, with such amount limited to the amount of the unrealized loss. Subsequent recoveries of fair value originally attributed to a credit loss are subsequently recognized as income within other income/(expense), net. Finally, any unrealized loss not deemed to be attributable to a credit loss is recognized as component of other comprehensive income/(loss), net of income taxes.

There were no credit losses related to our debt investments in any of the periods presented and therefore all unrealized gains/(losses) were recognized as a component of other comprehensive income/(loss), net of tax.

For purposes of identifying and measuring credit losses, the Company excludes any related accrued interest from both the fair value and amortized cost basis of the investment. Accrued interest receivable, net of the allowance for credit losses (if any), is recorded in prepaid expenses and other current assets in our condensed consolidated financial statements.

Realized gains and losses for all investments are determined using the specific-identification method and are reflected as a component of other income (expense), net in the condensed consolidated statements of operations.

The Company's investment policy limits the amount of credit exposure in its portfolio by imposing credit rating minimums and limiting purchases by security type and sector.

Recent Accounting Pronouncements

Accounting Pronouncements Recently Adopted

In October 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-08, "*Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*". Under ASU 2021-08, an acquirer must recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, as if it had originated the contracts. Prior to this ASU, an acquirer generally recognized contract assets acquired and contract liabilities assumed that arose from contracts with customers at fair value on the acquisition date. The Company adopted the ASU on January 1, 2023 and the adoption did not have a material impact on the Company's condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

The Company is in the process of reviewing all issued, but not yet effective, accounting pronouncements and does not believe the future adoption of any such accounting pronouncements will cause a material impact on its condensed consolidated financial statements.

3. Revenue from Contracts with Customers

Disaggregation of Revenue

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

	Three Months Ended March 31,			
	2023		2022	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue
United States and Canada ⁽¹⁾	\$ 425,763	65 %	\$ 356,656	66 %
Europe	118,530	18	99,202	18
Asia-Pacific, including Australia and New Zealand	65,128	10	45,990	9
Rest of world	45,923	7	35,286	7
Total	\$ 655,344	100 %	\$ 537,134	100 %

⁽¹⁾ The Company's revenues in the United States were 61% of total revenue for the three months ended March 31, 2023 and 62% for the three months ended March 31, 2022.

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

Durable virtual items accounted for 90% of Roblox Platform revenue for each of the three months ended March 31, 2023 and March 31, 2022, while consumable virtual items accounted for 10% of Roblox Platform revenue for each of the three months ended March 31, 2023 and March 31, 2022.

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 quarter ended March 31, 2023 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, 2023, we recognized \$562.7 million of revenue that was included in the current deferred revenue balance as of December 31, 2022.

4. Leases

On February 11, 2023, the Company executed a lease assignment as sub-lessee pursuant to which the Company will sublease approximately 179,496 square feet of office space in San Mateo, California for a lease term of approximately seven years (the "Sub-Lessee Agreement"). Concurrent with the execution of the Sub-Lessee Agreement, the Company executed a sublease as sub-lessor pursuant to which it will sublease a total of approximately 78,911 square feet of its San Mateo, California corporate headquarters (the "San Mateo Headquarters") to the sub-lessee for a lease term of approximately four years (the "Sub-Lessor Agreement").

The total lease payments under the Sub-Lessee Agreement are approximately \$85.6 million over the lease term and the Company expects to take possession of the assigned space in the second quarter of 2023. The total lease payments due to the Company under the Sub-Lessor Agreement are \$22.2 million over the lease term and the Company provided possession to the sub-lessee to one of the floors in April 2023, with possession of the remaining floor expected to be provided during the third quarter of 2023.

As a result of the Sub-Lessor Agreement, the Company recognized a \$7.0 million impairment loss within general and administrative expenses in its condensed consolidated financial statements during the three months ended March 31, 2023, which included \$4.8 million related to the San Mateo Headquarters operating lease right-of-use asset and \$2.2 million related to property and equipment, net associated with the San Mateo Headquarters.

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, 2023						
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash Equivalents	Short-Term Investments	Long-Term Investments
Level 1							
Money market funds	\$ 308,160	\$ —	\$ —	\$ 308,160	\$ 308,160	\$ —	\$ —
U.S. Treasury securities	1,432,243	1,250	(331)	1,433,162	159,472	874,957	398,733
Subtotal	1,740,403	1,250	(331)	1,741,322	467,632	874,957	398,733
Level 2							
U.S. agency securities	488,688	154	(147)	488,695	34,945	370,108	83,642
Foreign government securities	14,150	40	(74)	14,116	—	—	14,116
Certificates of deposits	12,741	—	—	12,741	—	12,741	—
Commercial paper	183,892	—	—	183,892	49,802	134,090	—
Corporate debt securities	376,871	550	(2,017)	375,404	—	20,966	354,438
Subtotal	1,076,342	744	(2,238)	1,074,848	84,747	537,905	452,196
Total	\$ 2,816,745	\$ 1,994	\$ (2,569)	\$ 2,816,170	\$ 552,379	\$ 1,412,862	\$ 850,929

	As of December 31, 2022						
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash Equivalents	Short-Term Investments	Long-Term Investments
Level 1							
Money market funds	\$ 1,903,880	\$ —	\$ —	\$ 1,903,880	\$ 1,903,880	\$ —	\$ —
Total	\$ 1,903,880	\$ —	\$ —	\$ 1,903,880	\$ 1,903,880	\$ —	\$ —

As of March 31, 2023, 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.

6. Acquisitions

Byfron Technologies, LLC Acquisition

On October 11, 2022 (the "Byfron Acquisition Date"), the Company acquired all outstanding equity interests of Byfron Technologies, LLC ("Byfron"), a privately-held company that operates a security and anti-cheat software for game publishers. The acquisition has been accounted for as a business combination. The consideration totaled \$9.6 million, which included \$2.0 million of cash to be held back for 18 months following the Byfron Acquisition Date. The aggregate purchase consideration comprised of the following (in thousands):

	Fair Value
Cash paid	\$ 7,603
Cash holdback	2,000
Total purchase price	\$ 9,603

In connection with the acquisition, the Company also entered into agreements with the Byfron founders, which provide them \$9.6 million over a three year service period following the Byfron Acquisition Date, subject to their continued service with the Company during that period. The agreements were determined to primarily benefit the Company and were recognized separate from the business combination. The expense associated with these agreements is being recognized ratably over the requisite service period of three years as a component of research and development expense.

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 Byfron Acquisition Date (in thousands):

	October 11, 2022
Cash and cash equivalents	\$ 380
Goodwill	3,882
Identified intangible assets	5,500
Other assets	169
Other current liabilities	\$ (328)
Total purchase price	\$ 9,603

The following table presents details of the identifiable assets acquired (in thousands, except estimated useful life):

	Carrying Amount	Estimated Useful Life (Years)
Developed technology	\$ 5,500	5
Total	\$ 5,500	

Goodwill is primarily attributable to the assembled workforce and anticipated synergies arising from the acquisition. The goodwill recorded in the acquisition is expected to be deductible for income tax purposes.

Hamul, Inc. Acquisition

On April 1, 2022 (the "Hamul Acquisition Date"), the Company acquired all outstanding equity interests of Hamul, Inc. ("Hamul") a privately-held company that provides a platform for connecting gaming communities. The acquisition has been accounted for as a business combination. The fair value of the consideration transferred was \$19.3 million, which consisted of \$9.2 million paid in cash and 385,093 shares of Class A common stock with a fair value of \$4.0 million. The aggregate purchase consideration was comprised of the following (in thousands):

	Fair Value
Cash paid	\$ 9,185
Common stock issued	4,009
Replacement awards attributable to pre-acquisition service	6,129
Total purchase price	\$ 19,323

In connection with the acquisition, the Company entered into a stock-based consideration revesting agreement with the Hamul founders. The portion of the fair value of the common stock associated with pre-acquisition service of the Hamul founders represented a component of the total purchase consideration, as presented above. The remaining fair value of \$7.6 million of these issued shares was excluded from the purchase price. These shares, which are subject to the recipients' continued service with the Company, are being recognized ratably as stock-based compensation expense as a component of research and development expense over the requisite service period of three years following the Hamul Acquisition Date.

The total purchase consideration was allocated to the tangible and intangible assets acquired, and liabilities assumed, based upon their respective fair values as of the date of the acquisition. Management determined the fair values based on a number of factors. The excess of the purchase price over the net assets acquired was recorded as goodwill. 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.

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

	April 1, 2022
Cash and cash equivalents	\$ 3,020
Goodwill	12,382
Identified intangible assets	4,500
Deferred tax liabilities	(579)
Total purchase price	<u>\$ 19,323</u>

The following table presents details of the identifiable assets acquired (in thousands, except estimated useful life):

	Carrying Amount	Estimated Useful Life (Years)
Developed technology	\$ 4,500	5
Total	<u>\$ 4,500</u>	

7. Goodwill and Intangible Assets

Goodwill

Goodwill is recorded when the purchase price of an acquisition exceeds the fair value of the net tangible and identified intangible assets acquired.

The following table represents the changes to goodwill during the three months ended March 31, 2023 (in thousands):

	Carrying Amount
Balance as of December 31, 2022	\$ 134,335
Additions from acquisitions	—
Balance as of March 31, 2023	<u>\$ 134,335</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, 2023 and December 31, 2022 (in thousands):

	As of March 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	\$ 72,559	\$ (27,860)	\$ 44,699
Assembled workforce	10,000	(4,875)	5,125
Trade name	500	(158)	342
Total intangible assets	<u>\$ 83,059</u>	<u>\$ (32,893)</u>	<u>\$ 50,166</u>

	As of December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	\$ 72,059	\$ (24,240)	\$ 47,819
Assembled workforce	10,000	(4,042)	5,958
Trade name	500	(133)	367
Total intangible assets	<u>\$ 82,559</u>	<u>\$ (28,415)</u>	<u>\$ 54,144</u>

The above tables do not include \$0.6 million of indefinite lived intangible assets as of March 31, 2023 and December 31, 2022.

Amortization expense related to our finite-lived intangible assets was \$4.5 million for the three months ended March 31, 2023 and \$3.8 million for the three months ended March 31, 2022.

Expected future amortization expenses related to the intangible assets as of March 31, 2023 were as follows (in thousands):

Year ending December 31:		
Remainder of 2023	\$	13,687
2024		16,780
2025		14,036
2026		4,613
2027		1,050
Thereafter		—
Total remaining amortization	\$	<u>50,166</u>

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, 2023	December 31, 2022
Prepaid expenses	\$ 48,054	\$ 45,173
Accrued interest receivable	8,751	6,026
Other current assets	19,502	10,442
Total prepaid expenses and other current assets	<u>\$ 76,307</u>	<u>\$ 61,641</u>

Property and equipment, net

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

	As of	
	March 31, 2023	December 31, 2022
Servers and related equipment and software	\$ 861,377	\$ 741,418
Computer hardware and software	34,931	23,647
Furniture and fixtures	476	446
Leasehold improvements	87,251	69,311
Construction in progress	12,727	24,306
Total property and equipment	996,762	859,128
Less accumulated depreciation and amortization	(308,421)	(266,782)
Property and equipment—net	<u>\$ 688,341</u>	<u>\$ 592,346</u>

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 \$42.9 million for the three months ended March 31, 2023 and was \$20.7 million and for the three months ended March 31, 2022.

Accrued expenses and other current liabilities

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

	As of	
	March 31, 2023	December 31, 2022
Accrued operating expenses	\$ 87,972	\$ 80,122
Short term operating lease liabilities	81,282	73,235
Accrued interest on the 2030 Notes	16,146	6,458
Taxes payable	47,479	49,361
Accrued compensation and other employee related liabilities	5,197	21,003
Other current liability	9,873	5,827
Total accrued expenses and other current liabilities	<u>\$ 247,949</u>	<u>\$ 236,006</u>

9. Debt

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, 2023, the Company was in compliance with all of its covenants under the Indenture.

The net carrying amount of the Company's long-term debt, net, which is comprised solely of the 2030 Notes, was as follows (in thousands):

	As of	
	March 31, 2023	December 31, 2022
Long-term debt, net		
Principal	\$ 1,000,000	\$ 1,000,000
Unamortized issuance costs	(10,692)	(11,016)
Net carrying amount	<u>\$ 989,308</u>	<u>\$ 988,984</u>

Interest expense recognized in the condensed consolidated statements of operations related to the 2030 Notes was as follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Contractual interest expense	\$ 9,688	\$ 9,688
Amortization of debt issuance costs	324	311
Total interest expense	<u>\$ 10,012</u>	<u>\$ 9,999</u>

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, 2023 and December 31, 2022, the estimated fair value of the 2030 Notes was approximately \$857.5 million and \$788.2 million, respectively, determined based on the trading price of the 2030 Notes on the last trading day of the reporting period in an inactive market, which represents a Level 2 input.

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, 2023 other than for lease commitments primarily related to office facilities and space for data center operations in the ordinary course of business. See Note 4, "Leases" for more information.

Purchase Obligations—Other purchase obligations primarily consist of contracts associated with data center and software vendors in the ordinary course of business. There has been no material change in the Company's purchase obligations during the three months ended March 31, 2023, other than non-cancelable purchase commitments primarily related to data center and software vendors in the ordinary course of business.

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, 2023 and December 31, 2022. There have been no material changes to the Company's letters of credit during the three months ended March 31, 2023.

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, 2023, the Company has accrued for immaterial losses related to those 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.

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 have not accrued any liabilities related to such obligations. The Company also currently has directors' and officers' insurance.

11. Stockholders' Equity

As of March 31, 2023, 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 three months ended March 31, 2023, 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 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, 2023	December 31, 2022
Stock options outstanding	49,148	51,591
Restricted Stock Units ("RSUs") outstanding	33,956	30,322
2022 Performance Stock Units ("PSUs")	415	415
CEO Long-Term Performance Award	11,500	11,500
2020 Equity Incentive Plan	83,814	59,945
2020 Employee Stock Purchase Plan	16,501	11,093
Stock warrants outstanding	264	264
Unregistered stock awards ("RSAs") outstanding	425	500
Total	196,023	165,630

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,	
	2023	2022
Infrastructure and trust & safety	\$ 18,532	\$ 11,356
Research and development	129,257	74,814
General and administrative	30,650	20,795
Sales and marketing	6,465	5,330
Total stock-based compensation expense	<u>\$ 184,904</u>	<u>\$ 112,295</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, 2022	51,591	\$ 2.85	6.00	\$ 1,321,183
Granted	—	—		
Cancelled, forfeited, and expired	(180)	\$ 4.69		
Exercised	(2,263)	\$ 2.61		
Balances as of March 31, 2023	<u>49,148</u>	<u>\$ 2.86</u>	<u>5.77</u>	<u>\$ 2,070,340</u>
Exercisable as of March 31, 2023	40,367	\$ 2.51	5.49	\$ 1,714,354
Vested and expected to vest at March 31, 2023	49,148	\$ 2.86	5.77	\$ 2,070,340

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, 2022	30,322	\$ 48.73	500	\$ 52.55
Granted	7,124	\$ 36.35	—	—
Vested and released	(2,911)	\$ 48.18	(75)	\$ 50.75
Cancelled	(579)	\$ 53.00	—	—
Unvested as of March 31, 2023	33,956	\$ 46.11	425	\$ 52.99

CEO Long-Term Performance Award

In February 2021, the Leadership Development and Compensation Committee granted the CEO Long-Term Performance Award under the 2017 Plan, which provides him the opportunity to earn a maximum number of 11,500,000 shares of Class A common stock. The CEO Long-Term Performance Award vests upon the satisfaction of a service condition and achievement of certain Class A common stock price targets (referred to as a "Company Stock Price Hurdle"), as described below.

