

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**AMENDMENT NO. 4  
TO  
FORM S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**Roblox Corporation**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

7372  
(Primary Standard Industrial  
Classification Code Number)

20-0991664  
(I.R.S. Employer  
Identification Number)

Roblox Corporation  
970 Park Place, San Mateo, California 94403  
(888) 858-2569

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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 7(a)(2)(B) of the Securities Act.

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Class A common stock, \$0.0001 par value per share	198,917,280	Not Applicable	\$169,079,688	\$18,447

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(a) of the Securities Act of 1933, as amended. Given that there is no proposed maximum offering price per share of Class A common stock, the registrant calculates the proposed maximum aggregate offering price, by analogy to Rule 457(f)(2), based on the book value of the Class A common stock the registrant registers, or \$0.85 per share, which was calculated from its unaudited pro forma balance sheet as of December 31, 2020. Given that the registrant's shares of Class A common stock are not traded on an exchange or over-the-counter, the registrant did not use the market prices of its Class A common stock in accordance with Rule 457(c).

(2) The registrant previously paid the registration fee with a prior filing of this registration statement.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant will file a further amendment which specifically states that this registration statement will thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement will become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated February 22, 2021.

198,917,280 Shares



Class A Common Stock

This prospectus relates to registration of the resale of up to 198,917,280 shares of our Class A common stock by our stockholders identified in this prospectus, referred to as the registered stockholders. Unlike an initial public offering, the resale by the registered stockholders is not being underwritten by any investment bank. The registered stockholders may, or may not, elect to sell their shares of Class A common stock covered by this prospectus, as and to the extent they may determine. Such sales, if any, will be made through brokerage transactions on the New York Stock Exchange, or NYSE. See the section titled "Plan of Distribution." If the registered stockholders choose to sell their shares of Class A common stock, we will not receive any proceeds from the sale of shares of Class A common stock by the registered stockholders.

We have two classes of authorized common stock, Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to twenty votes per share and is convertible at any time into one share of Class A common stock. Entities affiliated with David Baszucki, our Founder, President, Chief Executive Officer and Chair of our board of directors will hold all outstanding shares of our Class B common stock representing approximately 70.1% of the voting power of our outstanding capital stock as of January 15, 2021. As a result, Mr. Baszucki will be able to significantly influence any action requiring the approval of our stockholders, including the election of our board of directors, the adoption of amendments to our certificate of incorporation and bylaws and the approval of any merger, consolidation, sale of all or substantially all of our assets or other major corporate transaction. Also as a result, 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.

No public market for our Class A common stock currently exists. Our shares of Class A common stock (on an as-converted basis) have an extremely limited history of trading in private transactions. The low and high sales price per share of our Class A common stock (on an as-converted basis) for such private transactions during the year ended December 31, 2018 was \$2.10 and \$4.53, respectively; we are not aware of any sales in the year ended December 31, 2019; and the sale price per share of Class A common stock (on an as-converted basis) during the period from January 1, 2020 through December 31, 2020 was \$6.34. For more information, see the section titled "Sale Price History of Our Class A Common Stock." Our recent trading prices in private transactions may have little or no relation to the opening public price of our shares of Class A common stock on the NYSE or the subsequent trading price of our shares of Class A common stock on the NYSE. Further, the listing of our Class A common stock on the NYSE without an underwritten initial public offering is a novel method for commencing public trading in shares of our Class A common stock, and consequently, the trading volume and price of shares of our Class A common stock may be more volatile than if shares of our Class A common stock were initially listed in connection with an underwritten initial public offering.

Based on information provided by the NYSE, the opening public price of our common stock on the NYSE will be determined by buy and sell orders collected by the NYSE from broker-dealers. Based on such orders, the designated market maker will determine an opening price for our Class A common stock in consultation with our financial advisors pursuant to applicable NYSE rules. For more information, see the section titled "Plan of Distribution."

We have been approved to list our Class A common stock on the NYSE under the symbol "RBLX." We expect our Class A common stock to begin trading on or about March 10, 2021.

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 and, as such, we have elected to comply with certain reduced public company reporting requirements for this prospectus and may elect to do so in future filings.

See the section titled "[Risk Factors](#)" beginning on page 15 to read about factors you should consider before buying shares of our Class A common stock.

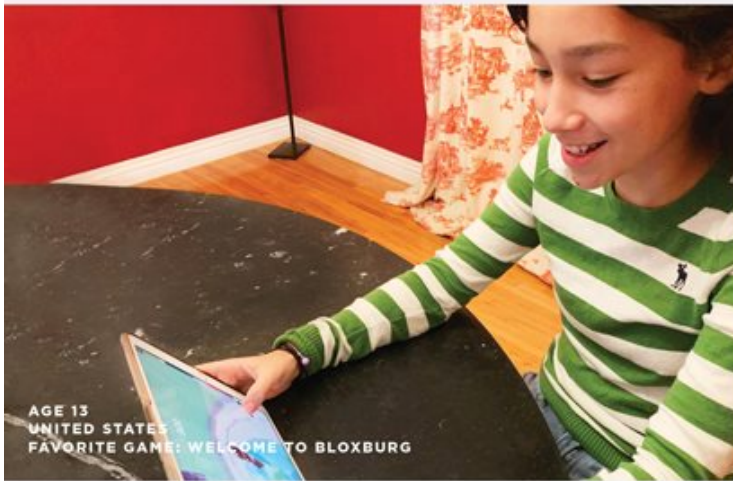
Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Prospectus dated \_\_\_\_\_, 2021





“As a developer on Roblox, I’ve learned that games aren’t always about winning, some are sort of challenging and some are about creating experiences you wish to share with others.”

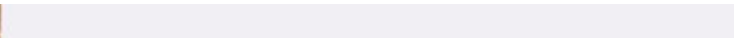


“I like Roblox because there are so many different games, and it helps kids have fun and be creative.”

“Roblox brings the creativity out of every individual. I’m so grateful to be part of a community that pushes each other to succeed.”



“The best part about Roblox is chatting online with all my friends from around the world.”







“The limitless possibilities Roblox has unlocked for me have changed my life — for the better. The tools, community, and experience Roblox has given me turned my passion into a career.”

“I enjoy playing Roblox because it’s super engaging and the developers are passionate about their games.”



“I’ve grown a lot as a developer by using the platform. Roblox helped me grow my passion for game creation while enabling me to be creative.”

“Roblox has enabled me to grow both personally and professionally. It’s been a rewarding opportunity creating amazing experiences that touch the lives of millions of players worldwide with my team at Shark Fin Studios.”