The CEO Long-Term Performance Award is eligible to vest based on the Company's stock price performance over various performance periods, with the first performance period beginning two years after the Effective Date and ending on the seventh anniversary of the Effective Date. The CEO Long-Term Performance Award is divided into seven performance periods that are eligible to vest based on the achievement of various Company Stock Price Hurdles, measured based on an average of our stock price over a consecutive 90-day trading period applicable to the performance period as set forth below. In addition, Mr. Baszucki must remain employed as our CEO through the date a Company Stock Price Hurdle is achieved in order to earn the RSUs that relate to the applicable Company Stock Price Hurdle.

	Company Stock Price Hurdle	Number of RSUs Eligible to Vest	Performance Period Commencement Dates as Measured from the Effective Date
1	\$ 165.00	750,000	2 years
2	\$ 200.00	750,000	3 years
3	\$ 235.00	2,000,000	4 years
4	\$ 270.00	2,000,000	5 years
5	\$ 305.00	2,000,000	5 years
6	\$ 340.00	2,000,000	5 years
7	\$ 375.00	2,000,000	5 years

If the Company Stock Price Hurdle fails to reach \$165.00 prior to the seventh anniversary of the Effective Date, no portion of the CEO Long-Term Performance Award will vest. Further, any RSUs associated with a Company Stock Price Hurdle not achieved by the seventh anniversary of the Effective Date will terminate and be cancelled for no additional consideration to Mr. Baszucki. The Company Stock Price Hurdles and number of RSUs eligible to vest will be adjusted to reflect any stock splits, stock dividends, combinations, reorganizations, reclassifications, or similar events under the 2017 Plan. Each vested RSU under the CEO Long-Term Performance Award will be settled in a share of our Class A common stock on the next company quarterly settlement date occurring on or after the date on which the RSU vests, regardless of whether Mr. Baszucki remains the CEO as of such date. Company quarterly settlement dates for this purpose are February 20, May 20, August 20, and November 20.

The Company estimated the grant date fair value of the CEO Long-Term Performance Award using a model based on multiple stock price outcomes developed through the use of a Monte Carlo simulation that incorporates into the valuation the possibility that the Company Stock Price Hurdles may not be satisfied. A Monte Carlo simulation model requires 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. The weighted-average grant date fair value of the CEO Long-Term Performance Award was estimated to be \$20.19 per share, and the Company estimates that as of the grant date, it will recognize total stock-based compensation expense of approximately \$232.2 million over the derived service period of each of the seven separate tranches which is between 3.45 – 5.38 years, using the accelerated attribution method. If the Company 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. The stock-based compensation expense will be recognized over the requisite service period if Mr. Baszucki provides service as the Company's CEO, regardless of whether the Company Stock Price Hurdles are achieved.

The Company recorded \$12.0 million of stock-based compensation expense related to the CEO Long-Term Performance Award during the three months ended March 31, 2023 and March 31, 2022 within general and administrative expenses.

PSUs

During the quarter ended June 30, 2022, the Company's Board of Directors granted performance-based restricted stock unit awards (the "2022 PSU Grants"), to certain members of management. The target number of 2022 PSU Grants 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 Grant Stock Price Hurdles") and subject to continuous employment through such date.

The Company estimated the grant date fair value of the 2022 PSU Grants 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 Grant Stock Price Hurdles may not be satisfied. The grant date fair value of the 2022 PSU Grants was estimated to be \$43.13 per share, and the Company estimates that it will recognize total stock-based compensation expense of approximately \$8.9 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 Grant 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 Grant Stock Price Hurdles are achieved.

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

Employee Stock Purchase Plan

During the quarter ended March 31, 2023, the Company's stock price on the purchase date, February 27, 2023, was lower than the Company's stock price on the offering date. As a result, the offering in effect was reset with the lower stock price becoming the new offering price and rolled over to a new 24 month offering period. The reset was treated as a modification resulting in incremental expense totaling \$3.1 million, which is being recognized over the remaining requisite service period as of the date of reset.

During the quarter ended September 30, 2022, the Company's stock price on the purchase date, August 25, 2022, was lower than the Company's stock price on the offering date. As a result, the offering in effect was reset with the lower stock price becoming the new offering price and rolled over to a new 24 month offering period. The reset was treated as a modification resulting in incremental expense totaling \$5.1 million, which is being recognized over the remaining requisite service period as of the date of reset.

During the quarter ended March 31, 2022, the Company's stock price on the purchase date, February 25, 2022, was lower than the Company's stock price on the offering date of the first and second offering periods. As a result, the first and second offerings in effect were reset with the lower stock price becoming the new offering price and rolled over to a new 24 month offering period. The reset was treated as a modification resulting in incremental expense totaling \$4.7 million, which is being recognized over the remaining requisite service period as of the date of reset.

The Company recorded \$7.1 million and \$4.6 million of stock-based compensation expense related to the 2020 ESPP during the three months ended March 31, 2023 and March 31, 2022, respectively.

13. Joint Venture

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 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.

14. 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 income taxes for the three months ended March 31, 2023 and 2022 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.

On January 1, 2022, a provision of the Tax Cuts and Jobs Act of 2017 eliminated the option to deduct research and development expenditures and instead requires taxpayers to amortize such costs over five years. This change did not have a significant impact to the Company’s provision for income tax for the three months ended March 31, 2023 and 2022, as the Company has net operating loss carryforwards to offset the impact of the change and maintains a full valuation allowance against its deferred tax assets. Further, the Company does not anticipate this change to have a significant impact to the provision for income tax for the year ended December 31, 2023 and will continue to evaluate the impact on its business in future periods.

15. 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,	
	2023	2022
Basic and diluted net loss per share		
Numerator		
Consolidated net loss	\$ (269,948)	\$ (162,020)
Less: net loss attributable to noncontrolling interest	(1,635)	(1,818)
Net loss attributable to common stockholders	<u>\$ (268,313)</u>	<u>\$ (160,202)</u>
Denominator		
Weighted-average common shares used in computing net loss per share attributable to common stockholders, based and diluted	<u>606,637</u>	<u>588,521</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.44)</u>	<u>\$ (0.27)</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,	
	2023	2022
Stock options outstanding	49,148	58,685
RSUs outstanding	33,956	14,489
2020 ESPP	1,864	1,475
Stock warrants outstanding	264	294
RSAs outstanding	425	436
Total	85,657	75,379

The CEO Long-Term Performance Award and 2022 PSU Grants were excluded from the above table because the respective stock price 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, 2022 included in the Annual Report on Form 10-K, filed with the SEC on February 28, 2023. 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 play, learn, communicate, explore, and expand their friendships, all in 3D digital worlds that are entirely user-generated, built by our community of developers. We call this emerging category "human co-experience," which we consider to be the new form of social interaction. Our Platform is powered by user-generated content and draws inspiration from gaming, entertainment, social media, and even toys.

Our Roblox human co-experience platform 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 digital worlds. Roblox Studio is the free toolset that allows developers and creators to build, publish, and operate 3D experiences and other content accessed with the Roblox Client. Roblox Cloud includes the services and infrastructure that power our human co-experience Platform.

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

Our primary areas of investment have been, and we expect will continue to be, are 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

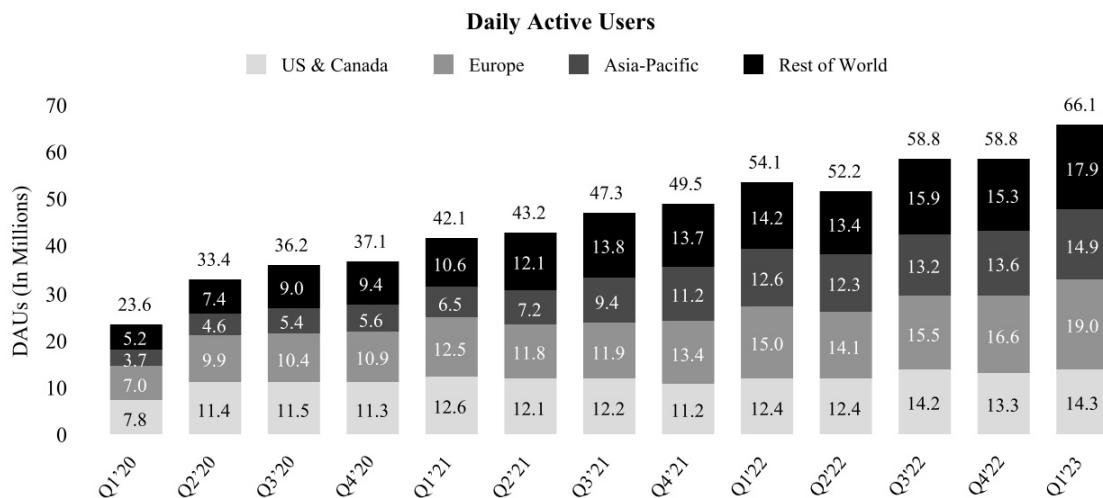
We believe our performance is dependent upon many factors, including the key metrics described below that we track and review to measure our performance, identify trends, formulate financial projections, and make strategic decisions.

Operating Metrics

We manage our business by tracking several operating metrics, including 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 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.

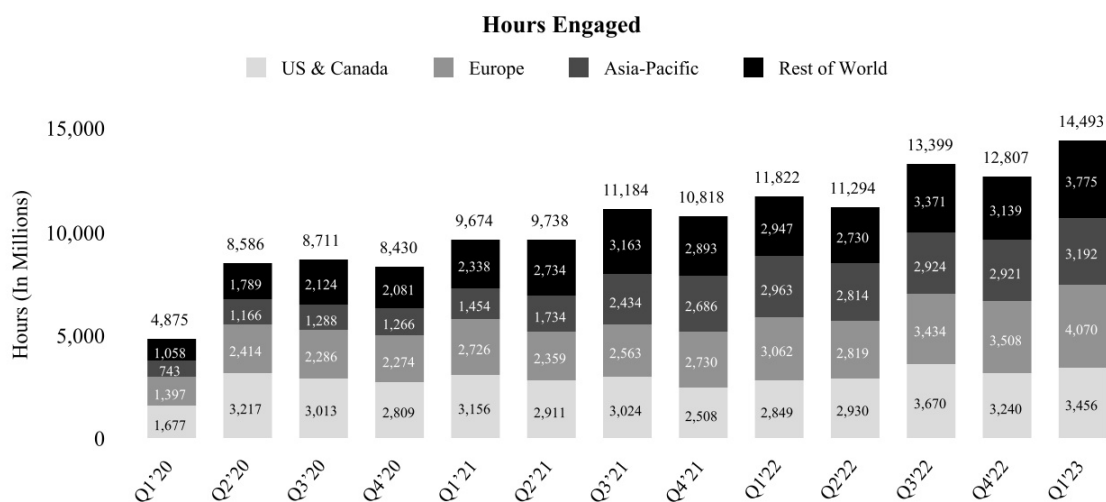
DAUs

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. DAUs are also broken out by geographic region to help us understand the global engagement on our Platform. We believe that the growth in DAUs reflects the increasing value of our Platform.



Hours engaged

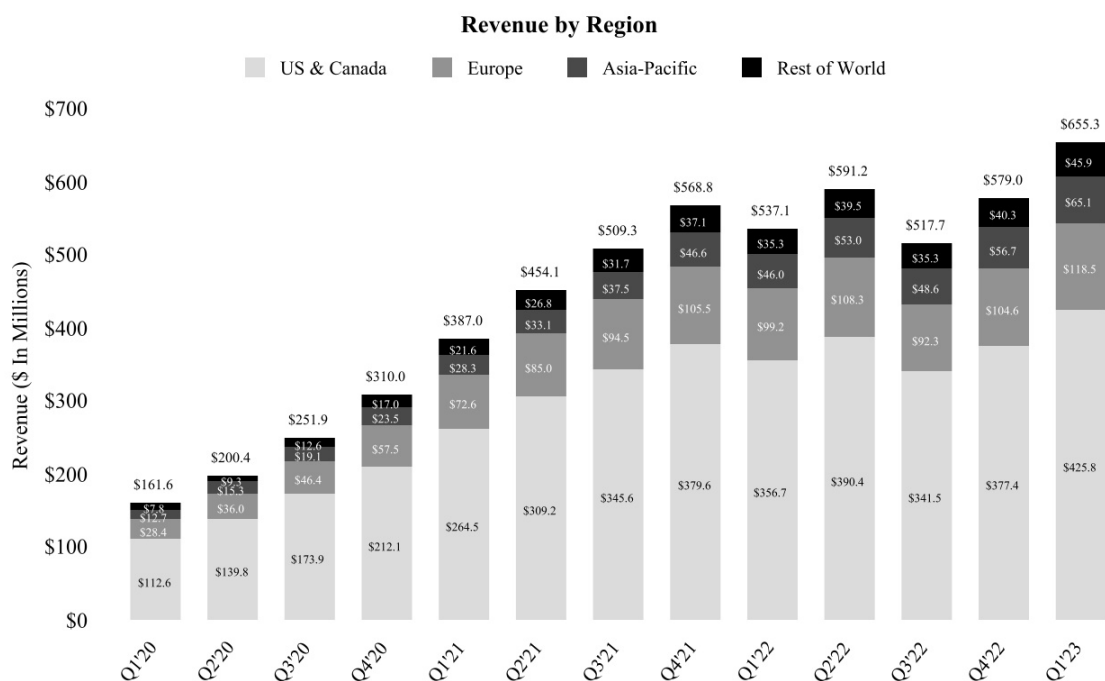
We define hours engaged as the time spent by our users on the Platform, which includes time spent in experiences and also within features such as chat and avatar personalization. We believe that the growth in hours engaged reflects the increasing value of our Platform.

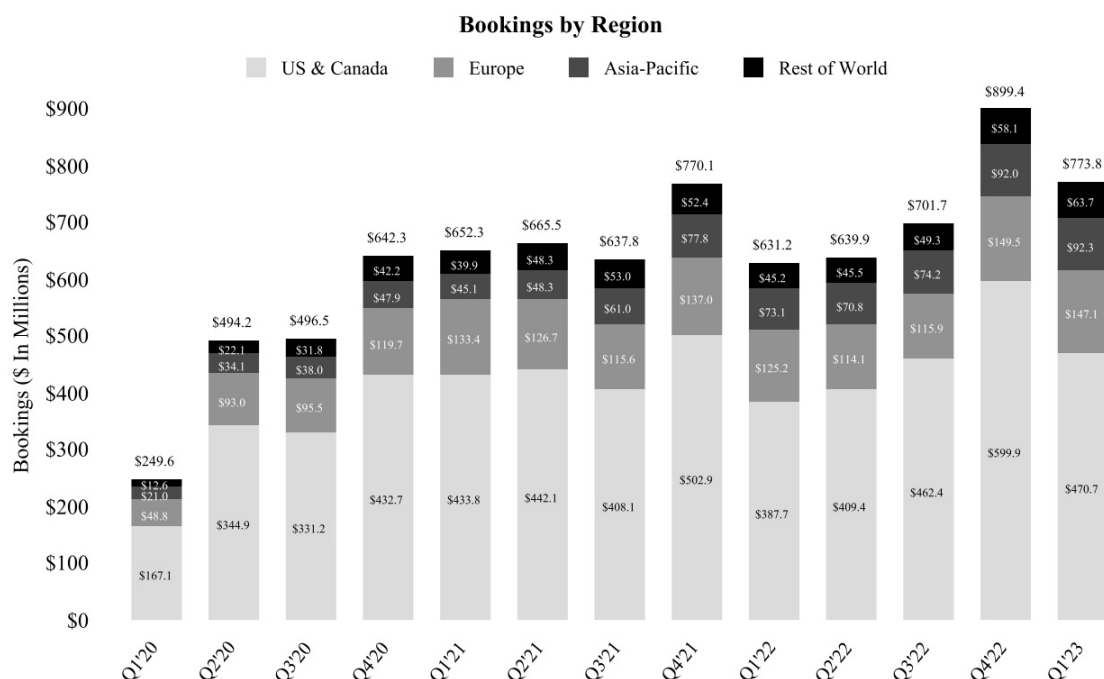


Bookings

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.

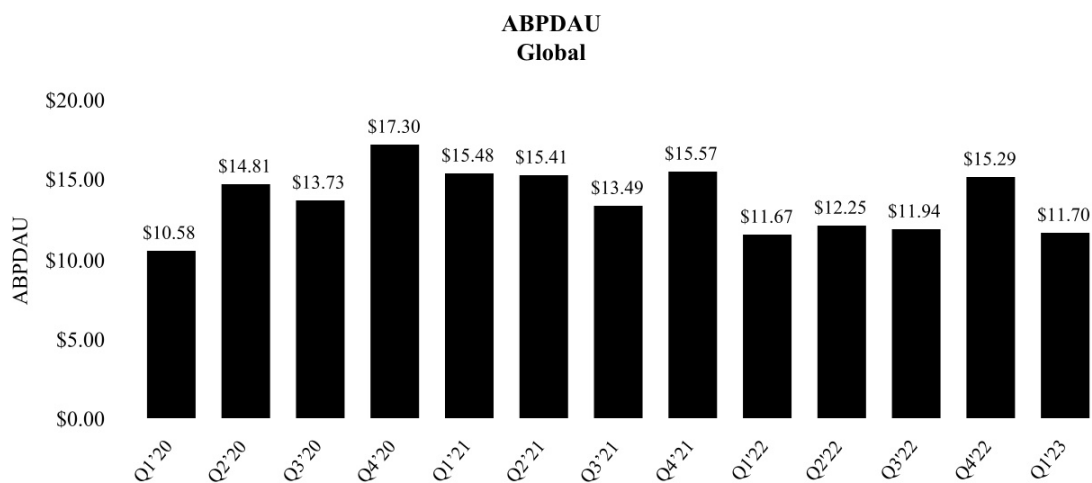




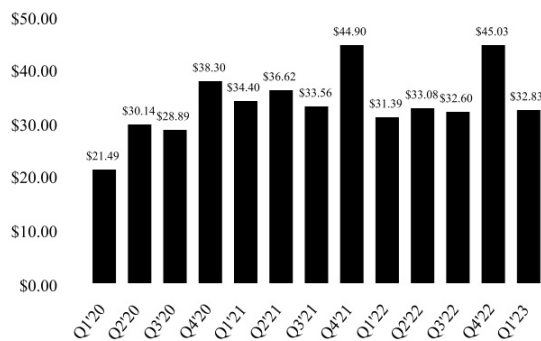
ABPDAU

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.

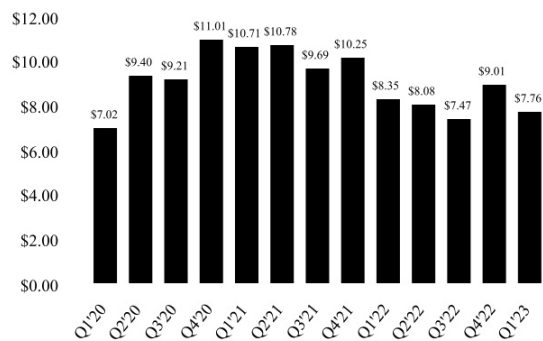
Refer to the section titled “Non-GAAP Financial Measures” for the definition of and discussion on bookings, including its limitations as a non-GAAP financial measure.



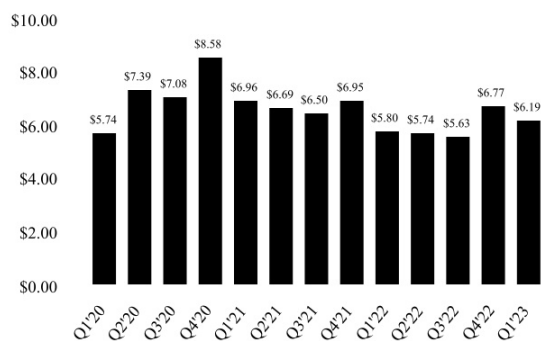
**ABPDAU
US & Canada**



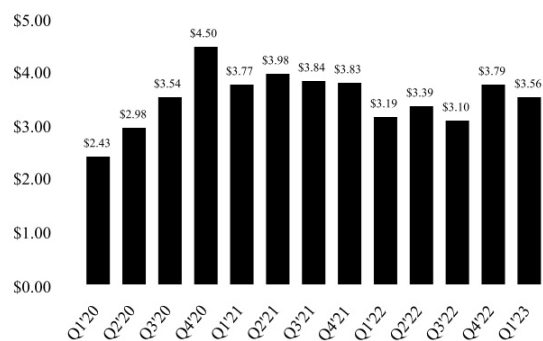
**ABPDAU
Europe**



**ABPDAU
Asia-Pacific**



**ABPDAU
Rest of World**



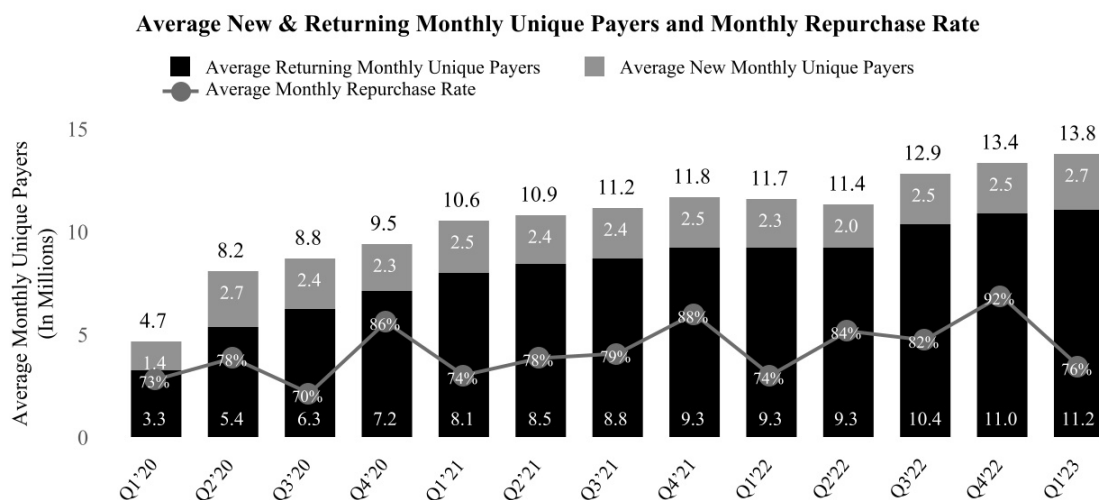
Average New and Returning Monthly Unique Payers and Monthly Repurchase Rate

We define new monthly unique payers as user accounts that made their first purchase 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 purchase 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.

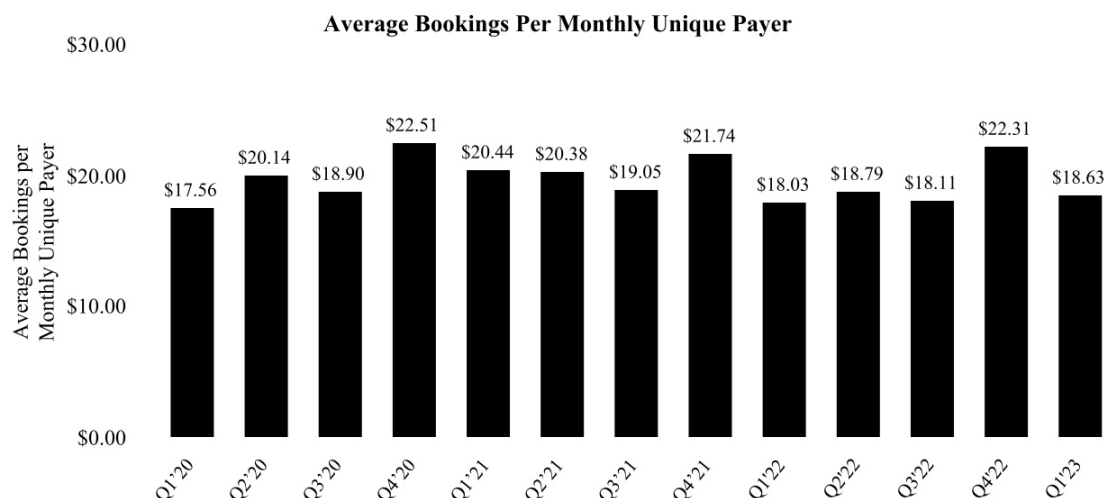
We define monthly repurchase rate as the returning monthly unique payers in the current month, divided by the sum of the prior month's new monthly unique payers and returning monthly unique payers. Average monthly repurchase rate for a specified period is the average of the monthly repurchase rates for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

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:

	Three Months Ended March 31,	
	2023	2022
	(dollars in thousands)	
Reconciliation of revenue to bookings:		
Revenue	\$ 655,344	\$ 537,134
Add (deduct):		
Change in deferred revenue	123,783	96,797
Other	(5,308)	(2,725)
Bookings	<u>\$ 773,819</u>	<u>\$ 631,206</u>

Free cash flow

We define free cash flow as net cash 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 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 from operating activities, the most directly comparable financial measure calculated in accordance with GAAP, to free cash flow, for each of the periods presented:

	Three Months Ended March 31,	
	2023	2022
	(dollars in thousands)	
Reconciliation of net cash from operating activities to free cash flow:		
Net cash provided by operating activities	\$ 173,781	\$ 156,436
Add (deduct):		
Acquisition of property and equipment	(91,359)	(51,790)
Purchases of intangible assets	(500)	—
Free cash flow	<u>\$ 81,922</u>	<u>\$ 104,646</u>

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

Change in Accounting Estimate

Quarterly, we complete an assessment of our estimated paying user life, 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. In the first quarter of 2022, we updated our estimated paying user life to from 23 months to 25 months (which was subsequently updated again 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, the change in estimate in the first quarter of 2022 discussed above resulted in a decrease in revenue of \$82.5 million and a decrease in cost of revenue of \$19.6 million during the three months ended March 31, 2022. The estimated paying user life for the quarter ended March 31, 2023 was 28 months.

Refer to the heading “Critical Accounting Policies and Estimates — Revenue Recognition” below for a complete discussion on the Company’s revenue recognition policies.

Components of Results of Operations

Revenue

We generate substantially all of our revenue through the sale of virtual items on the Roblox Platform where users can purchase and spend Robux to obtain virtual items to enhance their social experience. 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 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.

Refer to the heading “Critical Accounting Policies and Estimates — Revenue Recognition” below for a complete discussion on the Company’s revenue recognition policies.

Other revenue streams include an insignificant amount of revenue from advertising and licensing arrangements. 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 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 salaries, benefits, travel-related expenses, and stock-based compensation expense of our full-time employees 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, 2023, and 2022, personnel costs were \$373.0 million and \$239.0 million, respectively.

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.

We intend to use nearly all of any efficiencies earned in this area over time to increase earnings for our developers and creators. Additionally, cost of revenue as a percentage of revenue is affected by shifts in user purchasing preferences and trends. Specifically, we have observed 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 and Google Play Store.

Developer exchange fees

Developer exchange fees expense represents 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 through the sale of access to their experiences and enhancements in their experiences, the sale of content and tools between developers through the Studio Marketplace, and the sale of items to users through the Avatar 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.

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 incentivize our developer and creator community, and promote the long term growth and the health of such community. As of March 31, 2023, over 12,500 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 as much as possible through cost 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, 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, 2023 and 2022 was \$41.0 million and \$19.6 million, respectively. Infrastructure and trust & safety expenses also include personnel costs for and allocated overhead expenses related to employees whose primary responsibilities relate to supporting 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 increase the dollar amount of our investment in infrastructure for the foreseeable future as we continue to build out our global infrastructure. We intend to achieve scalability and operating leverage by building and maintaining our own technical infrastructure.

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. 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.

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 generally 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 plan to increase general and administrative expenses for the foreseeable future to support the growth of the business.

Sales and marketing

Sales and marketing expenses consist primarily of user acquisition expenses and personnel costs and allocated overhead for our marketing, business development, and developer relations functions. 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 driven by increased headcount to support our developer relations and brand partnership teams.

Interest income

Interest income consists primarily of interest earned on 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.

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,			
	2023		2022	
Revenue	\$ 655,344	100 %	\$ 537,134	100 %
Cost and expenses:				
Cost of revenue ⁽¹⁾	151,841	23	135,632	25
Developer exchange fees	182,440	28	147,122	27
Infrastructure and trust & safety ⁽²⁾	211,044	32	141,355	26
Research and development ⁽²⁾	275,537	42	177,762	33
General and administrative ⁽²⁾	97,574	15	57,772	11
Sales and marketing ⁽²⁾	26,755	4	29,102	5
Total cost and expenses	945,191	144	688,745	127
Loss from operations	(289,847)	(44)	(151,611)	(28)
Interest income	31,082	5	245	—
Interest expense	(10,012)	(2)	(9,999)	(2)
Other income/(expense), net	(440)	—	(379)	—
Loss before income taxes	(269,217)	(41)	(161,744)	(30)
Provision for/(benefit from) income taxes	731	—	276	—
Consolidated net loss	(269,948)	(41)	(162,020)	(30)
Net loss attributable to noncontrolling interests ⁽³⁾	(1,635)	—	(1,818)	—
Net loss attributable to common stockholders	\$ (268,313)	(41)%	\$ (160,202)	(30)%
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.44)		\$ (0.27)	
Weighted-average shares used in computing net loss per share attributable to common stockholders—basic and diluted	606,637		588,521	

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

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

	Three Months Ended March 31,	
	2023	2022
	(dollars in thousands)	
Infrastructure and trust & safety	\$ 18,532	\$ 11,356
Research and development	129,257	74,814
General and administrative	30,650	20,795
Sales and marketing	6,465	5,330
Total stock-based compensation expense	\$ 184,904	\$ 112,295

(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, 2023 and 2022

Revenue

	Three Months Ended March 31,		2023 to 2022
	2023	2022	% Change
	(dollars in thousands)		
Revenue	\$ 655,344	\$ 537,134	22 %

Revenue increased \$118.2 million, or 22%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. 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 685,000 during the three months ended March 31, 2022 to approximately 812,000 during the three months ended March 31, 2023. The average number of daily unique paying users represents the number of user accounts that made a purchase on the Platform, including via redemption of prepaid cards for Robux, on an average daily basis during the respective period. The overall increase in revenue was offset by changes in our estimated paying user life, which increased from 23 months as of December 31, 2021 to 25 months as of March 31, 2022 and to 28 months during the third quarter of 2022 (and remained at 28 months for the three months ended March 31, 2023).