**32.6M**

DAILY ACTIVE  
USERS

**30.6B**

HOURS  
ENGAGED

**\$924M**

REVENUE

**\$1.9B**

BOOKINGS

**\$253M**

NET LOSS

**\$524M**

OPERATING  
CASH FLOW

\*all metrics for the year ended December 31, 2020

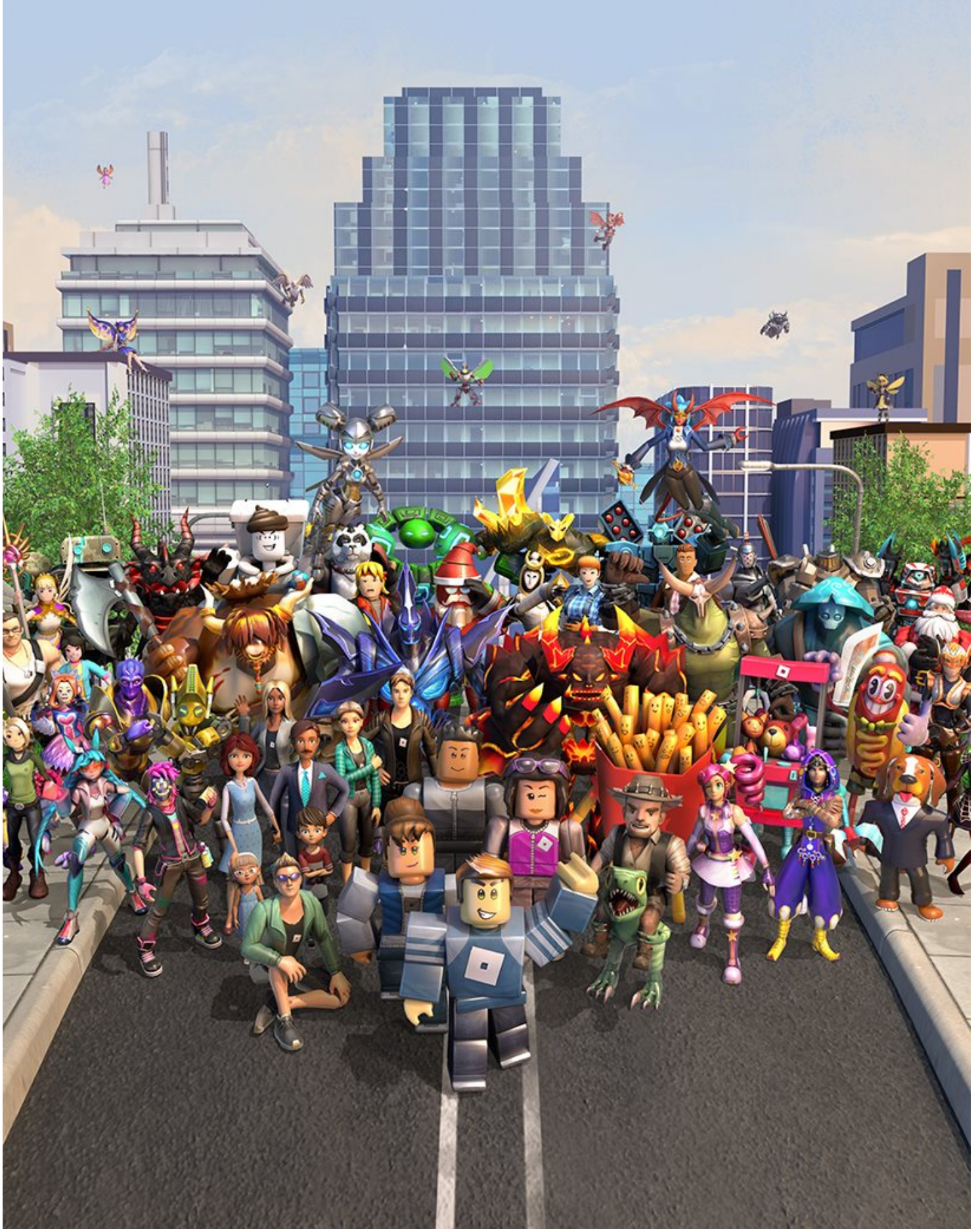






















**TABLE OF CONTENTS**

<a href="#">ABOUT THIS PROSPECTUS</a>	1
<a href="#">PROSPECTUS SUMMARY</a>	2
<a href="#">RISK FACTORS</a>	15
<a href="#">SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</a>	68
<a href="#">INDUSTRY, MARKET AND OTHER DATA</a>	70
<a href="#">USE OF PROCEEDS</a>	71
<a href="#">DIVIDEND POLICY</a>	72
<a href="#">CAPITALIZATION</a>	73
<a href="#">SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA</a>	75
<a href="#">MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</a>	80
<a href="#">LETTER FROM OUR FOUNDER, PRESIDENT AND CHIEF EXECUTIVE OFFICER</a>	114
<a href="#">BUSINESS</a>	116
<a href="#">MANAGEMENT</a>	136
<a href="#">EXECUTIVE COMPENSATION</a>	145
<a href="#">CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</a>	164
<a href="#">PRINCIPAL AND REGISTERED STOCKHOLDERS</a>	170
<a href="#">DESCRIPTION OF CAPITAL STOCK</a>	175
<a href="#">SHARES ELIGIBLE FOR FUTURE SALE</a>	183
<a href="#">SALE PRICE HISTORY OF OUR CLASS A COMMON STOCK</a>	185
<a href="#">MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR CLASS A COMMON STOCK</a>	186
<a href="#">PLAN OF DISTRIBUTION</a>	191
<a href="#">LEGAL MATTERS</a>	194
<a href="#">EXPERTS</a>	194
<a href="#">WHERE YOU CAN FIND ADDITIONAL INFORMATION</a>	194
<a href="#">INDEX TO CONSOLIDATED FINANCIAL STATEMENTS</a>	F-1

Neither we nor any of the registered stockholders have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. Neither we nor any of the registered stockholders take responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. The registered stockholders are offering to sell and seeking offers to buy, shares of their Class A common stock but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date, regardless of the time of delivery of this prospectus or of any sale of our Class A common stock.

**Through and including \_\_\_\_\_, 2021 (the 25th day after the listing date of our Class A common stock), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus.**

For investors outside the United States: Neither we nor any of the registered stockholders have done anything that would permit the use of or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of our Class A common stock by the registered stockholders and the distribution of this prospectus outside the United States.

## ABOUT THIS PROSPECTUS

This prospectus is a part of a registration statement on Form S-1 that we filed with the SEC using a “shelf” registration or continuous offering process. Under this process, the registered stockholders may, from time to time, sell the Class A common stock covered by this prospectus in the manner described in the section titled “Plan of Distribution.” Additionally, we may provide a prospectus supplement to add information to, or update or change information contained in, this prospectus, including the section titled “Plan of Distribution.” You may obtain this information without charge by following the instructions under the section titled “Where You Can Find Additional Information” appearing elsewhere in this prospectus. You should read this prospectus and any prospectus supplement before deciding to invest in our Class A common stock.

We have evaluated various liquidity opportunities from time to time for us and our stockholders, including over the last six months as we contemplated pursuing an initial public offering via a direct listing as described in this prospectus or through an underwritten offering of shares of Class A common stock sold by us and certain selling stockholders. With assistance from an underwriting syndicate, we initially confidentially submitted this prospectus in draft form on October 9, 2020, and subsequently publicly filed via EDGAR on November 19, 2020, and amended such filing via EDGAR on December 1, 2020. Due to market volatility and the performance of other recent underwritten initial public offerings, we have elected to file this prospectus as an amendment to the registration statement and pursue a direct listing to permit determination of the opening public price of our Class A common stock on the NYSE by buy and sell orders collected by the NYSE from broker-dealers. Based on such orders, a designated market maker, or DMM, will determine an opening price for our Class A common stock in consultation with Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, and BofA Securities, Inc. as our financial advisors pursuant to applicable NYSE rules. We expect our Class A common stock to begin trading on the NYSE on or about March 10, 2021. See the section titled “Plan of Distribution.”



## PROSPECTUS SUMMARY

*This summary highlights selected information that is presented in greater detail elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our Class A common stock. You should read this entire prospectus carefully, including the sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this prospectus, before making an investment decision. Unless the context otherwise requires, the terms “Roblox,” “the Company,” “we,” “us” and “our” in this prospectus refer to Roblox Corporation and its consolidated subsidiaries and references to our “common stock” include our Class A common stock and Class B common stock.*

### Overview

The story of Roblox began in 1989 when our founders, David Baszucki and Erik Cassel, programmed a 2D simulated physics lab called Interactive Physics, which would later go on to influence our approach to building the groundwork for Roblox. Students across the world used Interactive Physics to see how two cars would crash, or how they could build destructible houses. In starting Roblox in 2004, we wanted to replicate the inspiration of imagination and creativity we saw in Interactive Physics on a much grander scale by ushering in a new category of human interaction that did not exist at the time.

An average of 37.1 million 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 over 8 million active developers. We call this emerging category “human co-experience,” which we consider to be the new form of social interaction we envisioned back in 2004. Our platform is powered by user-generated content and draws inspiration from gaming, entertainment, social media, and even toys.

Some refer to our category as the metaverse, a term often used to describe the concept of persistent, shared, 3D virtual spaces in a virtual universe. The idea of a metaverse has been written about by futurists and science fiction authors for over 30 years. With the advent of increasingly powerful consumer computing devices, cloud computing, and high bandwidth internet connections, the concept of the metaverse is materializing.

Our Roblox human co-experience platform consists of the Roblox Client, the Roblox Studio, and the Roblox Cloud. Roblox Client is the application that allows users to explore 3D digital worlds. Roblox Studio is the 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 build a human co-experience platform that enables shared experiences among billions of users. 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.

The Roblox Platform has a number of key characteristics:

- **Identity.** All users have unique identities in the form of avatars that allow them to express themselves as whoever or whatever they want to be. These avatars are portable across experiences.

- **Friends.** Users interact with friends, some of whom they know in the real world and others who they meet on Roblox.
- **Immersive.** The experiences on Roblox are 3D and immersive. As we continue to improve the Roblox Platform, these experiences will become increasingly engaging and indistinguishable from the real world.
- **Anywhere.** Users, developers and creators on Roblox are from all over the world. Further, the Roblox Client operates on iOS, Android, PC, Mac, and Xbox, and supports VR experiences on PC using Oculus Rift, HTC Vive and Valve Index headsets.
- **Low Friction.** It is simple to set up an account on Roblox, and free for users to enjoy experiences on the platform. Users can quickly traverse between and within experiences either on their own or with their friends. It is also easy for developers to build experiences and then publish them to the Roblox Cloud so that they are then accessible to users on the Roblox Client across all platforms.
- **Variety of Content.** Roblox is a vast and expanding universe of developer and creator-built content. As of December 31, 2020, there were over 20 million experiences on Roblox, and in 2020, over 13 million of these were experienced by our community. There are also millions of creator-built virtual items with which users can personalize their avatars.
- **Economy.** Roblox has a vibrant economy built on a currency called Robux. Users who choose to purchase Robux can spend the currency on experiences and on items for their avatar. Developers and creators earn Robux by building engaging experiences and compelling items that users want to purchase. Roblox enables developers and creators to convert Robux back into real-world currency.
- **Safety.** Multiple systems are integrated into the Roblox Platform to promote civility and ensure the safety of our users. These systems are designed to enforce real-world laws, and are designed to extend beyond minimum regulatory requirements.