Refer to the heading “Changes in Accounting Estimate” earlier in this section above for more information on the change in paying user life estimates in fiscal year 2022.

Cost of revenue

	Three Months Ended March 31,		2023 to 2022
	2023	2022	% Change
	(dollars in thousands)		
Cost of revenue	\$ 151,841	\$ 135,632	12 %

Cost of revenue increased \$16.2 million, or 12%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The increase is primarily due to a net increase of \$19.4 million in payment processing fees related expense, primarily driven by a higher amortization of prior period deferred cost of revenue and an increase in current period payment processing fee expense from the related growth in bookings. The overall increase in payment processing fees related expense was offset by changes in our estimated paying user life, as the payment processing fees are amortized over the estimated paying user life, as well as a shift of our sales toward distribution channels with lower processing fees.

Refer to the heading “Changes in Accounting Estimate” earlier in this section above for more information on the change in paying user life estimates in fiscal year 2022.

Developer exchange fees

	Three Months Ended March 31,		2023 to 2022
	2023	2022	% Change
	(dollars in thousands)		
Developer exchange fees	\$ 182,440	\$ 147,122	24 %

Developer exchange fees increased \$35.3 million, or 24%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. 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.

Infrastructure and trust & safety

	Three Months Ended March 31,		2023 to 2022
	2023	2022	% Change
	(dollars in thousands)		
Infrastructure and trust & safety	\$ 211,044	\$ 141,355	49 %

Infrastructure and trust & safety expenses increased \$69.7 million, or 49%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The increase is primarily due to an increase of \$43.9 million related to data center and technical infrastructure expenses (including depreciation and amortization) associated with providing the Platform to our users. The increase was further driven by an increase of \$16.4 million in personnel costs, which includes an increase of \$7.2 million in stock-based compensation expense, primarily due to an increase in headcount to support our infrastructure growth. Finally, the increase was supplemented by an increase of \$8.0 million in moderation and customer support related costs.

Research and development

	Three Months Ended March 31,		2023 to 2022
	2023	2022	% Change
	(dollars in thousands)		
Research and development	\$ 275,537	\$ 177,762	55 %

Research and development expenses increased \$97.8 million, or 55%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The increase is primarily due to an increase of \$90.7 million in personnel costs, which includes an increase of \$54.4 million in stock-based compensation expense, primarily due to continued growth in headcount supporting our engineering, design, and product teams.

General and administrative

	Three Months Ended March 31,		2023 to 2022
	2023	2022	% Change
	(dollars in thousands)		
General and administrative	\$ 97,574	\$ 57,772	69 %

General and administrative expenses increased \$39.8 million, or 69%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The increase is primarily due to an increase of \$23.7 million in personnel costs, which includes an increase of \$9.9 million in stock-based compensation expense, primarily due to increased headcount. The increase was further driven 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. For more information regarding the sub-lease transaction, refer to Note 4, “Leases” to the notes to condensed consolidated financial statements. Finally, the increase was supplemented by an increase of \$2.0 million in professional services.

Sales and marketing

	Three Months Ended March 31,		2023 to 2022
	2023	2022	% Change
	(dollars in thousands)		
Sales and marketing	\$ 26,755	\$ 29,102	(8)%

Sales and marketing expenses decreased \$2.3 million, or 8%, for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The decrease is primarily due to a decrease of \$5.0 million in marketing and promotional expenses, primarily due to lower advertising spend. The overall decrease was offset by an increase of \$3.2 million in personnel costs, which includes an increase in stock-based compensation expense of \$1.1 million, primarily due to increased headcount.

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

	Three Months Ended March 31,		2023 to 2022
	2023	2022	% Change
	(dollars in thousands)		
Interest income	\$ 31,082	\$ 245	NM
Interest expense	\$ (10,012)	\$ (9,999)	0 %
Other income/(expense), net	\$ (440)	\$ (379)	16 %
Provision for/(benefit from) income taxes	\$ 731	\$ 276	165 %

Interest income increased by \$30.8 million for the three months ended March 31, 2023 compared to the three months ended March 31, 2022, primarily due to a higher average amount invested in short-term and long-term investments, coupled with rising interest rates.

Interest expense, other income/(expense), net, and provision for/(benefit from) income taxes, net were all relatively flat (in terms of amount or percentage change) for the three months ended March 31, 2023 compared to the three months ended March 31, 2022.

Liquidity and Capital Resources

As of March 31, 2023 and December 31, 2022, our principal sources of liquidity were cash and cash equivalents and short-term and long-term investments of \$3.1 billion and \$3.0 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 and management 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:

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Calculation of Covenant Adjusted EBITDA:		
Consolidated net loss	\$ (269,948)	\$ (162,020)
Add (deduct):		
Interest income	(31,082)	(245)
Interest expense	10,012	9,999
Other (income)/expense, net	440	379
Provision for/(benefit from) income taxes	731	276
Depreciation and amortization	47,412	24,497
Stock-based compensation expense	184,904	112,295
Other non-cash charges ⁽¹⁾	6,988	—
Change in deferred revenue	123,783	96,797
Change in deferred cost of revenue	(20,137)	(14,049)
Covenant Adjusted EBITDA	\$ 53,103	\$ 67,929

(1) For the three months ended March 31, 2023, includes impairment expense related to certain operating lease right-of-use assets and related property and equipment.

As of March 31, 2023, contractual obligations related to the 2030 Notes are remaining payments of \$38.8 million in 2023 and \$38.8 million each year from 2024 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. 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 cash 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 obligation. 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 expect to continue to incur operating losses for the foreseeable future due to the investments that we intend to make in our business, including, but not limited, capital expenditures related to our technology infrastructure.

We believe our existing cash and cash equivalents and short-term investments, together with cash provided by 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,	
	2023	2022
	(in thousands)	
Consolidated Statements of Cash Flow Data:		
Net cash and cash equivalents provided by operating activities	\$ 173,781	\$ 156,436
Net cash and cash equivalents used in investing activities	\$ (2,347,780)	\$ (51,790)
Net cash and cash equivalents provided by financing activities	\$ 24,722	\$ 24,024

Operating activities

Our largest source of operating cash is cash collection from sales of Robux and monthly subscriptions. Our primary uses of cash 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, 2023, cash and cash equivalents provided by operating activities was \$173.8 million, which consisted of consolidated net loss of \$269.9 million, adjusted by non-cash charges of \$250.0 million and net cash inflows from the change in net operating assets and liabilities of \$193.7 million. The non-cash charges were primarily comprised of stock-based compensation expense of \$184.9 million and depreciation and amortization expense of \$47.4 million. The net cash and cash equivalent inflow from the change in our net operating assets and liabilities was primarily due to a \$123.8 million increase in deferred revenue, primarily due to bookings generated in the current period. The increase was further supplemented by a \$113.2 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 overall increase was offset by a \$20.1 million increase in deferred cost of revenue, primarily due to payment processing fees generated in the current period, and a \$17.0 million decrease in accrued expenses and other current liabilities, primarily driven by the February 2023 ESPP purchase.

Investing activities

During the three months ended March 31, 2023, cash and cash equivalents used in investing activities was \$2,347.8 million, primarily consisting of \$2,255.9 million of investment purchases — net of sales, and capital expenditures of \$91.4 million.

Financing activities

During the three months ended March 31, 2023, cash and cash equivalents provided by financing activities was \$24.7 million, primarily consisting of proceeds of \$25.5 million from the exercise of stock options and purchase of shares under our employee stock purchase plan.

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, which are not reflected in the Company's condensed consolidated balance sheets as of March 31, 2023 and December 31, 2022. There have been no material changes to the Company's letters of credit since December 31, 2022. 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

Our principal contractual commitments consist of obligations under operating leases for office facilities and data center operations. There have been no material changes to our operating lease commitments since December 31, 2022 other than for lease commitments primarily related to office facilities and space for data center operations in the ordinary course of business. See our Annual Report on Form 10-K for the year ended December 31, 2022, which was filed with the SEC on February 28, 2023 for additional information regarding our operating lease commitments.

Other contractual commitments primarily consist of non-cancelable obligations with our data center hosting providers and software vendors and there have been no material changes since December 31, 2022, other than for non-cancelable obligations primarily related to data center hosting providers and software vendors in the ordinary course of business. See our Annual Report on Form 10-K for the year ended December 31, 2022, which was filed with the SEC on February 28, 2023 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.

Refer below for our revenue recognition accounting policy. For our stock-based compensation expense accounting policy, refer to “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, 2022, which was filed with the SEC on February 28, 2023.

Revenue Recognition

In accordance with ASC 606, *Revenue from Contracts with Customers*, revenue is recognized when control of the service is transferred to the customer. The amount of revenue recognized reflects the consideration that the Company expects to be entitled to in exchange for these services. To achieve the core principle of this standard, the Company determines revenue recognition by:

- identifying the contract, or contracts, with the customer;
- identifying the performance obligations in the contract;
- determining the transaction price;
- allocating the transaction price to performance obligations in the contract; and
- recognizing revenue when, or as, the Company satisfies performance obligations by transferring the promised services.

The Company derives substantially all of its revenue from the sale of virtual items on the Roblox Platform.

Roblox Platform

The Company operates the Roblox Platform as live services that allow users to play and socialize with others for free. Within the experience, however, users can purchase virtual currency (“Robux”) to obtain virtual items to enhance their social experience. Proceeds from the sale of Robux are initially recorded in deferred revenue and recognized as revenue as a user purchases and uses virtual items. The Company’s identified performance obligation is to provide users with the ability to acquire, use, and hold virtual items on the Roblox Platform over the estimated period of time the virtual items are available to the user or until the virtual items are consumed.

Users can purchase Robux as one-time purchases or through monthly subscriptions via payment processors or through prepaid cards. Payments from users are non-refundable and relate to non-cancellable contracts for a fixed price that specify Company’s obligations. Revenue is recorded net of taxes assessed by government authorities that are both imposed on and concurrent with specific revenue transactions between the Company and its users, and estimated chargebacks and refunds.

The satisfaction of Company’s performance obligation is dependent on the nature of the virtual item purchased and as a result, the Company categorizes its virtual items as either consumable or durable.

- Consumable virtual items represent items that can be consumed by a specific user action. Common characteristics of consumable virtual items may include items that are no longer displayed on the user’s inventory after a short period of time or do not provide the user any continuing benefit following consumption. For the sale of consumable virtual items, the Company recognizes revenue as the items are consumed.
- Durable virtual items represent items which result in a persistent change to a users’ character or item set (e.g., virtual hat, pet, or house). These items are generally available to the customer to hold, use, or display for as long as they are on the Roblox Platform. The Company recognizes revenue from the sale of durable virtual items ratably over the estimated period of time the items are available to the user which is estimated as the average lifetime of a paying user.

To separately account for consumable and durable virtual items, the Company specifically identifies each purchase for the majority of virtual items purchased on the Roblox Platform. For the remaining population, the Company estimates the amount of consumable and durable virtual items purchased based on data from specifically identified purchases and the expected behavior of the users within similar experiences. The estimation of consumable and durable virtual items purchased for the population of purchases not specifically identified requires management's judgment as the Company evaluates and estimates the expected behavior of users in the population using information from known purchases in similar experiences.

The average lifetime of a paying user estimate is calculated based on historical monthly retention data for each user cohort to project future participation on the Roblox Platform. Determining the estimated average lifetime of a paying user requires management's judgment as the Company analyzes the most recent trends in player cohort activity and other qualitative factors, including paying user behavior (e.g. impacts due to macroeconomic factors such as COVID-19), existing and new competition from a variety of entertainment resources for our users, the availability of the Roblox Platform across markets and user demographics, and other factors. The Company also considers results from prior analyses in determining the estimated average lifetime of a paying user. The Company believes this estimate is the best representation of the average life of the durable virtual items. The estimated paying user life was 28 months, 23 months, and 23 months as of December 31, 2022, 2021, and 2020, respectively. The increase in the estimated average lifetime of a paying user from 23 months as of December 31, 2021 to 28 months as of December 31, 2022 was in part attributable to the change in our paying users' behavior as a result of the shelter-in-place and similar restrictions due to the COVID-19 pandemic, as these restrictions led to increased developer, creator, and user engagement and user experiences on the Roblox Platform relative to historical trends. Further we believe the improved content created by our developers and creators, the multitude and variety of experiences available to our users, and the way our users interacted with their peers and social network on the Roblox Platform in recent years resulted in an increase in the retention period of our paying users. Refer to the heading "Change in Accounting Estimate" for discussion on the quantitative amount of the change in accounting estimates for the respective periods impacted.

The Company offers prepaid cards through online and physical retailers, as well as on the Company website. The Company estimates expected breakage by taking into consideration historical patterns of redemption and escheatment laws as applicable.

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, 2023, our short-term and long-term investments consist of corporate debt securities, commercial paper, U.S. Treasury securities, U.S. agency securities, foreign government securities, and certificates of deposits, totaling \$2.3 billion. Our short-term and long-term investments 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 investments of approximately \$22.2 million as of March 31, 2023. 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, 2023, 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, 2022, which was filed with the SEC on February 28, 2023.

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, 2023. 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, 2023, 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, 2023, 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.
- 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.
- Our financial condition and results of operations will fluctuate from quarter to quarter, which makes them difficult to predict and they may not fully reflect the underlying performance of our business.
- Our business is affected by seasonal demands, and our quarterly operations results fluctuate as a result.
- 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, data security, 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, data security and data protection, consumer protection, communication, 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.
- Our ability 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.
- If the security of our Platform is compromised, it could compromise our and our developers’, creators’, and users’ proprietary information, disrupt our internal operations and harm public perception of our Platform, which could cause our business and reputation to suffer.
- The global COVID-19 pandemic has significantly affected our business and operations.
- 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.
- 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 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.
- We may not be able to generate sufficient cash to service our debt and other obligations, including our obligations under our 3.875% Senior Notes due 2030 (the “2030 Notes”).
- Our indebtedness could have important consequences to us.

Risks Related to Our Business Generally

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 near future. We incurred net losses attributable to common stockholders of \$924.4 million, \$491.7 million and \$253.3 million for the years ended December 31, 2022, 2021 and 2020, respectively. As of March 31, 2023, we had an accumulated deficit of \$2,176.6 million. We also expect our operating expenses to increase significantly in future periods, and if our DAU 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 also expect to continue to incur significant additional legal, accounting, and other expenses as a recently public company. 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.

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 due in part to the COVID-19 pandemic. These activity levels have not been sustained, and our growth rates have moderated in most markets. For example, our bookings increased 171% from the year ended December 31, 2019 to the year ended December 31, 2020, while our bookings increased 5% from the year ended December 31, 2021 to the year ended December 31, 2022. Our revenue and bookings 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 COVID-19 impacted periods. Our historical revenue, bookings and user base growth should not be considered indicative of our future performance. We believe our overall acceptance, revenue growth and increases in bookings depend on a number of factors, including, but not limited to, our ability to:

- enhance the tools we make available to developers for use in developing content;
- expand the number of developers, creators, and users on our Platform;
- expand the number of paying users on our Platform;
- expand the types of experiences that our developers can build for users;
- continue to provide, and be viewed as being able to provide, a safe and civil environment for all users;
- maintain the security and reliability of our Platform;
- provide access to our Platform for users in areas where access to the internet is challenged;
- comply with country and region-specific regulatory environments with respect to privacy, data security, data protection, intellectual property, child protection, advertising and other requirements;
- attract highly qualified talent, and train, motivate and manage our highly-qualified personnel;
- manage growth of our business, headcount and operations effectively;
- provide excellent customer experience and customer support for our developers, creators, and users;
- successfully establish an advertising model on the Platform;
- successfully compete against established companies and new market entrants offering a multitude of interactive entertainment offerings; and
- increase global awareness of our brand.

If we are unable to accomplish these tasks, amongst others, our Platform will not be attractive to developers, creators, and users and they may no longer seek new experiences in our Platform, which would result in fewer bookings and lower revenue and could harm our operations.

Our financial condition and results of operations will fluctuate from quarter to quarter, which makes them difficult to predict and they may not fully reflect the underlying performance of our business.

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. 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. Our financial condition and results of operations in any given quarter can be influenced by numerous factors, many of which we are unable to predict or are outside of our control, including, but not limited to:

- our ability to maintain and grow our user base and user engagement;
- our ability to retain and grow our developer base and encourage them to continue developing experiences and marketplace items on our Platform;
- the ability of newer experiences and marketplace items to monetize as effectively as more established experiences and avatar items;
- the level of demand for our Platform;
- the development and introduction of new or redesigned features on our Platform or our competitors' platforms and other offerings;
- seasonal fluctuations in user engagement on our Platform;
- our pricing model;
- increases in marketing, sales, and other operating expenses that we may incur to grow and expand our operations and to remain competitive;
- our ability to continue to successfully expand internationally and penetrate key demographics;
- our continued ability to monetize our users in certain geographic markets;
- our ability to introduce new revenue streams such as advertising;
- our ability to maintain operating margins, cash used in operating activities, and free cash flow;
- system failures or actual or perceived breaches of data security or privacy, and the costs associated with such failures, breaches and remediations;
- inaccessibility of our Platform, or certain features within our Platform;
- increase in personnel expenses (including with respect to stock-based compensation expense, such as the CEO Long-Term Performance Award described herein);
- our ability to effectively incentivize our workforce and developers;
- adverse litigation judgments, settlements, or other litigation and dispute-related costs;
- adverse media coverage or unfavorable publicity;
- changes in the legislative or regulatory environment, including with respect to privacy, data security and data protection, consumer protection, advertising and user-uploaded content, or enforcement by government regulators, including fines, orders, or consent decrees;
- fluctuations in currency exchange rates and changes in the proportion of our revenue, bookings and expenses denominated in foreign currencies;
- fluctuations in the market values of our portfolio investments and interest rates or impairments of any assets on our balance sheet;
- the effectiveness of our internal control over financial reporting;
- changes in our effective tax rate;
- changes in accounting standards, policies, guidance, interpretations, or principles; and
- changes in domestic and global business or macroeconomic conditions, such as high levels of inflation or the war in Ukraine.

Our business is affected by seasonal demands, and our quarterly operations results fluctuate as a result.

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. We may also experience fluctuations due to factors that may be outside of our control that affect user or developer and creator engagement with our Platform. Additionally, from time to time, the U.S. and other key geographic markets have been impacted by economic and geopolitical instability, such as high levels of inflation, persistent unemployment, wage and income stagnation, rising interest rates, economic and trade sanctions, the Russian invasion of Ukraine, fluctuations in currency exchange rates and overall economic uncertainty, which could affect the buying power of our users, developers and creators, and lead to a reduced demand for our Platform and impact our results of operations in ways that are hard to predict. Moreover, we seek 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. These episodic experiences may also contribute to fluctuations in our quarterly results of operations. As our business matures, other seasonal trends may develop or these existing seasonal trends may become more extreme.

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, data security, 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.

For the three months ended March 31, 2023, 30% of our revenue was attributable to Robux sales through the Apple App Store and 18% 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. Further, 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 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 we were to violate, or an operating system provider or application store believes that we have violated, its terms of service or policies, that operating system provider or application store could limit or discontinue our access to its operating system or store. In some cases these requirements may not be clear or our interpretation of the requirements may not align with the interpretation of the operating system provider or application store, which could lead to inconsistent enforcement of these terms of service or policies against us, and could also result in the operating system provider or application store limiting or discontinuing access to its operating system or store. Any limitation on or discontinuation of our access to any third-party platform or application store could adversely affect our business, financial condition or results of operations.

We may not successfully cultivate relationships with key industry participants or develop products that operate effectively with these technologies, systems, networks, regulations, or standards. If it becomes more difficult for our users to access and engage with our Platform on their mobile devices, if our users choose not to access or use our Platform application on their mobile devices, or if our users choose to use mobile products that do not offer access to our Platform, our business and user retention, growth, and engagement could be significantly harmed.

The owners and operators of these mobile application platforms, primarily Apple and Google, each have approval authority over our Platform's deployment on their systems and offer consumers products that compete with ours. Additionally, mobile devices are manufactured by a wide array of companies. Those companies have no obligation to test the interoperability of new mobile devices with our Platform application and may produce new products that are incompatible with or not optimal for our Platform. We have no control over these operating systems, application stores, or hardware, and any changes to these systems or hardware that degrade our Platform's functionality, or give preferential treatment to competitive products, could significantly harm our Platform usage on mobile devices. 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. Our competitors that control the operating systems and related hardware our application runs on could make interoperability of our Platform with those mobile operating systems more difficult or display their competitive offerings more prominently than ours. Additionally, our competitors that control the standards for the application stores for their operating systems could make our Platform application, or certain features of our Platform, inaccessible for a potentially significant period of time. We plan to continue to introduce new technologies on our Platform regularly and have experienced that it takes time to optimize such technologies to function with these operating systems, hardware, and standards, impacting the popularity of our new technologies and features, and we expect this trend to continue.

Moreover, our Platform requires high-bandwidth data capabilities. If the costs of data usage increase or access to cellular networks is limited, our user retention, growth, and engagement may be significantly harmed. Additionally, to deliver high-quality video and other content over mobile cellular networks, our Platform must work well with a range of mobile technologies, systems, networks, regulations, and standards that we do not control. In particular, any future changes to the iOS or Android operating systems or application stores may impact the accessibility, speed, functionality, and other performance aspects of our Platform, and result in issues in the future from time to time. In addition, the proposal or adoption of any laws, regulations, or initiatives that adversely affect the growth, popularity, or use of the internet, including laws governing internet neutrality, could decrease the demand for our Platform and increase our cost of doing business.

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 be increased. 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, add fees associated with access to and use of its operating system, alter how its customers are able to advertise on their operating system, change or limit how the personal or other information of its users is made available to application developers on their operating system, limit the use of personal information for advertising purposes or restrict how end-users can share information on their operating system or across other platforms.

Restrictions on our ability to collect, process, and use data as desired could negatively impact our ability to leverage data about the experiences our developers create. This in turn could impact our resource planning and feature development planning for our Platform. Similarly, at any time, these 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. Actions by operating system providers or application stores such as the Apple App Store and the Google Play Store may affect the manner in which we collect, process and use data from end-user devices. Accordingly, future changes implemented by Apple or Google could adversely impact our revenue. In addition, these operating systems and application stores could change their business models and could, for example, increase application store fees, which could have an adverse impact on our business. There have been litigation and governmental inquiries over the application store fees, and Apple or Google could modify their platform in response to litigation and inquiries in a manner that may harm us.

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.

The majority of the virtual items available on the Roblox 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 paying user life, 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. We calculate the average historical monthly retention data by determining the weighted-average of monthly paying users that have spent on the Roblox Platform. In 2021, our estimated paying user life was 23 months. In the first quarter of 2022, we updated our estimated paying user life from 23 months to 25 months, which was subsequently updated again 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. 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.

If our business becomes constrained by changing legal and regulatory requirements, including with respect to privacy, data security and data protection, consumer protection, 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.

Our future success will depend in part on market acceptance and widespread adoption across demographics and geographies of our Platform over other interactive entertainment offerings. Uncertainty over or changes in laws and regulations with respect to gaming and other interactive entertainment offerings could adversely affect our ability to operate or our developer's ability to monetize their experiences in some geographies. In addition, the widespread availability of content generated by our developers and creators on our Platform is a newer development and the regulatory framework for broad dissemination of this content is new and evolving. Many states and foreign governments have enacted legislation designed to protect children and we expect additional legislation to be enacted. For example, the United Kingdom's Age Appropriate Design Code ("AADC"), is one such regulatory framework that has been adopted in the United Kingdom that focuses on online safety and protection of children's privacy online, and similar frameworks are being considered for adoption in other jurisdictions. California has also enacted the California Age-Appropriate Design Code Act, or ADCA, which will take effect on July 1, 2024. The ADCA implements into law certain principles taken from the AADC, among other things, and imposes substantial new obligations upon companies that offer online services, products, or features "likely to be accessed" by children, defined under the ADCA as anyone under 18 years of age. In March 2023, Utah passed into law two bills collectively known as the Social Media Regulation Act that takes effect in March 2024. The Social Media Regulation Act includes age verification requirements for users of social media services and prohibits users under 18 years of age from using social media between the hours of 10:30 p.m. to 6:30 a.m.

Additionally, the European Union's ("EU's"), Digital Services Act ("DSA") entered into force on November 16, 2022, and will become 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. Additionally, the Federal Trade Commission regulates deceptive or unfair commercial activities, including with relation to targeted advertising, and can impose significant injunctive and monetary remedies for violations. We provide our developers and creators with the ability to publish their content throughout the world, and each country is developing regulations and policies to regulate this new space, including with respect to privacy, biometrics, data protection, data security, gambling, loot boxes, intellectual property, childhood protection, consumer protection, ratings, and taxes. If we are unable to allow developers and creators to comply with potentially conflicting regulations throughout the world, our ability to execute on our business model would be severely impacted, and our ability to grow our business could be harmed. Additionally, compliance with regulatory requirements throughout the world could increase our moderation and compliance related costs and expenses. Additionally, we are subject to regulations with respect to advertising, in particular, advertising to children, 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. 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. If we are obligated to fundamentally change our business activities and practices or modify our Platform, we may be unable to make these required changes and modifications in a commercially reasonable manner, or at all, and our ability to further develop and enhance our Platform may be limited. The costs of compliance with, and other burdens imposed by, these laws, regulations, standards and obligations, or any inability to adequately address these, may limit our ability to operate our Platform, limit the use of our Platform or reduce overall demand for our Platform, which could harm our business, financial condition, and results of operations.

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.

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. 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, 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. This content could cause harm to our audience and to our reputation of providing a safe environment for children to play online. If we are unable to prevent, or are perceived as not being able to sufficiently prevent, all or substantially all age-inappropriate content from appearing on our Platform, parents and children will 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 generally blocking age-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.

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. 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.

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 EU’s General Data Protection Regulation (“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). 43% of our DAUs were under the age of 13 during the three months ended March 31, 2023. COPPA requires companies to obtain 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, we have been the subject of lawsuits brought on behalf of child users where the court may allow minors to disaffirm or avoid enforcement of our Terms of Use, depending on the circumstances. If we were found to be in breach of these regulations or if minors on our Platform could avoid enforcement of our Terms of Use, it could have a material adverse impact on our business, financial condition, results of operations, and cash flows.

Our reputation as a safe and civil environment for children is very important to our success and if we fail to protect users or we are perceived to be failing to protect users, our business will suffer and our results of operations could be materially and adversely affected.

We have received and may continue to receive a high degree of media coverage. Unfavorable publicity regarding, for example, our privacy, data security, or data protection practices, terms of service, product changes, product quality, litigation or regulatory activity, our use of generative artificial intelligence (“AI”), the actions of our users, the actions of our developers or creators whose products are integrated with our Platform, the use of our Platform for illicit or objectionable ends (including the use of our Platform to possibly entice children to interact off-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. 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. While we have introduced experience guidelines that will allow users to flag certain explicit content in our games, and are updating our parental controls, users may still be exposed to content that may not be age-appropriate. Additionally, as we roll out measures intended to make our Platform more attractive to older, age verified users it may increase the risk that children on our Platform are exposed to content that may not be age-appropriate, for example due to attempts to evade our age verification system. 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 and measures intended to make our Platform more attractive to older age-verified users may create the perception that our Platform is not safe for young users. In addition, we have faced 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, 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.

Our business depends on a strong brand and if events occur that damage our reputation and brand, we may be unable to maintain and grow the number of developers, creators, and users on our Platform.

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.

Our reputation and brand could also be negatively affected by the actions of developers and users that are hostile, inappropriate or illegal, whether on or off our Platform. In addition, 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. Maintaining, protecting, and enhancing our reputation and brand may require us to make substantial investments, and these investments may not be successful. Our reputation and brand are also important to attracting and retaining highly qualified employees. If we fail to successfully promote and maintain our reputation and brand or if we incur significant expenses in this effort, our business and financial results may be adversely affected.

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

Communications on our Platform are not comprehensively encrypted at this time. As such, any data security incident that involves unauthorized access, acquisition, disclosure, or use may be more 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.

We depend on our developers to create digital content that our users find compelling, and our business will suffer if we are unable to entertain our users, improve the experience of our users, or properly incentivize our developers and creators to develop and monetize content.

Our Platform enables our developers to create experiences and virtual items, which we refer to as user-generated content. Our Platform relies on our developers to create experiences and virtual items on our Platform for our users to acquire and/or use. Our users interact with these experiences, which are largely free to engage with. These users can also elect to acquire virtual items through our Avatar Marketplace and in experiences that enhance their enjoyment. 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, in connection with their development work on our Platform, although some of our developers may choose not to monetize or may not be effective at monetizing their experiences. 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. 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. If we do not provide the right technologies, education or financial incentives to our developers, they may develop fewer experiences or virtual items or be unable 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.

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 as they quickly traverse between and within experiences and acquire virtual items for their avatars or to enhance their experiences, which depends on the continuing operation and availability of our information technology systems from our global network of data centers controlled and operated by us and those of 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 are 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. For example, on May 3, 2022, we experienced an outage which lasted approximately 12 hours, and on October 28, 2021, we experienced an outage on our Platform which lasted approximately three calendar days. 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 earthquakes, adverse weather conditions, other natural disasters, pandemics, power loss, terrorism, geopolitical conflict, other physical security threats, cyber-attacks, 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 and third parties that host our Platform in areas where we do not operate our own data centers. Global climate change could also result in natural disasters occurring more frequently or with more intense effects, which could cause business interruptions. 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. 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 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 centers may also be subject to local administrative actions, 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, hacking event or act of terrorism, a decision to close the facilities without adequate notice, or 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.

Our developers or users may suffer a variety of outages or disruptions in accessing our Platform for a variety of reasons, including issues with their technology providers. 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.

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. 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 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.

Our future growth depends on our ability to continue innovating our Platform to offer attractive features for our developers and safe, secure and civil experiences for our developers, creators, and users.

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 or 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. Additionally, our use of generative AI may expose us to heightened legal, ethical, or other challenges and subject us to public scrutiny which could negatively impact our reputation. 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. Therefore, when we develop and introduce new or enhanced features, they must achieve high levels of developer, creator, and user acceptance in order to justify the investment in developing and bringing them to market. In the past, it has been difficult to remove features we have introduced that have not achieved acceptance, and as such, we still maintain them at some cost. Further, we have made and may in the future make changes to our Platform or add features that our users, developers, or creators do not like or find useful. Such changes and new features may be difficult to remove from the Platform and expensive to maintain.