Growth at Roblox has been driven primarily by a significant investment in technology and two mutually reinforcing network effects: content and social.

First, user-generated content, built by our community of developers and creators, powers our platform. As developers and creators build increasingly high-quality content, more users are attracted to our platform. The more users on our platform, the higher the engagement and the more attractive Roblox becomes to developers and creators. With more users, more Robux are spent on our platform, incentivizing developers and creators to design increasingly engaging content and encouraging new developers and creators to start building on our platform.

Second, our platform is social. When users join, they typically play with friends. This inspires them to invite more friends, who in turn, invite their friends, driving organic growth. The more friends that each of our users has playing together on the platform, the more valuable and engaging the platform becomes. This drives more users to our platform through word of mouth from their existing friends on the platform.

The Roblox Platform combines significant bookings and revenue with strong unit economics, free cash flow generation, and high growth.

- As of December 31, 2020, there were over 20 million experiences on Roblox, and in 2020, over 13 million of those were experienced by our community.

- Daily active users, or DAUs, on Roblox grew 47% from 12.0 million DAUs in 2018 to 17.6 million in 2019 and grew 85%, to 32.6 million, in 2020.
- Hours engaged on Roblox grew 45% from 9.4 billion in 2018 to 13.7 billion in 2019 and grew 124%, to 30.6 billion, in 2020.
- Daily paying users on Roblox grew from approximately 125,000 in 2018 to approximately 184,000 in 2019, and approximately 490,000 in 2020.
- Revenue grew 56% from \$325.0 million in 2018 to \$508.4 million in 2019 and grew 82%, to \$923.9 million, in 2020.
- Bookings grew 39% from \$499.0 million in 2018 to \$694.3 million in 2019 and grew 171%, to approximately \$1.9 billion, in 2020.
- Net loss was \$88.1 million, \$71.0 million, and \$253.3 million in 2018, 2019, and 2020, respectively.
- Net cash provided by operating activities was \$101.0 million, \$99.2 million, and \$524.3 million in 2018, 2019, and 2020 respectively.
- Free cash flow was \$35.0 million, \$14.5 million, and \$411.2 million in 2018, 2019, and 2020, respectively.

See the section titled "Selected Consolidated Financial and Other Data" for a reconciliation of each non-GAAP financial measure to the most directly comparable financial measure calculated in accordance with GAAP.

### **Our Community**

Roblox is powered by user-generated content from our community of developers and creators who build immersive and engaging experiences found only on Roblox, as well as the vast majority of the items for customizing avatars. Upon signing up for Roblox, users personalize their avatars by selecting body types, clothes, and gear. Users are then free to immerse themselves in the millions of developer-built experiences.

#### ***Our Users***

In the year ended December 31, 2020, 32.6 million daily active users across over 180 countries enjoyed experiences on Roblox across mobile, desktop and console platforms. Our users are diversified across multiple dimensions, including age, geography, platform and gender. Each day users can express themselves through their avatars, explore different worlds, and engage with others in the Roblox community. In the year ended December 31, 2020, users spent 30.6 billion hours engaged on the platform, or an average of 2.6 hours per daily active user each day. Over the same period, our users explored an average of around 20 different experiences on the Roblox Platform per month.

#### ***Our Developers and Creators***

We offer users the ability to build engaging, immersive experiences that they can easily share with the Roblox community. Experiences refer to the various titles that can be enjoyed by our users in our platform. Users who create experiences are called developers and those who create avatar items are called creators. Developers can also build and sell custom tools and 3D models to help other developers create experiences. Collectively, our developers and creators contribute to our platform in

three ways: by building experiences for users to enjoy, by building avatar items for users to acquire and express themselves with, and by building tools and 3D models for other developers and creators to utilize. In the year ended December 31, 2020, we had over 8 million active developers across more than 170 countries who had either created or updated an experience on the platform.

We measure the health and success of our developer and creator community based on their earnings and the user engagement in their experiences. As our platform has scaled, our monetizing developers and creators have enjoyed meaningful earnings expansion over time, reflecting the increasing monetization of our platform and driving a growing incentive for our developers and creators to continue to build high-quality content.

For the year ended December 31, 2020, over 1,250,000 developers and creators earned Robux on the Roblox Platform, of which over 4,300 developers and creators qualified for and were registered in our Developer Exchange Program and therefore met certain conditions, such as having earned at least 100,000 Robux, having a verified developer account, and having an account in good standing, and were therefore eligible to exchange their earned Robux for real-world currency. Of such developers and creators, for the year ended December 31, 2020, over 3,300 actually exchanged their earned Robux for real-world currency through our Developer Exchange Program. For the same period, there were over 1,250 developers and creators that earned \$10,000 or more and over 300 developers and creators that earned \$100,000 or more in Robux.

### **Our Products and Technology**

The Roblox Platform is the underlying technology and infrastructure that supports shared experiences for an average of 32.6 million daily active users. The platform is composed of three elements:

- **Roblox Client:** The application that allows users to explore 3D digital worlds.
- **Roblox Studio:** The toolset that allows developers and creators to build, publish, and operate 3D experiences and other content accessed with the Roblox Client.
- **Roblox Cloud:** The services and infrastructure that power the human co-experience platform.

Since our founding, we have invested heavily in building the Roblox Platform, and 79% of our employees are dedicated to maintaining, improving, and expanding it. Here is how our technology supports the key characteristics of the Roblox Platform:

#### ***Identity***

The Roblox avatar system allows users to create and personalize their unique 3D identities. Our avatar technology supports a wide variety of character styles. The Roblox Client features the Avatar Editor, which enables users to manipulate the size and body shape of their avatars as well as equip their avatars with clothing, gear, animations, simulated gestures, or emotes, and other accessories from the Avatar Marketplace or Avatar Shop. Within most experiences, avatars appear exactly how they were configured in the Avatar Editor, creating a sense of persistent identity.

#### ***Friends***

The Roblox Client allows users to connect through various means, including detecting nearby players, or simply meeting in 3D experiences. The social graph created by these connections is stored

in the Roblox Cloud and requires mutual opt-in to avoid unwanted communications. When a user chooses to join an experience, the Roblox Cloud is designed to automatically place that user into the same virtual environment as others connected through the social graph. The Roblox Platform supports text-based chat among users sharing the same 3D experience and between users connected through the social graph.

***Immersive***

The Roblox Platform allows developers to build deeply immersive 3D environments where users can share synchronous experiences with others, independent of where they may be physically. Developers use Roblox Studio to easily build 3D experiences that are then rendered and simulated on the Roblox Platform. The Roblox Client leverages efficient low-level hardware-specific device APIs to efficiently render those experiences. To achieve an optimal balance between latency, scale, and consistency, computations for the simulation are distributed across Roblox Clients and the Roblox Cloud.

***Low Friction***

The Roblox Platform gives users the ability to interact with experiences almost instantly, on most popular client devices, and from anywhere in the world over existing broadband and cellular networks. With Roblox, developers can build an experience once and then expect that experience to operate consistently on all supported devices. The Roblox Cloud is central to enabling low-latency, responsive gameplay within 3D environments having millions of concurrent players. The Roblox Cloud determines the format, level of detail, and priority of each asset sent through content delivery networks to a user's device in order to optimize for the capabilities and bandwidth available to the device. When a user joins a 3D experience, the Roblox Cloud assigns that user to a particular game instance based on, among other considerations, the user's social graph, geographic location, spoken language, and age group. Developers have access to high-speed data stores in the Roblox Cloud where information about users and each simulated environment can be persisted. The majority of services operated by the Roblox Cloud are hosted in Roblox managed data centers.

***Variety of Content***

Developers and creators build nearly all of the content for the Roblox Platform. Developers build, publish, and operate 3D experiences with Roblox Studio, a suite of tools accessible to all skill levels, from novice to professional. Teams can work together using built-in access control management and collaborative editing. Once content is built, it can be replicated and shared across multiple experiences giving developers the ability to scale their efforts and make rapid updates. Developers can share their work with other developers through the Studio Marketplace. Roblox provides developers with reference material, tutorials, community forums, and analytics to build their creations.

***Anywhere***

The Roblox Platform serves a global audience. In the year ended December 31, 2020, developers from over 170 countries and users spanning over 180 countries accessed the platform. Developers can build experiences in their native language and then, using machine translation and advanced pattern recognition, the Roblox Cloud automatically translates those experiences into 11 languages. Localization and compliance systems embedded within the Roblox Client and Roblox Cloud help to lower cultural barriers and enable our developers to meet regional requirements with little to no additional effort. We are addressing the opportunity in China through Luobu, a wholly-owned subsidiary of our joint venture with Songhua, an affiliate of Tencent.