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.

New features or enhancements and changes to the existing features of our Platform, such as spatial voice and age verification 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 will negatively affect our business, financial condition, results of operations and brand.

If the security of our Platform is compromised, it could compromise our and our developers', creators', and users' proprietary 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, and user information, and other confidential data. While we have implemented measures designed to prevent unauthorized access to or loss of our confidential data, mobile 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 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 to obtain unauthorized access to, or to sabotage, systems or networks are constantly evolving and generally are not recognized until launched against a target. Additionally, attackers have used artificial intelligence and machine learning to launch more automated, targeted, and coordinated attacks against targets. Consequently, 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 wide availability 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. If left unpatched, the Log4j vulnerability could be exploited to allow unauthorized actors to execute code remotely on a system using Log4j. We have taken steps to ensure these vulnerabilities have been patched in our systems, but we cannot guarantee that all vulnerabilities have been patched in every system upon which we are dependent or that additional critical vulnerabilities of Log4j or other open source software upon which we rely will not be discovered. 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. 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.

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' data security is limited, and in any event, attackers may be able to circumvent our third-party service providers' data security 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, 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 security loss or unavailability of, or unauthorized use or disclosure 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. We could also be exposed to a risk of loss, litigation or regulatory action and possible liability, and our ability to operate our business may be impaired. In the past, we have experienced social engineering attacks (including through 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.

The economic costs to us to reduce or alleviate 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, privacy, biometrics, data security, and data protection laws, 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 a specified set of personal information.

Although we maintain cyber and privacy insurance, subject to applicable deductibles and policy limits, such coverage may not extend to all types of privacy and data security incidents, 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 global COVID-19 pandemic has significantly affected our business and operations.

The full extent to which the COVID-19 pandemic and the various responses to it, or recovery from the COVID-19 pandemic, impact our business, operations, and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including, but not limited to:

- the duration and scope of the pandemic, including any potential future waves of the pandemic, both globally and within the United States;
- governmental, business, and individuals’ actions that have been and continue to be taken in response to the pandemic; and post-pandemic, such as inflation and interest rate increases brought on by loose monetary policy during the pandemic;
- disruptions in supply chain materials that support our Platform;
- the availability of and cost to access the capital markets;
- the effect of the pandemic on our developers, creators, and users;
- the availability of effective vaccines against current and new subvariants of COVID-19;
- disruptions or restrictions on our employees’ ability to work and travel;
- interruptions related to our infrastructure and partners; and
- changes to consumer behavior or spending patterns as economies recover and societies return to more normal activities.

Initially, the COVID-19 pandemic and resulting social distancing, shelter-in-place and similar restrictions led to increased developer, creator, and user engagement on our Platform relative to our quarterly forecast and historic trends and accelerated adoption of our Platform. Those increases in user activity are not indicative of our financial and operating results in future periods. We have seen growth rates and other operating metrics moderate as vaccination rates have grown, children have returned to in person classrooms, and people have adjusted to living with COVID-19, although users and engagement levels remain higher than before the onset of the COVID-19 pandemic. The long-term effects of the COVID-19 pandemic and recovery from it on society and developer, creator, and user engagement remain uncertain. There can be no assurance that, as a result of the COVID-19 pandemic, recovery from it, or other global economic conditions (including fluctuating foreign currency exchange rates, rising interest rates, increased inflation and instability in the banking sector), users will not reduce their discretionary spending on Robux, will renew their subscriptions or may otherwise increase or maintain their usage of our Platform, which would adversely impact our revenue and financial condition and there is no assurance that developer, creator, and user engagement growth rates average new and returning will not continue to decrease, including below historic levels, as the circumstances that accelerated the growth of our business stemming from the effects of the COVID-19 pandemic have not continued.

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, 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 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.

We have seen the growth rate of our users fluctuate and expect it to continue to change over time. 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.

During the three months ended March 31, 2023, we averaged 66.1 million DAUs. 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, COVID-19 shelter in place orders, and competition from a variety of entertainment sources for our users and their time could also cause our growth rates to fluctuate. For example, while our DAUs have grown sequentially on a quarterly basis for most of the last several years, there have been months where they have not or have grown at a slower pace, often due to seasonal or other factors. To some extent, seasonal factors may have been impacted by the COVID-19 pandemic and we expect that seasonality could again cause user activity to decrease, including below historical levels. In addition, our strategy seeks to expand the age groups and geographic markets that make up our users, and 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 in other markets, 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, specifically, the adoption of a metaverse with users interacting together by playing, communicating, connecting, working, making friends, learning, or simply hanging out, all in 3D environments, will increase for the foreseeable future. However, if this market shrinks or grows more slowly than anticipated, if the metaverse does not gain widespread adoption as a forum for experiences, social interaction and creative expression for our users, 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.

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. 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.

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.

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 or other key personnel in the future, could disrupt our operations, create uncertainty among investors, adversely impact employee retention and morale, and significantly harm our business.

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.

To execute our growth plan, we must hire a large number of employees over the next few years. In addition, we need to retain our highly qualified employees. We face intense competition from other internet and high growth publicly-traded and private companies, especially with respect to engineers with high levels of experience in our industry, in particular in the San Francisco Bay Area where our headquarters are located. Although a number of companies in the San Francisco Bay Area have implemented layoffs recently and wage growth has tempered in recent months, unemployment in the U.S. remains below historical levels, and we continually evaluate our strategy for attracting, compensating and retaining our employees.

We have, from time to time, experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with the appropriate level of qualifications. Many of the companies with which we compete for qualified employees have greater resources than we have and may offer compensation packages that are perceived to be better than ours. For example, we offer equity awards to a substantial majority of our job candidates and existing employees as part of their overall compensation package. If the perceived value of our equity awards declines, including as a result of volatility or declines in the market price of our Class A common stock or changes in perception about our future prospects, it may adversely affect our ability to recruit and retain highly qualified employees. Certain of our employees have received, and may in the future receive, significant proceeds from sales of our equity in the public markets, which may reduce their motivation to continue to work for us. Additionally, changes in our compensation structure may be negatively received by employees and result in attrition or cause difficulty in the recruiting process. We face intense competition for qualified individuals from numerous technology companies. We may incur significant costs to attract and retain these qualified individuals, and we may lose new employees to our competitors or other technology companies before we realize the benefit of our investment in recruiting and training them. Further, our current and future office environments or work policies may not meet the expectations of our employees or prospective employees, and we may experience attrition due to our in-office hybrid work environment as certain employees may desire to remain fully remote. If we fail to attract new employees or fail to retain and motivate our current employees, our business and future growth prospects could be adversely affected. Changes in immigration laws or varying applications of immigration laws to limit the availability of certain work visas or increase visa fees in the U.S. may impact our ability to hire the engineering and other talent that we need to continue to enhance our Platform, which could have an adverse impact on our business, financial condition, and results of operations. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or renewing work visas for our technology professionals.

Our corporate culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovative approach, creativity, and teamwork fostered by our culture and our business could be harmed.

We believe that a critical component of our success has been our culture. We have invested substantial time and resources in building out our team with an emphasis on shared values and a commitment to diversity and inclusion. As we continue to grow and develop the infrastructure associated with being a public company and hybrid work model, we will need to expend significant efforts to maintain our culture among a larger number of employees dispersed in various geographic regions. A hybrid work model may create challenges, including challenges maintaining our corporate culture, increasing attrition or limiting our ability to attract employees if individuals prefer to continue working full time at home or in the office. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our mission to connect a billion people with optimism and civility.

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 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) or they may fail to expand the types of experiences that our developers can build for users, and other global entertainment companies, online content platforms, and social platforms may entice our 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.

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 increase our international developers, creators, and users;
- we fail to provide the tools and education to our developers and creators to enable them to monetize their experiences;
- 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 share and explore with friends, 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, and business markets;
- we fail to increase penetration and engagement across all age 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;
- developers do not create engaging or new experiences for users;
- users reduce their purchases of Robux; 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. 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. 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.

We rely on a very small percentage of our total users for a significant majority of our revenue and bookings that we derive from our Platform.

We generate substantially all of our revenue through the sales of our virtual currency, "Robux," which players can use to acquire virtual items developed by our developer and creator community on the Platform. Only a small portion of our users regularly purchase Robux compared to all users who use our Platform in any period. We rely on our developers to create engaging content that drives users to acquire digital items to enhance their enjoyment. 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.

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

The market for a human co-experience platform 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. In addition, our use of generative AI in aspects of our Platform may present risks and challenges that could increase as artificial intelligence solutions become more prevalent. For example, artificial intelligence algorithms may be flawed. Datasets may be insufficient or contain biased information. These deficiencies and other failures of artificial intelligence systems could subject us to competitive harm, regulatory action, legal liability and brand or reputational harm.

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, 2023, approximately 78% of our DAUs and 35% 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 expanding our international presence, having developers, creators, and users outside the U.S. and those that can affect international operations generally and negatively impact our business and results of operations, include:

- greater difficulty in enforcing contracts and managing collections in countries where our recourse may be more limited, as well as longer collection periods;
- higher costs of doing business internationally, including costs incurred in complying with local regulations related to privacy, data security, data protection, content monitoring, preclusion, and removal, and online entertainment offerings, particularly as these rules apply to interactions with children, and establishing and maintaining office space for our international operations;
- 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, advertising and consumers in general, and industry-specific laws and regulations, localization of our services, including translation into foreign languages and associated expenses;
- 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 talented and capable 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, 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;
- 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 and evolving relations with Russia due to Russia's invasion of Ukraine;
- natural disasters, acts of war, and terrorism, and resulting changes to laws and regulations, including changes oriented to protecting local businesses;
- difficulties in hiring highly qualified employees internationally and managing foreign operations; and
- regional economic and political conditions.

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.

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 paying users, 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 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. 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 (specifically, on a quarterly basis, previously reported average unique payers would have been up to 1% higher and average bookings per unique payer would have been up to 1% lower under the new methodology). Our ability to recalculate our historical metrics may be impacted by data limitations 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. 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 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 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 partners may also be less willing to allocate their budgets or resources to our Platform, which could seriously harm our business.

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, 2023, total chargebacks to us from this fraud was approximately 3.69% 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 directly 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 increasing costs we incur to develop technological measures to curtail unauthorized transactions and other malicious programs.

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.

Our business is highly competitive and subject to rapid changes. We face significant competition to attract and retain our users, developers, and creators that we anticipate will continue to intensify. Should we fail to attract and retain users, developers, and creators, our business and results of operations may suffer.

We compete for both users and developers and creators. We compete to attract and retain our users' attention on the basis of our content and user experiences. We compete for users and their engagement hours with global technology leaders such as Amazon, Apple, Meta Platforms, Google, Microsoft, and Tencent, global entertainment companies such as Comcast, Disney, and ViacomCBS, global gaming companies such as Activision Blizzard, Electronic Arts, Take-Two, Epic Games, Krafton, and Valve, online content platforms including Netflix, Spotify, and YouTube, as well as social platforms such as Facebook, TikTok, Instagram, Pinterest, Twitter, Reddit, Discord and Snap.

We rely on developers to create the content that leads to and maintains user engagement (including maintaining the quality of experiences). We compete to attract and retain developers by providing developers the tools to easily build, publish, operate, and monetize content. We compete for 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.

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.

We expect competition to continue to increase in the future. Conditions in our market could change rapidly and significantly as a result of technological advancements, the emergence of new entrants into the market, partnering or acquisitions by our competitors, continuing market consolidation, or changing developer, creator and user preferences, which can be difficult to predict or prepare for. Our competitors vary in size, and some may have substantially broader and more diverse offerings or may be able to adopt more lucrative payment policies or structures for developers. Failure to adequately identify and adapt to these competitive pricing pressures could negatively impact our business.

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. 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 rely on third-party distribution channels 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. 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. 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.

Our business will suffer if we are unable to maintain a good relationship with these distribution channels or develop relationships with new and emerging channels, if their terms and conditions or fee structure changes to our detriment, if we violate, or if a channel believes that we have violated, their terms and conditions, or if any of these distribution channels loses market share or falls out of favor or is unavailable for a prolonged period of time. Any changes that affect our use of these distribution channels may decrease the visibility or availability of our Platform, limit our distribution capabilities, prevent access to our Platform, or result in the exclusion or limitation of our Platform on those distribution channels.

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. 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 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.

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, including the need for developers and creators to develop new experiences and virtual items, enhance our existing experiences, improve our operating infrastructure or acquire complementary businesses, personnel and technologies. Accordingly, we may need to engage in additional equity or debt financings to secure additional funds. 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. The trading prices of technology companies have been highly volatile as a result of the COVID-19 pandemic, the conflict in Ukraine, market downturn, inflation, instability in the banking sector, and growing fears of a national or global recession, which may reduce our ability to access capital on favorable terms or at all. In addition, a recession, depression, or other sustained adverse market event could adversely affect our business and the value of our Class A common stock. 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.

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.

Although we, either directly or through our third-party distribution channels, collect and remit taxes from users in certain countries and regions, there are some jurisdictions in which we operate where we do not currently collect taxes from users. One or more states or countries may seek to impose past, incremental or new sales, value added, or other tax collection obligations on us. A successful assertion by a state, country, or other jurisdiction that we should have been or should be collecting additional sales, value added, or other taxes 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 due to the incremental cost of any such sales or other similar taxes, or otherwise harm our business, results of operations, and financial condition.

The popularity of our Lua scripting language for customization of and creation of virtual worlds and virtual goods and services is a key driver of content creation and engagement with our Platform. If other programming languages or platforms become more popular with our developers, it may affect engagement with and content creation for our Platform and our business may be harmed.

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") 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. 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 due to a variety of factors, including infrastructure changes, human or software errors, natural disasters, power or telecommunications failures, criminal acts, capacity constraints and similar events. Our developers, creators, and users need to be able to access our Platform at any time, without interruption or degradation of performance. Our Platform depends, in part, on the virtual cloud infrastructure hosted in AWS. Although we have disaster recovery plans that utilize multiple AWS availability zones to support our requirements, any incident affecting their infrastructure that may be caused by fire, flood, severe storm, earthquake or other natural disasters, power loss, telecommunications failures, cyber-attacks, terrorist or other attacks, 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, threats or attacks from computer malware, ransomware, viruses, social engineering (including phishing attacks), denial of service or other attacks, employee theft or misuse and general hacking have occurred and are becoming more prevalent in our industry, particularly against cloud-native services and vendors of security solutions. If AWS were to experience any of these security incidents, 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 November 2023. 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.

If we are unable to maintain effective disclosure controls and internal control 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. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly, and place significant strain on our personnel, systems, and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that 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. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

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. We have limited experience with implementing the systems and controls that will be necessary to operate as a public company, as well as adopting changes in accounting principles or interpretations mandated by the relevant regulatory bodies. Additionally, if these new systems, controls, or standards and the associated process changes do not give rise to the benefits that we expect or 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.

Further, we have identified in the past, and may identify in the future, deficiencies in our controls. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement 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. 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. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which could have a negative effect on the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NYSE.

We are required to provide an annual management report on the effectiveness of our internal control over financial reporting. Our independent registered public accounting firm is required to formally attest to the effectiveness of our internal control over financial reporting. Our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed, or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could harm our business and could cause a decline in the trading price of our Class A common stock.