### **Economy**

Roblox has a vibrant economy built on a currency called Robux, which can be purchased through the Roblox Client and website. Users can also acquire Robux through a monthly subscription to Roblox Premium. Developers and creators earn Robux by selling access to virtual content. Developers can also earn Robux by driving engagement of Premium subscribers through an engagement-based payout system. When Premium subscribers spend time in a developer's experience, that developer earns a prorated share of the user's monthly subscription fee. Engagement-based payouts incentivize developers to invest in the engagement of their experiences. Roblox allows developers and creators to convert earned Robux into the real-world currency of their choice through our Developer Exchange Program.

### **Safety**

Multiple systems are integrated into the Roblox Platform to promote civility and ensure the safety of our users. These systems are designed to enforce our policies, protect users' personal information, and abide by local laws. We leverage text-filtering, content moderation systems, and automated systems to proactively identify behaviors that may violate our policies. A human review team is continuously operating to evaluate flagged experiences. During the year ended December 31, 2020, our human review team evaluated over 96 million assets. Assets refer to images, meshes, audio files, and video files that developers upload to Roblox to include in their experiences. Roblox operates a customer service portal that profiles self-help information along with ways to contact Roblox via email or from within the Roblox Client. In the year ended December 31, 2020, Roblox responded to over 11 million customer inquiries and had a human respond to all actionable safety issues within 10 minutes of their submission on average.

### **Safety and Digital Civility**

We aspire to build a safe and civil online society. We have no tolerance on our platform for content or behavior that violates our rules. Safety and civility systems are built into our platform and apply to every experience. In many instances, our systems extend beyond minimum regulatory requirements.

Our platform is designed to comply with Children's Online Privacy Protection Act and GDPR regulations. We work closely with regulators, authorities, and safety groups in many countries. We endeavor to promptly report any suspected child exploitation or abuse materials to the relevant authorities.

We partner with over 10 leading global organizations focused on child and internet safety. We are also a member of various organizations with a goal of cross-industry collaboration, knowledge and technology exchange in areas of user safety and child safety. We continue to work diligently with other digital platforms to report bad actors and inappropriate content so that they can also take appropriate actions on their platforms.

### **The Roblox Economy**

We support our developer and creator community by giving them the tools to build, publish, operate, and monetize content. Our economy enables developers and creators to generate income through Roblox.

When users sign up for Roblox, they can create an avatar and explore the vast majority of our experiences for free. Most free experiences allow users to spend Robux by purchasing experience-

specific enhancements and items such as clothing accessories and emotes from our Avatar Marketplace or Avatar Shop. Roblox retains a portion of every Robux transaction and distributes the rest to developers and creators.

Users can purchase Robux in two ways, as one-time purchases or via Roblox Premium, a subscription service that is billed monthly and includes discounted Robux, access to exclusive in-experience benefits, exclusive and discounted marketplace items, and the ability to buy, sell, and trade certain Avatar items.

We currently offer developers and creators four mechanisms to earn Robux:

- sale of access to their experiences and enhancements in their experiences;
- engagement-based payouts, which reward developers for the amount of time that Premium subscribers spend in their experiences;
- sale of content and tools between developers; and
- sale of items to users through the Avatar Marketplace.

Earned Robux are deposited into the virtual accounts of the developers and creators, who can convert Robux into the real-world currency of their choice if they qualify for and are registered in our Developer Exchange Program. In the year ended December 31, 2020, over 4,300 developers and creators that were qualified and registered in our Developer Exchange Program earned \$328.7 million, up from approximately 2,600 of such developers and creators who earned \$112.0 million in the year ended December 31, 2019. Developers and creators do not always cash out their Robux to real-world currency. Some choose to reinvest their Robux into developer tools, promote their experiences through our internal ad network, or spend the Robux as any other user would.

### **Our Growth Strategies**

We believe that the Roblox Platform has the potential to transform how people express themselves, socialize, play, learn, work, and transact together around the world. We are focused on the following key growth strategies:

- **Platform Extension:** We are continually investing in the Roblox Platform, including significant investments in high fidelity avatars, more realistic experiences, 3D spatial audio technology, and other social features. These investments should enable Roblox to support human co-experience in the entertainment, learning and business markets.
- **Age Demographic Expansion:** As a result of platform extension, developers and creators are now able to build higher quality experiences and content that appeals to an older age demographic. We believe there is significant potential for us to increase our penetration and engagement across all age demographics.
- **International Reach:** We believe there is significant potential for us to grow the global reach of our platform. We believe some of that will occur by the same organic, word of mouth user and developer growth that we have seen in markets like the U.S., Canada, and the United Kingdom. In addition, we are investing in technology that will also enhance our growth around the world. For example, we believe that features such as automated translation and built-in regional compliance will enable us to scale usage in global markets. Further, we are addressing the opportunity in China through Luobu, a wholly-owned subsidiary of our joint venture with Songhua, an affiliate of Tencent Holdings.

- **Monetization:** We believe there is significant potential to increase monetization on our platform. First, we are actively working with our developer and creator community to help them improve their monetization. Second, we recently introduced our subscription service, Roblox Premium, which we believe will increase our conversion of our free users to paying users and the retention of our paying users. Finally, we expect to work with leading brands to build unique marketing opportunities on the Roblox Platform.

### ***Risk Factors Summary***

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled “Risk Factors” immediately following this prospectus summary. These risks include, but are not limited to, the following:

- We have experienced rapid growth in recent periods, and our recent growth rates may not be indicative of our future growth or the growth of our market.
- We have a history of net losses and we may not be able to achieve or maintain profitability in the future.
- 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.
- The recent global COVID-19 outbreak has significantly affected our business and operations.
- 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 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 new business may not be immediately reflected in our operating results.
- If our business becomes constrained by changing legal and regulatory requirements, 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.
- We have identified a material weakness in our internal control over financial reporting which resulted in our restatement of our financial statements for the years ended December 31, 2018 and December 31, 2019. In the future we may identify additional material weaknesses or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations.
- Our listing differs significantly from an underwritten public offering.
- The public trading price of our Class A common stock may be volatile and could, upon listing on the NYSE, decline significantly and rapidly.

- As of January 15, 2021, our executive officers, directors and holders of 5% or more of our Class A common stock collectively beneficially own approximately 65.5% of the outstanding shares of our Class A common stock and 100% of the outstanding shares of our Class B common stock and continue to have substantial control over us, which limit your ability to influence the outcome of important transactions, including a change in control.
- 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.

### ***Channels for Disclosure of Information***

Investors, the media and others should note that, following the effectiveness of the registration statement of which this prospectus forms a part, we intend to announce material information to the public through filings with the Securities and Exchange Commission, or the SEC, the investor relations page on our website, at [www.corp.roblox.com](http://www.corp.roblox.com), press releases, public conference calls and webcasts. We use these channels, as well as social media, to communicate with our developers, creators, users, and the public about our company, our platform and other issues, and the information disclosed by the foregoing channels could be deemed to be material information. As such, we encourage investors, the media and others to follow the channels listed above and to review the information disclosed through such channels. However, information contained on, or that can be accessed through, these channels does not constitute a part of this prospectus and is not incorporated by reference herein. Any updates to the list of disclosure channels through which we will announce information will be posted on the investor relations page on our website.

### ***Corporate Information***

We were incorporated in 2004. Our principal executive offices are located at 970 Park Place, San Mateo, California 94403, and our telephone number is (888) 858-2569. Our website address is [www.roblox.com](http://www.roblox.com). Information contained on, or that can be accessed through, our website does not constitute part of this prospectus and inclusions of our website address in this prospectus are inactive textual references only. You should not consider information contained on our website to be part of this prospectus or in deciding whether to purchase shares of our Class A common stock.

“Roblox,” “Robux,” our logo and our other registered or common law trademarks, service marks or trade names appearing in this prospectus are the property of Roblox Corporation. Other trademarks and trade names referred to in this prospectus are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this prospectus, including logos, artwork and other visual displays, may appear without a trademark symbol, but such references are not intended to indicate in any way that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. We do not intend our use or display of other entities’ trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, any other entity.

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.

### ***JOBS Act***

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced

reporting requirements that are otherwise applicable generally to public companies. These reduced reporting requirements include:

- the requirement to present only two years of audited financial statements and only two years of related management's discussion and analysis in this prospectus;
- the ability to elect or delay compliance with new or revised accounting standards until they are made applicable to private companies;
- an exemption from compliance with the auditor attestation requirement on the effectiveness of our internal control over financial reporting;
- reduced disclosure about our executive compensation arrangements; and
- an exemption from the requirements to obtain a non-binding advisory vote on executive compensation or shareholder approval of any golden parachute arrangements.

We may take advantage of these provisions until we are no longer an emerging growth company. We would cease to be an "emerging growth company" upon the earliest to occur of: (i) the last day of the fiscal year in which we have more than \$1.07 billion in annual revenue; (ii) the date we qualify as a large accelerated filer, which would occur as of the last day of the fiscal year in which we have been subject to SEC reporting requirements for at least 12 months, we have filed at least one Annual Report on Form 10-K and we have at least \$700 million of equity securities held by non-affiliates as of the end of the second quarter of that fiscal year; (iii) the date on which we have, in any three-year period, issued more than \$1.0 billion in non-convertible debt securities; and (iv) the last day of the fiscal year ending after the fifth anniversary of the listing of our Class A common stock on the NYSE. We may choose to take advantage of some but not all of these reduced reporting burdens. We have taken advantage of certain reduced reporting burdens in this prospectus. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock.