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.

We may discover weaknesses in our system of internal financial and accounting controls and procedures that could result in a material misstatement of our condensed consolidated financial statements. Our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

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.

Operating as a public company requires us to incur substantial costs and requires substantial management attention.

As a public company, we continue to incur substantial legal, accounting, and other expenses that we did not incur as a private company. For example, we are subject to the reporting requirements of the Exchange Act, the applicable requirements of the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the rules and regulations of the SEC, and the listing standards of the NYSE. We are also required to maintain effective disclosure controls and procedures and internal control over financial reporting. Compliance with these rules and regulations continues to increase our legal and financial compliance costs, 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, which could adversely affect our business, financial condition, and results of operations. 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. 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 anticipate that our ongoing efforts related to privacy, data protection, safety, data security, and content review will identify additional instances of misuse of user data or other undesirable activity by third parties on our Platform.

In addition to our efforts to mitigate cybersecurity risks, we have made and are continuing to make investments in privacy, data protection, user safety, data security, 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, globally there has been an increase in cybersecurity attacks since Russia invaded Ukraine. The risk of state-supported and geopolitical-related cyber-attacks may increase in connection with the war in Ukraine and any related political or economic responses and counter-responses. 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 may not realize the benefits expected through our China joint venture and the joint venture could have adverse effects on our business.

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"), a leading internet company in China and one of the world's largest gaming companies. Under the joint venture agreement, we created Roblox China Holding Corp., referred to as the China JV, of which we own a 51% ownership interest. Through a wholly-owned subsidiary based in Shenzhen named Roblox (Shenzhen) Digital Science and Technology Co., Ltd and branded "Luobu," the China JV is engaged in the development, localization and licensing to creators of a Chinese version of the Roblox Studio and also develops and oversees relations with local Chinese developers. In December 2020, Shenzhen Tencent Computer Systems Co. Ltd "Tencent"), received a required publishing license from the National Press and Publication Administration of the Chinese government. The license enabled Tencent to publish a localized version of the Roblox Client as a game in China under the name "Luobulesi." The Luobulesi app is not currently available to users in China while we and Tencent build the next version of Luobulesi. Luobu is continuing to focus on creating opportunities for local Chinese developers to learn a localized version of Roblox Studio for building and publishing experiences and content on our global Platform.

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 operate in China. Because our continued business operations in China are part of our current and future user growth plans, further adverse changes in the economic and political policies relating to China could have a material adverse effect on our business. The U.S. government, for example, has in the past barred or threatened to bar U.S. companies from doing business with certain Chinese technology companies. The Chinese government has, in turn, threatened to restrict the investment or trade privileges of companies that stop doing business with Chinese companies as a result of this or other similar rules. 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 cause a public perception in the U.S. or elsewhere that might cause our products to become less attractive. The Committee on Foreign Investment in the U.S. 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 the Committee on Foreign Investment in the U.S. 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 allocation of resources and uncertainty regarding the enforceability and scope of protection for 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. For example, laws and regulations limit the time users within China under the age of 18 can spend on entertainment platforms such as Roblox to one hour each day on Friday, Saturday, Sunday and on certain holidays only. China also recently adopted new online privacy laws. We may incur increased operating expenses related to data security and data protection in China, including with respect to access to user data and confidential company information as well as any network interconnections and cross border system integrations. Any unauthorized access to such data, networks, or systems, or the mere perception thereof, could have a significant negative impact on our reputation and lead to increased regulatory inquiry and oversight.

The publishing license granted to Tencent in December 2020 could be withdrawn if we fail to comply with any existing or future regulations, which could significantly impair or eliminate the ability to publish and operate Luobulesi in China. Any actions and policies adopted by the Chinese government, particularly with regard to intellectual property rights and internet restrictions for non-Chinese businesses, or any prolonged slowdown in China's economy, could have an adverse effect on our business, results of operations and financial condition.

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.

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, 2023, approximately 78% of our DAUs and 35% 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. 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.

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.

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, 2022, we had federal net operating loss carryforwards of \$2,026.6 million, which do not expire, state net operating loss carryforwards of \$893.0 million, which begin to expire in 2023, and foreign net operating loss carryforwards of \$54.5 million, which begin to expire in 2024. Utilization of our net operating loss carryforwards and other tax attributes, such as research and development tax credits, may be subject to annual limitations, or could be subject to other 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 \$2,026.6 million of federal net operating losses are carried forward indefinitely but are generally limited to 80% of 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.

Changes in existing financial accounting standards or practices may harm our results of operations.

Changes in existing accounting rules or practices, new accounting pronouncements rules, or varying interpretations of current accounting pronouncements practice could harm our results of operations or the manner in which we conduct our business. Further, such changes could potentially affect our reporting of transactions completed before such changes are effective. GAAP is subject to interpretation by the Financial Accounting Standards Board, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. We regularly monitor our compliance with applicable accounting principles and review new pronouncements and interpretations that are relevant to us. A change in these principles or interpretations could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of a change.

Adoption of such changes and any difficulties in implementing these pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors’ confidence in us.

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, resulting in a decline in the market price of our Class A common stock.

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. Our accounting policies that involve judgment include those related to revenue recognition, and estimates of the average lifetime of a paying user, 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.

The stock-based compensation expense related to our RSUs and other outstanding equity awards has increased our expenses in recent periods and may continue to do so in future periods due to grants of RSUs to new and existing employees. We also may expend substantial funds to satisfy a portion of our tax withholding and remittance obligations that arise upon the vesting and/or settlement of certain of our RSUs, which may have an adverse effect on our financial condition and results of operations.

RSUs that we have granted subsequent to our direct listing vest over a three or four year period. We have also granted performance-based stock unit awards to our executives, which vest based on continued service as well as the Company’s stock performance over a three-year performance period or the Company’s cumulative Bookings and Cumulative Covenant Adjusted EBITDA generated over a two-year performance period.

In February 2021, our leadership development and compensation committee granted the CEO Long-Term Performance Award, an RSU award under our 2017 Plan to David Baszucki covering 11,500,000 shares of our Class A common stock. We estimated the grant date fair value of the CEO Long-Term Performance Award using a model based on multiple stock price paths developed through the use of a Monte Carlo simulation that incorporates into the valuation the possibility that the achievement of certain price goals may not be satisfied. The weighted-average grant date fair value of the CEO Long-Term Performance Award was estimated to be \$20.19 per share, and we estimate that we will recognize total stock-based compensation expense of approximately \$232.2 million over the derived service period of each of the seven separate tranches of the CEO Long-Term Performance Award that are eligible to vest based on the achievement of certain stock price goals. If the achievement of these stock price goals are met sooner than the derived service period, we will adjust our stock-based compensation expense to reflect the cumulative expense associated with the vested award. We will recognize stock-based compensation expense if service is provided by Mr. Baszucki over the requisite service period, regardless of whether the stock price goals are achieved.

Additionally, we may expend substantial funds in connection with the tax withholding and remittance obligations that arise upon the vesting and/or settlement of our outstanding RSUs, including the CEO Long-Term Performance Award. Under U.S. tax laws, employment and income tax withholding and remittance obligations for RSUs arise in connection with the vesting and settlement of the RSUs. To fund the employment and income tax withholding and remittance obligations arising in connection with the vesting and settlement of vested RSUs that are not otherwise satisfied, we will either (i) withhold shares of our Class A common stock that would otherwise be issued with respect to such vested RSUs and pay the relevant tax authorities in cash to satisfy such tax obligations or (ii) have the holders of such vested RSUs use a broker or brokers to sell a portion of such shares into the market, with the proceeds of such sales to be delivered to us for us to remit to the relevant taxing authorities, in order to satisfy such employment and income tax withholding and remittance obligations. Any such expenditures by us of substantial funds to satisfy a portion of our tax withholding and remittance obligations that arise upon the vesting and/or settlement of RSUs may have an adverse effect on our financial condition and results of operations.

Risks Related to Government Regulations

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.

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 U.S. Department of the Treasury's Office of Foreign Assets Control, referred to as OFAC, may limit our ability to give users, developers, and creators access to certain aspects of our Platform and experiences. We refer to OFAC collectively with other applicable export control and economic sanctions laws and regulations, as the Trade Control Laws and Regulations. 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, 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 the United States and other countries could impose wide sanctions and export restrictions and take other actions should the conflict further escalate. Any failure to comply with applicable laws and regulations also 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 obligations and effective tax rates and otherwise adversely affect our tax positions and/or our tax liabilities. The Organization for Economic Cooperation and Development have proposed the Pillar Two framework as part of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project, which makes changes to existing tax laws, including a 15% global minimum tax. Several countries have enacted tax legislation with proposals from the Pillar Two framework, with an effective date starting in 2024. In addition, the E.U.'s Directive 2011/16/EU on administrative cooperation in the field of taxation (referred to as "DAC7") has required, and may continue to require, us to modify our data processing practices and policies and to incur substantial costs and expenses to comply. Any developments or changes in federal, state, or international tax laws or tax rulings could adversely affect our effective tax rate and our operating results. There can be no assurance that our effective tax rates, tax payments, or tax credits and incentives will not be adversely affected by these or other developments or changes in law.

Governmental agencies may restrict access to platforms, our website, mobile applications or the internet generally, which could lead to the loss or slower growth of our user base.

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 data security, 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. For example, China has recently limited that amount of time users under the age of 18 can spend on gaming platforms. Additionally, the publishing license granted to Tencent in December 2020 from the National Press and Publication Administration of the Chinese government could be withdrawn, which could significantly impair or eliminate the ability to publish and operate Luobulesi in China. 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, data security, data protection, content, 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 user privacy, data security, data protection, rights of publicity, content, intellectual property, distribution, electronic contracts and other communications, competition, protection of minors, consumer protection, taxation, and online-payment services. The regulatory frameworks for privacy, data security, data protection, and data transfers worldwide are rapidly evolving and are likely to remain uncertain for the foreseeable future.

Certain privacy, biometrics, data security, and data protection laws and regulations, have placed and will continue to place significant privacy, data protection, and data security obligations on organizations such as ours and may require us to continue to change our policies and procedures. For example, the GDPR, which came into force in May 2018, 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. We also may experience additional costs associated with increased compliance burdens, be subject to different standards and interpretations from different regulators, be required to engage in new contract negotiations with third parties that process data on our behalf, and be limited in our ability to process personal data from the EEA, Switzerland and the U.K. Further, even the perception of such noncompliance may result in reputational damage, and our business may be seriously harmed.

Brexit has created uncertainty with regard to the regulation of data protection in the United Kingdom. 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 four percent of worldwide revenues, uncertainty remains regarding the future of data protection in the United Kingdom. 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.

We are also monitoring updated guidance from the United Kingdom’s Information Commissioner Office (“ICO”) on the 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. In addition, we are monitoring developments with the DSA, which came into force on November 16, 2022 and will become 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 NGOs 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, data security 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 data security, 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. Additionally, the California Privacy Rights Act (“CPRA”), was approved in November 2020. The CPRA significantly modifies the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. 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. California also has enacted the ADCA, which will take effect on July 1, 2024. The ADCA implements into law certain principles taken from the AADC, among other things, and imposes substantial new obligations upon companies that offer online services, products, or features “likely to be accessed” by children, defined under the ADCA as anyone under 18 years of age. Further, the CCPA has prompted similar legislative developments in other states in the U.S., such as Virginia, which in March 2021 enacted a Consumer Data Protection Act that became effective as of January 1, 2023; Colorado, which in June 2021 enacted a Colorado Privacy Act that will go into effect July 1, 2023; Utah, which in March 2022 enacted a Utah Consumer Privacy Act that will go into effect December 31, 2023; Connecticut, which in May 2022 enacted the Act Concerning Personal Data Privacy and Online Monitoring that will go into effect on December 31, 2023; and Iowa, which in March 2023 enacted a similar law, the Iowa Data Privacy Act, that will go into effect January 1, 2025. These developments create the potential for a patchwork of overlapping but different state laws. 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, data security, and data protection 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 in an effort to comply, or restrict our operations.

We believe we take reasonable efforts to comply with all applicable laws, policies, legal obligations and certain industry codes of conduct relating to privacy, data security, and data protection. However, it is possible that the obligations imposed on us by applicable privacy, data security, and data protection laws and regulations, or industry codes of conduct or other actual or asserted obligations relating to privacy, data security, or data protection, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices in other jurisdictions. Additionally, due to the nature of our service, we are unable to maintain complete control over data security or the implementation of measures that reduce the risk of a data security 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, data security or data protection, or our other policies or obligations relating to privacy, data security or data protection, or any actual or perceived compromise of security, including any such compromise that results in the unauthorized release or transfer 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.

United States or international rules that permit ISPs to limit internet data consumption by users, including unreasonable discrimination in the provision of broadband internet access services, could harm our business.

The current legislative and regulatory landscape regarding the regulation of the Internet and, in particular, Internet neutrality, in the United States is subject to uncertainty. In January 2018, the Federal Communications Commission, (“FCC”), released an order that repealed the “open internet rules,” often known as “net neutrality,” which prohibit mobile providers in the U.S. from impeding access to most content, or otherwise unfairly discriminating against content providers like us and also prohibit mobile providers from entering into arrangements with specific content providers for faster or better access over their data networks. The FCC order repealing the open internet rules went into effect in June 2018 and was largely upheld by the District of Columbia Court of Appeals in *Mozilla Corp. v. Federal Communications Commission*. In response to this decision California and a number of states implemented their own net neutrality rules, some of which largely mirrored the repealed federal regulations. Further, in July 2021, President Biden signed an Executive Order on Promoting Competition in the American Economy, which directed the FCC to reinstate through appropriate rulemaking net neutrality rules. The FCC has not yet moved to implement this Executive Order. We cannot predict the outcome of any litigation or whether the FCC order or state initiatives regulating providers will be modified, overturned, or vacated by legal action, federal legislation, or the degree to which this repeal would adversely affect our business, if at all. Similarly, the EU requires equal access to internet content, but as part of its Digital Single Market initiative, the EU may impose network security and disability access requirements, which could increase our costs. If the FCC’s repeal of the open internet rules is maintained, state initiatives are modified, overturned, or vacated, or the EU modifies its open internet rules, mobile and internet providers may be able to limit our users’ ability to access our Platform or make our Platform a less attractive alternative to our competitors’ applications. Were that to happen, our ability to retain existing users or attract new users may be impaired, or costs could increase, and our business would be significantly harmed.

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, privacy, biometrics, data security, data protection and data localization requirements, artificial intelligence, 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.

We are potentially subject to a number of foreign and domestic laws and regulations that affect the offering of certain types of content, such as that which depicts violence, many of which are ambiguous, still evolving and could be interpreted in ways that could harm our business or expose us to liability. Foreign governments, may censor our Platform in their countries, restrict access to our Platform from their countries entirely, impose other restrictions that may affect their citizens' ability to access our Platform for an extended period of time or even indefinitely, require data localization, or impose other laws or regulations that we cannot comply with, would be difficult for us to comply with, or would require us to rebuild our Platform or the infrastructure for our Platform. Numerous countries, including Germany, have regulations relating to this area and they may impose significant fines for failure to comply with certain content removal and disclosure obligations. Other countries, including Singapore, India, Turkey, Mexico, Australia, France, and the United Kingdom, have implemented or are considering similar legislation imposing penalties for failure to remove certain types of content. On the other hand, some users, developers, and creators may choose not to use our Platform if we actively police content. Further, new content related regulations, including the DSA, which came into force on November 16, 2022 and will become fully applicable on February 17, 2024, may increase our compliance cost.