The JOBS Act permits an emerging growth company like us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have elected to use this extended transition period until we are no longer an emerging growth company or until we affirmatively and irrevocably opt out of the extended transition period. As a result, we will not be subject to the same implementation timing for new or revised accounting standards as other public companies that are not emerging growth companies and our consolidated financial statements may not be comparable to the financial statements of companies that comply with new or revised accounting pronouncements as of public company effective dates. It is possible that some investors will find our Class A common stock less attractive as a result, which may result in a less active trading market for our Class A common stock and higher volatility in our stock price.

See the section titled "Risk Factors—Risks Related to Our Business—We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors."

### Summary Consolidated Financial and Other Data

The following tables summarize our consolidated financial and other data. The summary consolidated statements of operations data for the years ended December 31, 2018, 2019 and 2020 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. You should read the following summary consolidated financial and other data in conjunction with the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this prospectus. The summary consolidated financial data in this section are not intended to replace, and are qualified in their entirety by the consolidated financial statements and related notes.

#### Consolidated Statement of Operations Data

	Year Ended December 31,		
	2018	2019	2020
	(in thousands, except per share data)		
Revenue	\$324,956	\$508,393	\$ 923,885
Cost and expenses:			
Cost of revenue(1)	72,978	122,381	239,898
Developer exchange fees	71,887	111,976	328,740
Infrastructure and trust & safety(2)	105,590	156,699	264,226
Research and development(2)	87,051	107,095	201,433
General and administrative(2)	34,460	41,945	97,341
Sales and marketing(2)	40,542	44,737	58,384
Total cost and expenses	412,508	584,833	1,190,022
Loss from operations	(87,552)	(76,440)	(266,137)
Interest income	3,759	6,546	1,822
Other expense, net	(4,279)	(1,211)	(32)
Loss before provision for income taxes	(88,072)	(71,105)	(264,347)
Provision (benefit) for income taxes	3	9	(6,656)
Consolidated net loss	(88,075)	(71,114)	(257,691)
Net loss attributable to the noncontrolling interest(3)	—	(146)	(4,437)
Net loss attributable to common stockholders	<u>\$ (88,075)</u>	<u>\$ (70,968)</u>	<u>\$ (253,254)</u>
Net loss per share attributable to common stockholders, basic and diluted(4)	<u>\$ (0.60)</u>	<u>\$ (0.44)</u>	<u>\$ (1.39)</u>
Weighted-average shares used in computing net loss per share attributable to common stockholders—basic and diluted(4)	<u>147,278</u>	<u>163,051</u>	<u>182,108</u>
Pro forma net loss per share attributable to common stockholders—basic and diluted (unaudited)(4)			<u>\$ (0.48)</u>
Weighted-average shares used in computing pro forma net loss per share attributable to common stockholders—basic and diluted (unaudited)(4)			<u>526,227</u>



	Year Ended December 31,		
	2018	2019	2020
	(in thousands, except hours engaged and ABPDAU data)		
<b>Non-GAAP and selected financial and operating data:</b>			
Bookings(5)	\$ 499,038	\$ 694,262	\$ 1,882,543
Loss from operations (GAAP)	\$ (87,552)	\$ (76,440)	\$ (266,137)
Depreciation and amortization (GAAP)	\$ 11,941	\$ 27,664	\$ 43,808
Stock based compensation (GAAP)	\$ 36,310	\$ 17,634	\$ 79,158
Change in deferred revenue (GAAP)	\$ 175,061	\$ 187,196	\$ 965,919
Change in deferred cost of revenue (GAAP)	\$ (42,665)	\$ (48,309)	\$ (230,404)
Net cash provided by operating activities (GAAP)	\$ 101,038	\$ 99,185	\$ 524,340
Free cash flow(5)	\$ 34,966	\$ 14,456	\$ 411,220
Daily active users (DAUs)(6)	12,017	17,623	32,587
Hours engaged (in millions)(6)	9,429	13,652	30,601
Average Bookings per DAU (ABPDAU)(6)	\$ 41.53	\$ 39.40	\$ 57.77

- (1) Depreciation of servers and infrastructure equipment included in infrastructure and trust & safety.  
(2) Includes stock-based compensation as follows:

	Year Ended December 31,		
	2018	2019	2020
	(dollars in thousands)		
Infrastructure and trust & safety	\$ 3,046	\$ 2,085	\$ 7,396
Research and development	25,691	9,695	39,402
General and administrative	4,426	3,347	25,939
Sales and marketing	3,147	2,507	6,421
Total stock-based compensation	<u>\$ 36,310</u>	<u>\$ 17,634</u>	<u>\$ 79,158</u>

During the years ended December 31, 2018 and 2020, we recorded compensation expense of \$25.2 million and \$35.2 million, respectively, related to a tender offer conducted by the purchasers of Series F and Series G convertible preferred stock to acquire shares from employees, former employees, and other existing investors. This expense was recorded because the purchasers were our affiliates and the tender was completed at above the then-fair market value. In connection with the tender offer the Company waived any rights of first refusal or transfer restrictions applicable to such shares.

- (3) Our consolidated financial statements include our majority-owned subsidiary Roblox China Holding Corp. The ownership interest of minority investor, Songhua, is recorded as a noncontrolling interest.  
(4) See Note 14 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the method used to calculate our basic and diluted net loss per share attributable to common stockholders, basic and diluted pro forma net loss per share attributable to common stockholders and the weighted-average number of shares used in the computation of the per share amounts. The calculations for basic and diluted pro forma net loss per share attributable to common stockholders and the weighted-average number of shares used in the computation of the pro forma per share amount for the year ended December 31, 2020 do not include the issuance of 11,888,886 shares of our Series H convertible preferred stock that occurred subsequent to December 31, 2020.  
(5) See the section titled "Selected Consolidated Financial and Other Data" for a reconciliation of each non-GAAP financial measure to the most directly comparable financial measure calculated in accordance with GAAP.  
(6) See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics—Operating Metrics" for more information.

**Consolidated Balance Sheet Data**

	As of December 31, 2020	
	Actual	Pro Forma(1)
	(dollars in thousands)	
Cash and cash equivalents	\$ 893,943	\$ 1,428,943
Working capital	195,585	730,585
Total assets	1,847,800	2,382,800
Total deferred revenue	1,554,929	1,554,929
Accumulated deficit	(492,290)	(492,290)
Total stockholders' equity (deficit)	(232,381)	647,446

- (1) The pro forma balance sheet data above reflects (i) the issuance of 11,888,886 shares of our Series H convertible preferred stock and related gross proceeds of \$535.0 million subsequent to December 31, 2020 and (ii) the automatic conversion of all outstanding shares of our convertible preferred stock, including our Series H convertible preferred stock, into an aggregate of 349,123,976 shares of our Class A common stock, as if such conversion had occurred on December 31, 2020, and (iii) the filing and effectiveness of our amended and restated certificate of incorporation to be effective shortly before the effectiveness of the registration statement of which this prospectus forms a part.

**Non-GAAP Financial Measures**

In addition to our results determined in accordance with U.S. generally accepted accounting principles, or GAAP, we believe the following non-GAAP measures are useful in evaluating our performance. 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.

	Year Ended December 31,		
	2018	2019	2020
	(dollars in thousands)		
Bookings	\$ 499,038	\$ 694,262	\$ 1,882,543
Net cash provided by operating activities (GAAP)	\$ 101,038	\$ 99,185	\$ 524,340
Free cash flow	\$ 34,966	\$ 14,456	\$ 411,220

See the section titled "Selected Consolidated Financial and Other Data" for a reconciliation of each non-GAAP financial measure to the most directly comparable financial measure calculated in accordance with GAAP.

## RISK FACTORS

*Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks described below, as well as the other information in this prospectus, including our consolidated financial statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” before deciding whether to invest in our Class A common stock. 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.*

### Risks Related to Our Business Generally

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

We have experienced rapid growth in the three months ended June 30, 2020, September 30, 2020, December 31, 2020, and for a portion of the three months ended March 31, 2020, due in part to the COVID-19 pandemic given our users have been online more as a result of global COVID-19 shelter-in-place policies. For example, our bookings increased 171% from the year ended December 31, 2019 to the year ended December 31, 2020. We do not expect these activity levels to be sustained, and in future periods we expect growth rates for our revenue to decline, and we may not experience any growth in bookings or our user base during periods where we are comparing against COVID-19 impacted periods (i.e. the three months ended March 31, 2020, June 30, 2020, and September 30, 2020 and December 31, 2020). 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 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 protection, intellectual property, child protection 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 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, 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.

***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 of \$88.1 million, \$71.0 million, and \$253.3 million for the years ended December 31, 2018, 2019, and 2020, respectively. As of December 31, 2020, we had an accumulated deficit of \$492.3 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 expenses to increase in future periods as we intend to continue to make significant investments to grow our business, including an expected increase in stock-based compensation expenses. 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 also expect to incur significant additional legal, accounting, and other expenses as a newly 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.

***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. Additionally, the current scale of our business makes it difficult to forecast our future results. 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:

- 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 on our platform;
- the level of demand for our platform;
- the development and introduction of new or redesigned features on our platform or our competitors' platforms;
- 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 successfully expand internationally and penetrate key demographics;
- our ability to maintain operating margins, cash used in operating activities, and free cash flow;
- system failures or actual or perceived breaches of security or privacy, and the costs associated with such failures, breaches and remediations;

- inaccessibility of our platform, or certain features within our platform, due to third-party actions;
- increase in stock-based compensation expense (including with respect to the Founder and 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;
- changes in the legislative or regulatory environment, including with respect to privacy and data protection, consumer protection, 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;
- 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.

***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 sales occurring in the fourth quarter when holidays permit our users to spend increased time on our platform, and we expect this trend to continue. 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. For example, we have also seen an increase in activity on our platform as a result of shelter-in-place policies instituted in response to the COVID-19 pandemic, and we do not expect these activity levels to be sustained. Additionally, activity levels may further decrease, including below historic levels as the full impacts of the pandemic, including the rollout of the COVID-19 vaccine on society and the global economy, become clearer. We also 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.

***The recent global COVID-19 outbreak has significantly affected our business and operations.***

The outbreak of the novel coronavirus and the COVID-19 disease that it causes has evolved into a global pandemic. In light of the uncertain and rapidly evolving situation relating to the spread of COVID-19, we have taken precautionary measures intended to minimize the risk of the virus to our employees and the communities in which we operate, including temporarily closing our offices worldwide and virtualizing, postponing, or canceling user, developer, creator, employee, or industry events, which may negatively impact our business.

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

- the duration and scope of the pandemic, including any potential future waves of the pandemic;
- governmental, business, and individuals' actions that have been and continue to be taken in response to the pandemic;



- the availability of and cost to access the capital markets;
- the effect of the pandemic on our developers, creators, and users;
- disruptions or restrictions on our employees' ability to work and travel; and
- interruptions related to our infrastructure and partners.

While substantially all of our business operations can be performed remotely, many of our employees are balancing additional work-related and personal challenges, including preparing for a prolonged duration of remote working environments, adjusting communication and work practices to collaborate remotely with work colleagues and business partners, managing technical and communication challenges of working from home on a daily basis, looking after children as a result of school closures and remote-learning, making plans for childcare as children prepare to return to schools, and caring for themselves, family members or other dependents who are or may become ill.

The COVID-19 pandemic and resulting social distancing, shelter-in-place and similar restrictions led to increased developer and creator and user engagement on our platform relative to our quarterly forecast and historic trends. These increases in user activity are almost certainly not indicative of our financial and operating results in future periods. The long-term effects of the COVID-19 pandemic on society and developer, creator and user engagement are highly uncertain and there is no assurance that developer, creator and user engagement will not decrease, including below historic levels, as the full impact of the COVID-19 pandemic on society and the global economy become clearer.

***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 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 year ended December 31, 2020, 35% of our revenue was attributable to Robux sales through the Apple App Store and 19% of our revenue was attributable to Robux sales through the Google Play Store, and during the same period 68% of our engagement hours on the platform were from users who signed up through the Apple App Store and 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 generally of applications and experiences on such operating systems and stores. As a result, 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 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. The providers 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 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 are currently

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.

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.

***Because we recognize revenue from bookings over the estimated period of time the virtual items are available to the user on the Roblox Platform or as the virtual items are consumed, changes in new business may not be immediately reflected in our operating results.***

The majority of the virtual items purchased on the Roblox Platform are durable virtual items, which 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), which for the years ending December 31, 2018, 2019 and 2020 was 23 months. Therefore, 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, 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. 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. 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, gambling, 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. Changes to these laws, regulations, standards, or obligations could require us to change our business model, take on more onerous obligations, 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 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 have made 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 the 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 the 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. 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 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 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, or NCMEC. 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 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 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, or COPPA, in the U.S. and Article 8 of the European Union's, or EU's, General Data Protection Regulation, or GDPR. COPPA imposes strict requirements on operators of websites or online services directed to children under 13 years of age. During the year ended December 31, 2020, 54% of our DAUs were under the age of 13. 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.



***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 or data protection practices, terms of service, product changes, product quality, litigation or regulatory activity, 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 and integrity 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 content that developers produce for, or the conduct of users on, our platform that may be deemed illicit, explicit, profane, or otherwise objectionable. Although such 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. 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 high-quality, engaging and shared experiences on our platform. If users, developers, or creators do not perceive our platform to be of high quality, the value of our brand could diminish, thereby decreasing the attractiveness of our platform to users.

Our reputation and brand could also be negatively affected by the actions of 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 encryption for communications on our platform may increase the impact of a data security incident.***

Communications on our platform are not 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 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 purchase 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. When virtual items are purchased 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 or financial incentives to our developers, they may develop fewer experiences or virtual items, and our users may elect to not participate in the experiences or purchase 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 play 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, a developer 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. For example, since our inception we have had approximately one outage each year when the platform is unavailable for all users, developers, and creators. Although these outages were typically associated with a move to a new technology, the temporary unavailability of our platform, particularly if it should become more frequent, could cause our users to seek other entertainment options, including those provided by our competitors. In addition, the reliability and stability of our platform has also been affected by events outside of our control, such as the migration of data among data centers and to third-party hosted environments, the demand on our platform exceeding the capabilities of our

technological infrastructure, and issues relating to our reliance on third parties to host our platform in areas where we do not operate our own data centers or regional points of presence.

Our data centers are vulnerable to damage or interruption from a variety of sources, including earthquakes, floods, fires, power loss, system failures, computer viruses, physical or electronic break-ins, human error or interference (including by disgruntled employees, former employees or consultants), and other catastrophic events. 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 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 experience outages and our platform is unavailable or if our developers, creators, and users are unable to access our platform within a reasonable amount of time or at all, as a result of any such events, our reputation and brand may be harmed, developer, creator and user engagement with our platform may be reduced, and our revenue, bookings and profitability could be negatively impacted. We do not have full redundancy for all of our systems 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.

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 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. If we fail to anticipate developers' and creators' needs, the quality of the content they create may not attract users to engage with our 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 added 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 and artificial intelligence 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 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 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.

***We have seen the growth rate of our users fluctuate and expect it to continue to change over time. If we fail to retain current 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 year ended December 31, 2020, we averaged 32.6 million daily active users, or 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 end of COVID-19 related shelter-in-place orders in some areas, as the number of users increase and we achieve higher market penetration rates, as we face continued competition for our users and their time from a variety of entertainment sources, or if there are performance issues with our platform. For example, while our DAUs have grown sequentially on a quarterly basis for the last several years, there have been months where they have not or have grown at a slower pace, often due to seasonal factors. Such seasonal factors may have recently been impacted by the COVID-19 pandemic and we expect that seasonality could again cause user activity to decrease, including below historical levels as the impact of the COVID-19 pandemic, including the rollout of the COVID-19 vaccine on society and the global economy, become

clearer. In addition, our strategy seeks to expand the age groups 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, 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, 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 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, the majority 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 David Baszucki, our Founder, President and Chief Executive Officer or one or more of our senior management team or key personnel, or our failure to attract new or replacement members of our senior management team or other key personnel in the future, could significantly harm our business.***

We depend on the continued services and performance of our Founder, President and Chief Executive Officer, 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 key employees are highly sought after and others may attempt to encourage these executives 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 could disrupt our operations, create uncertainty among investors, adversely impact employee retention and morale, and significantly harm our business.

***An inability to attract and retain highly qualified employees, including as a result to restrictive changes to immigration laws or the varying application of immigration laws, may hamper our growth and cause our revenues or bookings to decline, adversely affecting our business.***

To execute our growth plan, we must hire a very large number of employees over the next few years. In addition we need to retain our highly qualified employees. Competition for these recruits and



employees is intense 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.

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. Additionally, changes in our compensation structure may be negatively received by employees and result in attrition or cause difficulty in the recruiting process. 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. For example, the U.S. President's Proclamation Suspending Entry of Aliens Who Present a Risk to the U.S. Labor Market Following the COVID-19 pandemic, which was issued in June 2020, may adversely affect our ability to hire or to retain highly qualified personnel who are not U.S. citizens or permanent residents. 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, we will need to expend significant efforts to maintain our culture among a larger number of employees dispersed in various geographic regions. Additionally, with our employees currently working remotely, during the COVID-19 pandemic, it will be more difficult to maintain or enhance our culture. 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 build a human co-experience platform that supports shared experiences among billions of users.