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. Similar limitations will likely be imposed in the United Kingdom. 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.

It is also possible that a number of laws and regulations may be adopted or construed to apply to us or our users or our developers in the U.S. and elsewhere that could restrict the online and mobile industries, including developer, creator, and user privacy, data protection, data security, advertising, user acquisition practices, taxation, content suitability, copyright, distribution and antitrust, and our Platform, experiences or components thereof may be deemed or perceived illegal or unfair practices. Furthermore, the growth and development of electronic commerce and virtual items may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as us and developers, creators, and users conducting business through the internet and mobile devices. We anticipate that scrutiny and regulation of our industry will increase and we will be required to devote legal and other resources to addressing such regulation. For example, existing laws or new laws regarding the marketing of in-app purchases, labeling of our free experiences or regulation of currency, banking institutions, unclaimed property, or money transmission may be interpreted to cover experiences made with our technologies and the revenue and bookings that we receive from our Platform. If that were to occur, we may be required to maintain certain records and seek licenses, authorizations or approvals from relevant regulators, the granting of which may be dependent on us meeting certain capital, operational, and other requirements and we may be subject to additional regulation and oversight and other operational requirements, all of which could significantly increase our operating costs. Changes in current laws or regulations or the imposition of new laws and regulations in the U.S. or elsewhere, or any withdrawal by us from certain countries because of such actions, would adversely affect our DAUs and other operating metrics, including by giving our competitors an opportunity to penetrate geographic markets that we cannot access. As a result, our user growth, retention, and engagement may be significantly harmed.

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.

Users can purchase a license to use Robux to enrich their experience in various ways on our Platform. For example, Robux are often used to obtain virtual clothes and accessories for users' avatars. 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.

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. Any such changes would require us to devote legal and other resources to address such regulation. 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.

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.

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 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. As we increase our international business, our risks under these laws may increase.

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. In addition, 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. As we increase our international sales and business, our risks under these laws may increase.

These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have policies, training and procedures to address compliance with such laws, we cannot assure you that none of our employees, agents, representatives, business partners or third-party intermediaries will take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

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 anti-corruption, and anti-bribery, or anti-money laundering 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, but some developers or creators may upload content 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 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.

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. Member states of the EU had until June 7, 2021 to pass legislation to implement the Copyright Directive in their respective countries. To comply with this new law, we may have to devote significant time and resources to develop and execute on a plan to implement technologies to prevent infringing content from being uploaded to our Platform and, to the extent infringing content makes it onto our Platform, to expeditiously remove such content and implement measures to prevent re-uploads of such content. Although the EU law does not mandate monitoring, there may be no practical way for us to comply with the law's stringent new requirements (to the extent they may be applicable) without adopting some form of robust content identification systems. In addition, the monitoring and reporting obligations of the Digital Services Act may apply also with respect to copyright infringements that would fall outside the scope of the Copyright Directive.

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.

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 do one or more of the following:

- 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”), which provides immunity from monetary damages for online service providers such as us for, among other things, copyright-infringing content uploaded to our Platform by our users provided we comply with certain statutory requirements, and Section 230 of the Communications Decency Act (“CDA”), which addresses blocking and screening of content on the internet and provides immunity to platforms that censor communications that they deem to be inappropriate. 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 Digital Services Act entered into force on November 16, 2022, and will become fully applicable on February 17, 2024. The Digital Services Act 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 not similar statutes to the CDA or the Digital Services Act. 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 failed 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.

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. Moreover, policing unauthorized use of our technologies, trade secrets, and intellectual property may be difficult, expensive and time-consuming. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon, misappropriating or otherwise violating our intellectual property rights.

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 each party 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 their 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 on our Platform and in connection with certain experiences on our Platform, which may pose particular intellectual property 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.

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, 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.

The dual class stock structure of our common stock has the effect of concentrating voting control in our Founder, President, CEO and Chair of our Board of Directors, David Baszucki, 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 and 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. The dual class stock structure of our common stock which permits Mr. Baszucki and his affiliates to exert this influence will remain in place until the earlier of (i) the date that is specified by the affirmative vote of the holders of two-thirds of the then-outstanding shares of Class B common stock, (ii) the date on which less than 30% of the Class B common stock that was outstanding on March 2, 2021, (iii) March 10, 2036, (iv) nine months after the death or permanent disability of Mr. Baszucki, and (v) nine months after the date that Mr. Baszucki no longer serves as our CEO, or as a member of our Board of Directors. Future transfers of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions.

We cannot predict the effect our dual class structure may have on the trading price of our Class A common stock.

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.

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.

If securities or industry analysts 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 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. 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.

Our Class A common stock price may be volatile due to third-party data regarding our experiences.

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.

Additional issuances of our stock could result in significant dilution to our stockholders.

Additional issuances of our stock will result in dilution to existing holders of our capital stock. 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 upon the size of the issuance or exercise. As part of our business strategy, we may acquire or make investments in companies, products or technologies and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per share value of our Class A common stock to decline.

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 the Notes and 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 or 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

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, data security, data protection, product liability, consumer protection, employment, class action, whistleblower, contract, securities, and other litigation claims, including claims related to our use of generative AI, and governmental and other regulatory investigations and proceedings. For example, on March 9, 2022, an alleged shareholder filed a putative securities class action against us and certain of our executives and directors, alleging violations of Sections 11, 12(a)(2), and 15 of the Securities Act in connection with the registration statement for our direct listing. The parties have stipulated to a dismissal of the Superior Court case, and the matter was dismissed on August 2, 2022. Additionally, we have been 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. In this 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. 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, telecommunications failure, pandemic, cyber-attack, war, 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. 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 a rising rate of inflation 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 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, slower growth or recession, changes to fiscal and monetary policy, inflation, higher interest rates, currency fluctuations, 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.

None.

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.	10-Q	001-39763	3.2	May 13, 2021
10.1	Roblox Corporation Deferred Compensation Plan and Adoption Agreement	S-8	333-270648	99.1	March 17, 2023
10.2*	Outside Director Compensation Policy, as amended				
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 10, 2023

By: _____ /s/ Michael Guthrie

Michael Guthrie
Chief Financial Officer
(Principal Financial Officer)

ROBLOX CORPORATION
OUTSIDE DIRECTOR COMPENSATION POLICY

(Originally adopted and approved on December 2, 2020, and became effective as of the effective date of the Company's first registration statement filed with respect to the Company's securities; amended May 11, 2022 and most recently amended March 16, 2023)

Roblox Corporation (the "**Company**") believes that the granting of equity and cash compensation to its members of the Board of Directors (the "**Board**," and members of the Board, the "**Directors**") represents an effective tool to attract, retain, and reward Directors who are not employees of the Company (the "**Outside Directors**"). This Outside Director Compensation Policy (the "**Policy**") is intended to formalize the Company's policy regarding the compensation to its Outside Directors. Unless otherwise defined herein, capitalized terms used in this Policy will have the meaning given to such terms in the Company's 2020 Equity Incentive Plan (the "**Plan**"), or if the Plan is no longer in place, the meaning given to such terms or any similar terms in the equity plan then in place. Each Outside Director will be solely responsible for any tax obligations incurred by such Outside Director as a result of the equity and cash payments such Outside Director receives under this Policy.

1. Cash Compensation

Annual Cash Retainer

Each Outside Director will be paid an annual cash retainer of \$90,000. There are no per-meeting attendance fees for attending Board meetings.

Lead Director / Committee Membership Annual Cash Retainer

Each Outside Director who serves as Lead Director, chair, or member of a committee of the Board will be paid additional annual fees as follows:

Lead Director:	\$40,000
Chair of Audit Committee:	\$25,000
Member of Audit Committee (other than the Chair of the Audit Committee):	\$15,000
Chair of Nominating and Corporate Governance Committee:	\$15,000
Member of Nominating and Corporate Governance Committee (other than the Chair of the Nominating and Corporate Governance Committee):	\$10,000
Chair of Compensation Committee:	\$20,000
Member of Compensation Committee (other than the Chair of the Compensation Committee):	\$10,000

Each annual cash retainer and additional annual fee will be paid quarterly in arrears on a prorated basis.

The Board in its discretion may change and otherwise revise the terms of the cash compensation granted under this Policy, including, without limitation, the amount of cash compensation to be paid, on or after the date the Board determines to make any such change or revision.

2. Equity Compensation

Outside Directors will be eligible to receive all types of Awards (except Incentive Stock Options) under the Plan (or the applicable equity plan in place at the time of grant), including discretionary Awards not covered under this Policy. All grants of Awards to Outside Directors pursuant to Section 2 of this Policy will be automatic and nondiscretionary, except as otherwise provided herein, and will be made in accordance with the following provisions:

a. No Discretion. No person will have any discretion to select which Outside Directors will be granted any Awards under this Policy or to determine the number of Shares to be covered by such Awards.

b. Initial Award. Subject to Section 7 of this Policy, each individual who first becomes an Outside Director will be granted (i) an award of restricted stock units covering a number of Shares having an approximate value equal to \$180,000, and (ii) an award of restricted stock units covering a number of Shares having an approximate value equal to the product of (A) \$270,000, multiplied by (B) a fraction with a numerator equal to the number of calendar days between (and including) the date the individual first becomes an Outside Director and the date of the next Annual Meeting (as defined below), and a denominator equal to the number of calendar days between (and including) the date of the prior Annual Meeting and the date of the next Annual Meeting (together, an “**Initial Award**”). The number of Shares subject to the Initial Award shall be determined using the formula set forth in Section 2.d. below. The Initial Award will be made on the first Trading Day on or after the date on which such individual first becomes an Outside Director, whether through election by the stockholders of the Company or appointment by the Board to fill a vacancy (such grant date, the “**Initial Award Grant Date**”). If an individual was a member of the Board and also an employee, becoming an Outside Director due to termination of employment will not entitle such Outside Director to an Initial Award.

Subject to Section 3 of this Policy, each Initial Award will vest as to one-third of the restricted stock units (“**RSUs**”) subject to the Initial Award on the first Quarterly Vesting Date (as defined below) that is on or after the one (1)-year anniversary of the Initial Award Grant Date (the “**First Vesting Date**”) and as to one-third of the RSUs on each annual anniversary of the First Vesting Date thereafter, in each case, subject to the Outside Director continuing to be a Service Provider through the applicable vesting date.

For purposes of this Policy, “**Quarterly Vesting Date**” will mean each of February 20, May 20, August 20 and November 20.

c. Annual Award. Subject to Section 7 of this Policy, on the date of each annual meeting of the Company’s stockholders (each, an “**Annual Meeting**” and such grant date, the “**Annual Award Grant Date**”), each Outside Director will be automatically granted an award of RSUs (an “**Annual Award**”) covering a number of Shares having an approximate value of \$270,000, rounded down to the nearest whole Share. The number of Shares subject to the Annual Award shall be determined using the formula set forth in Section 2.d. below.

Subject to Section 3 of this Policy, each Annual Award will vest as to 25% of the RSUs subject to the Annual Award on each of the first three Quarterly Vesting Dates that are on or after the Annual Award Grant Date and as to the remaining 25% of the RSUs subject to the Annual Award on the earlier of (i) the day prior to the date of the Annual Meeting next following

the Annual Award Grant Date, or (ii) the one (1)-year anniversary of the Annual Award Grant Date, in each case, subject to the Outside Director continuing to be a Service Provider through the vesting date.

d. Determination of Number of Shares. For purposes of this Policy, the number of Shares granted as an Initial Award or Annual Award, as applicable will be determined by dividing the value of the Initial Award or Annual Award, as applicable by the average Fair Market Value of one Share for the twenty (20) consecutive Trading Days ending on the last Trading Day of the month prior to the month that includes the grant date of the Award, rounded down to the nearest whole Share.

e. Deferral of Proceeds. The Administrator may, in its discretion, provide an Outside Director with the opportunity to defer the delivery of the proceeds of any vested Initial Award or Annual Award and/or any cash compensation payable pursuant to Section 1 (“**Cash Compensation**”) that would otherwise be paid or delivered to the Outside Director hereunder. Any such deferral election shall be subject to such rules, conditions and procedures as shall be determined by the Administrator or its respective authorized designee, in its sole discretion, which rules, conditions and procedures shall at all times comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and the final regulations and guidance thereunder, as may be amended from time to time (together, “**Section 409A**”), unless otherwise specifically determined by the Administrator. If an Outside Director elects to defer the proceeds of any vested Initial Award or Annual Award or any Cash Compensation in accordance with this Section, payment of the deferred Cash Compensation and/or deferred vested Initial Award or Annual Award shall be made in accordance with the terms of the applicable deferred compensation plan, the deferral election and, with respect to the Initial Award or Annual Award, the Award Agreement evidencing such Award.

3. Change in Control

In the event of a Change in Control, each Outside Director’s outstanding Company equity awards will be treated in accordance with the terms of the Plan.

4. Travel Expenses

Each Outside Director’s reasonable, customary, and documented travel expenses to Board meetings will be reimbursed by the Company.

5. Additional Provisions

All provisions of the Plan not inconsistent with this Policy will apply to Awards granted to Outside Directors.

6. Adjustments

In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, reclassification, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under this Policy, will adjust the number of Shares issuable pursuant to Awards granted under this Policy.

7. Limitations

No Outside Director may be issued, in any Fiscal Year, cash payments (including the fees under Section 1 above) and Awards with a combined value of such cash and Awards greater than \$750,000. Any Awards or other compensation granted to an individual for his or her services as an Employee, or for his or her services as a Consultant other than an Outside Director, will be excluded for purposes of the limitations under this Section 7.

8. Section 409A

Except as otherwise permitted by the Administrator in its sole discretion, in no event will cash compensation or expense reimbursement payments under this Policy be paid after the later of (a) the fifteenth (15th) day of the third (3rd) month following the end of the Company's fiscal year in which the compensation is earned or expenses are incurred, as applicable, or (b) the fifteenth (15th) day of the third (3rd) month following the end of the calendar year in which the compensation is earned or expenses are incurred, as applicable, in compliance with the "short-term deferral" exception under Section 409A. It is the intent of this Policy that this Policy and all payments hereunder be exempt from or otherwise comply with the requirements of Section 409A so that none of the compensation to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be so exempt or comply. In no event will the Company reimburse an Outside Director for any taxes imposed or other costs incurred as a result of Section 409A.

9. Revisions

The Board or any Committee designated by the Board may amend, alter, suspend, or terminate this Policy at any time and for any reason. No amendment, alteration, suspension, or termination of this Policy will materially impair the rights of an Outside Director with respect to compensation that already has been paid or awarded, unless otherwise mutually agreed between the Outside Director and the Company. Termination of this Policy will not affect the Board's or the Compensation Committee's ability to exercise the powers granted to it under the Plan with respect to Awards granted under the Plan pursuant to this Policy prior to the date of such termination.

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.

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 10, 2023

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

CERTIFICATIONS OF 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

In connection with the Quarterly Report of Roblox Corporation (the “Company”) on Form 10-Q for the period ending March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (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.

Date: May 10, 2023

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

In connection with the Quarterly Report of Roblox Corporation (the “Company”) on Form 10-Q for the period ending March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (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.

Date: May 10, 2023

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