***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 as profitable;
- we fail to establish an international base of our developers, creators, and users;
- 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 do not develop and establish the social 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;
- developers do not create engaging or new experiences for users;
- users reduce their purchases of Robux on our platform; 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 are increasingly introducing 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 purchase virtual items sold by our developer and creator community on the platform. Only a small portion of our users regularly purchase Robux through subscriptions and pay for

experiences and virtual items compared to all users who use our platform in any period. We rely on our developers to develop engaging content where users elect to purchase digital items to enhance their enjoyment. If users fail to purchase digital items 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 digital items as they increase in age, our revenue will suffer.

***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, and average bookings per DAU, or 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, 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, hours engaged, and ABPDAU. For example, 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 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 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 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 year ended December 31, 2020, total chargeback expense to us from this fraud was approximately 5% of bookings.

While we regularly monitor and screen usage of our platform with the aim of identifying and preventing these activities, and regularly monitor third-party websites for fraudulent Robux or digital goods offers as well as regularly send cease-and-desist letters to operators of these third-party websites, we are unable to control or stop all unauthorized, fraudulent, or illegal transactions in Robux or other digital goods that occurs on or off of our platform. Although we are not 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” programs that enable users to exploit vulnerabilities in the experiences on our platform, 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.

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, Facebook, Google, Microsoft, and Tencent, global entertainment companies such as Comcast, Disney, and ViacomCBS, global gaming companies such as Activision Blizzard, Electronic Arts, Take-Two, Valve, Unity, and Zynga, online content platforms including Netflix, Spotify, and YouTube, as well as social platforms such as Facebook, Pinterest, 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 platforms such as Epic Games, Unity, 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 the Roblox 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, 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 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., e-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, 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 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 additional 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. 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.

***We have identified a material weakness in our internal control over financial reporting which resulted in our restatement of our financial statements for the years ended December 31, 2018 and December 31, 2019. In the future we may identify additional material weaknesses or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations.***

During the year ended December 31, 2020, we identified a material weakness in our internal control over financial reporting that resulted in a restatement of our financial statements for the years ended December 31, 2018 and December 31, 2019. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. The material weakness was due to ineffective controls over the identification of the performance obligations in our revenue recognition methodology that resulted in an error where we previously identified a single performance obligation to provide an integrated and enhanced online experience via hosting services performed by the Company over the time period for which the user is estimated to access the Roblox Platform. Upon further review, we concluded that we have a performance obligation to provide customers with the ability to acquire, use, and hold virtual items on the Platform over the period for which the respective virtual items are available to the user.

We are in the process of implementing measures designed to improve our internal control over financial reporting and remediate the control deficiency that led to the material weakness related to our revenue recognition methodology. This includes hiring additional dedicated and experienced technical resources (including engaging a third-party consultant to assist management) to strengthen its corporate oversight over financial reporting and controls associated with complex accounting matters.

We may discover additional weaknesses in our system of internal financial and accounting controls and procedures that could result in a material misstatement of our combined and 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 market price of our stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities.

***If we are unable to maintain effective internal control over financial reporting, the accuracy and timeliness of our financial reporting may be adversely affected.***

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or 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 Securities and Exchange Commission, or 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. 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 not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. As a public company, we will be required to provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second Annual Report on Form 10-K.

Our independent registered public accounting firm is not required to attest to the effectiveness of our internal control over financial reporting until after we are no longer an "emerging growth company"

as defined in the JOBS Act. At such time, 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 have a material and adverse effect on our business and results of operations and could cause a decline in the price of our Class A common stock.

***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, or 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. In addition, when additional compute resources are required, the Roblox Cloud can leverage Amazon EC2. 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.

Our commercial agreement with AWS will remain in effect until November 2021. Neither party may terminate the commercial agreement for convenience during its term. 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 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, viruses, hacking, social engineering, spam and phishing attacks have occurred and may occur on our systems in the future. Because of the popularity of our platform, we believe that we are an attractive target for these sorts of attacks.

Further, 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. Consequently, we may be unable to anticipate these techniques, 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 solutions could also expose us to security vulnerabilities.

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 breach occurs, or is believed to have occurred, whether as a result of third-party action, employee negligence, error or malfeasance, defects, social engineering techniques, 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 and remediate our systems, we could 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, 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, 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. 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. For example, the California Consumer Privacy Act, or CCPA, also allows for a private right of action for certain data breaches that relate to a specified set of personal information.

Although we maintain cyber, privacy, and network security liability insurance, subject to applicable deductibles and policy limits, such coverage may not extend to all types of privacy and cybersecurity incidents, and it may be insufficient to cover all costs and expenses associated with such incidents.

***Operating as a public company will require us to incur substantial costs and will require substantial management attention.***

As a public company, we will 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. The Exchange Act requires, among other things, we file annual, quarterly, and current reports with respect to our business, financial condition, and results of operations. Compliance with these rules and regulations will increase our legal and financial compliance costs, and increase demand on our systems, particularly after we are no longer an “emerging growth company.” In addition, as a public company, 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 this prospectus and 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.

This management team, as a group, has no experience managing a publicly traded company, and certain members joined us more recently. As such, our management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management and 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.

***We anticipate that our ongoing efforts related to privacy, data protection, safety, 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, safety, 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 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 announced, and anticipate that we will continue to discover and announce, 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, with our employees and third-party service providers who have access to some of our user data currently working remotely during the COVID-19 pandemic, we are exposed to increased risks of security breaches or incidents. We may not discover all such incidents or activity or be able to respond to or otherwise address them, promptly or at all. Such incidents and activities have in the past, and may in the future, include 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.

***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 year ended December 31, 2020, we had users in over 180 countries and developers in over 170 countries. During this period, approximately 68% of our DAUs and 32% of our bookings were 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. 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 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 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;
- 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.;
- 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 rights in some countries;

- increased exposure to fluctuations in exchange rates between the U.S. dollar and foreign currencies in markets where we do business;
- 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, such as the recent COVID-19 pandemic, 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;
- localization of our services, including translation into foreign languages and associated expenses;
- 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;
- 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 protection, content monitoring, preclusion, and removal, and industry-specific laws and regulations;
- regulatory frameworks or business practices favoring local competitors;
- changes in the public 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;
- uncertainty regarding regulation, currency, tax, and operations resulting from the United Kingdom's exit from the EU, or Brexit, on January 31, 2020 and possible disruptions in trade, the sale of our services and commerce, and movement of our people between the United Kingdom, EU, and other locations;
- 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.

***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., or 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. Shenzhen Tencent Computer Systems Co. Ltd, or Tencent, currently intends to publish and operate a localized version of the Roblox Platform as a game in China under the name "Luobulesi." In December 2020, Tencent received a required publishing license from the National Press and Publication Administration of the Chinese government. The license was issued following a review of the content of Luobulesi to confirm that such content is not in contravention with the requirements of Chinese law. Luobu's focus is on creating opportunities for local Chinese developers to learn Roblox Studio for building and publishing experiences and content.

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. An escalation of recent trade tensions between the U.S. and China has 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. The U.S. government, for example, has recently 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 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. Sustained uncertainty about, or worsening of, current global economic conditions and further escalation of trade tensions between the U.S. and its trading partners, especially China, could result in a global economic slowdown and long-term changes to global trade, including retaliatory trade restrictions that could further restrict our ability to operate in China.

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, the publishing license granted to Tencent in December 2020 could be withdrawn, 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.

The relationship between China and the U.S. is subject to periodic tension. 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.

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 results of operations, which are reported in U.S. dollars, could be adversely affected if currency exchange rates fluctuate substantially in the future.***

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 year ended December 31, 2020, we had users in over 180 countries and approximately 68% of our DAUs and 32% of our bookings were 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 can harm our reported results and cause the revenue derived from our foreign users to decrease. In addition, even if we do adjust the cost of our Robux in foreign markets to track appreciation in the U.S. dollar, such appreciation could increase the costs of purchasing Robux to our users outside of the U.S., adversely affecting our business, results of operations and financial condition.

We also incur expenses for employee compensation and other operating expenses at our non-U.S. locations in the local currency. 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 have a negative impact on 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. For example, in 2020 we acquired Ceebr Limited, a company that operated a platform that teaches children age 6-13 to design, program, and play their own games and LoomAi Inc., a company that specializes in real-time facial animation technology for 3D avatars. 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 investments 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 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 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, 2020, we had federal net operating loss carryforwards of \$323.3 million, which begin to expire in 2024, state net operating loss carryforwards of \$91.6 million, which begin to

expire in 2027, and foreign net operating loss carryforwards of \$3.0 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, or the Code, and other similar provisions. Further, the Tax Cuts and Jobs Act, or the Tax Act, as modified by the Coronavirus Aid Relief, and Economic Security Act, or the CARES Act, changed the federal rules governing net operating loss carryforwards. Of the \$323.3 million of federal net operating losses, \$249.8 million is carried forward indefinitely but is limited to 80% of taxable income. Further, carryback of net operating losses is generally prohibited for tax years beginning after December 1, 2020. Our net operating loss carryforwards may also be subject to limitations under state law. For example, California recently enacted legislation suspending the use of net operating loss carryforwards for taxable years 2020, 2021, and 2022 for many taxpayers. Net operating loss carryforwards generated before January 1, 2018 will not be subject to the Tax Act's taxable income limitation and will continue to have a twenty-year carryforward period. 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, or FASB, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. 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. In particular, in February 2016, the FASB issued Accounting Standards Codification, or ASC, 842, which supersedes the lease accounting guidance in ASC 840, Leases. The core principle of ASC 842 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. As an "emerging growth company," we are allowed under the JOBS Act to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We have elected to take advantage of this extended transition period under the JOBS Act with respect to ASC 842, which will result in ASC 842 becoming effective for us beginning on January 1, 2022 unless we choose to adopt it earlier. 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.

We are evaluating the impact of the adoption of ASC 842 and currently believe the most significant impact upon adoption will be the recognition of material right-of-use assets and lease liabilities on our consolidated balance sheets associated with operating leases. We do not believe this standard will have a material impact on our consolidated statements of operations.

***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 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, 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 common stock.

***The stock-based compensation expense related to our RSUs and other outstanding equity awards will result in increases in our expenses in future periods and we may also 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.***

We have granted RSUs to our employees and directors, which generally vest upon the satisfaction of both service-based and liquidity event-related performance vesting conditions occurring before the award’s expiration date. The service-based vesting period is generally satisfied by the award holder providing services to us over a four-year period. The liquidity event-related performance vesting condition will be satisfied 90 days following our direct listing. As of December 31, 2020, no stock-based compensation expense had been recognized for such RSUs because a qualifying event as described above was not probable.

In February 2021, our compensation committee granted the Founder and 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 Founder and 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 Founder and CEO Long-Term Performance Award was estimated to be \$20.35 per share, and we estimate that we will recognize total stock-based compensation expense of approximately \$234 million over the requisite service period of each of the seven separate tranches of the Founder and 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. See the section titled “Executive Compensation—Founder and CEO Long-Term Performance Award “ for additional information about the Founder and CEO Long-Term Performance Award.

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 Founder and 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, 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.

***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, data privacy, product liability, employment, class action, whistleblower and other litigation claims, and governmental and other regulatory investigations and proceedings. 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. In addition, 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 and power outages, either 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.

***If we are determined to be an “investment company,” it will significantly affect our operational flexibility and our operating results.***

If the SEC determines that we are required to register as an “investment company” it would result in the imposition of additional corporate governance and operational requirements through the application of the federal Investment Company Act of 1940. Any such burdens could be material. Among the particular repercussions for us as an “investment company” under the Investment Company Act of 1940, could be a short or long-term affect to liquidity and an increase our cost of capital and operational expenses, all of which would adversely affect our operating results. It is possible that such an outcome could threaten the viability of our business.

### **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, or collectively with other applicable export control and economic sanctions laws and regulations, 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, including the fact that our payment processors will not allow any paid activity by users, developers, and creators that attempt to access our platform from various jurisdictions specified by OFAC such as the Crimea region, Cuba, Iran, North Korea, and Syria. 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. 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. Compliance with such applicable regulatory requirements may create delays in the introduction of our platform in some international markets or prevent our international users from accessing our platform.

***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 could block access to or require a license for our platform, our website, operating system platforms, application stores or the internet generally for a number of reasons, including security, privacy, data protection, confidentiality, or regulatory concerns which may include, among other things, governmental restrictions on certain content in a particular country and a requirement that user information be stored on servers in a country within which we operate. For example, 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, our business could be negatively impacted, we could be subject to additional fines and penalties, our developers, creators, and users could decline or grow more slowly, and our results of operations could be adversely affected.

***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 protection, security, 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 protection, security, 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 framework for privacy, data protection, and data transfers worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future.

Certain laws and regulations, such as the GDPR, which went into effect in May 2018, has placed and will continue to place significant data protection obligations and restrictions on organizations such as ours and may require us to continue to change our policies and procedures. The GDPR imposed more stringent data protection requirements and provides greater penalties for noncompliance than previous data protection laws, including potential penalties of up to €20 million or 4% of annual global revenues. If we are found not to be compliant with GDPR requirements, we may be subject to significant fines, the risk of civil litigation, and reputational damage, and our business may be seriously harmed.

Recently, the European Court of Justice struck down the EU-U.S. Privacy Shield framework, which provided companies with a mechanism to comply with data protection requirements when transferring personal data from the EU to the U.S. To the extent that any of our service providers, or consultants have been relying on the EU-U.S. Privacy Shield Framework, they cannot do so in the future, which could increase our costs and may limit our ability to process personal data from the EU. The same decision also cast doubt on the ability to use one of the primary alternatives to the EU-U.S. Privacy Shield framework, namely, the European Commission's Standard Contractual Clauses, to lawfully transfer personal data from Europe to the U.S. and most other countries. At present, there are few, if any, viable alternatives to the Privacy Shield Frameworks and the Standard Contractual Clauses for the foregoing purposes.

Following a referendum in June 2016 in which voters in the United Kingdom approved an exit from the EU, the United Kingdom government has initiated a process to leave the EU, known as Brexit. Brexit has created uncertainty with regard to the regulation of data protection in the United Kingdom. In particular, while the Data Protection Act of 2018, which implements and complements the GDPR achieved Royal Assent on May 23, 2018 and is now effective in the United Kingdom, it is still unclear whether transfer of data from the European Economic Area to the United Kingdom will remain lawful under the GDPR. During the period of "transition" (i.e., until December 31, 2020), EU law will continue



to apply in the United Kingdom, including the GDPR, after which it is expected that the Data Protection Act will substantially convert the requirements of the GDPR into United Kingdom law. However, we cannot fully predict how the Data Protection Act and other United Kingdom data protection laws or regulations may develop in the medium to longer term, affecting how data transfers to and from the United Kingdom will be regulated. We continue to monitor and review the impact of any resulting changes to EU or United Kingdom law that could affect our operations. Beginning in 2021, the United Kingdom will be a “third country” under the GDPR. 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 and data protection in connection with any measures we take to comply with them.

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. Administrative enforcement is anticipated to begin August 1, 2021, and may include fines of up to 2% of the organization’s annual global revenue or 50M reais (approximately \$9.3 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*, or ANPD) has been established to provide forthcoming 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. Pending such developments from the ANPD and any emerging caselaw, the Company’s LGPD approach may be subject to further change, our compliance measures when implemented may not be fully adequate, we may expend significant time and cost in developing a privacy governance program and data transfer mechanisms to comply with the LGPD and any implementing regulations or guidance, and we may potentially face litigation prior to the implementation of regulations and guidance regarding the LGPD or before we have had a reasonable opportunity to fully implement measures designed to comply with such regulations and guidance.

In addition, the CCPA, went into effect in January 2020 and established a new privacy framework for covered businesses such as ours, requiring us to modify our data processing practices and policies and incur compliance related costs and expenses. The CCPA also 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. If a ballot initiative to amend the CCPA passes in the upcoming California general election, the CCPA may be revised to place more restrictions on companies’ use of user data and potentially increase regulatory enforcement, and it remains unclear how various provisions of the CCPA will be interpreted and enforced. Additionally, a new privacy law, the California Privacy Rights Act, or CPRA, was approved by California voters in November 2020. The CPRA would significantly modify the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. The enactment of the CCPA is prompting similar legislative developments in other states in the U.S., which could 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 this legislation are far-reaching and may require us to modify data processing practices and policies, incur substantial costs and expenses in an effort to comply, or restrict our operations.

We take reasonable efforts to comply with all applicable laws, policies, legal obligations and certain industry codes of conduct relating to privacy and data protection, and security. However, it is possible that the obligations imposed on us by applicable data privacy laws and regulations 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. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to users or other third parties, or our other policies or obligations relating to privacy, data protection, or security, or any actual or perceived compromise of security, including any such compromise that results in the unauthorized release or transfer of personally identifiable 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.***

In January 2018, the Federal Communications Commission, or 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. In response to this decision California and a number of states implemented their own net neutrality rules which largely mirrored the repealed federal regulations. The application of these state laws remains uncertain, including due to litigation against certain of these state laws. 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 FCC, 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, 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 gift cards, advertising, electronic marketing, protection of minors, data protection and privacy, data localization requirements, online services, data protection, anti-competition, freedom of speech, labor, real estate, taxation, 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 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, 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.

In addition, there are ongoing academic, political, and regulatory discussions in the U.S., Canada, Europe, 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. 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, 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 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, 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 and use Robux to enrich their experience in various ways on our platform. For example, Robux are often used to purchase virtual clothes 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 make 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 e-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 e-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 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 e-gift 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, anti-bribery, and anti-money laundering, 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-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.

As we increase our international business, we may engage 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 may have 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.

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 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, 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.

***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 of third parties in violation of our terms of service. 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 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. 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. Certain record companies and music publishers, either directly or through their authorized representatives, also maintain that we are subject to liability for infringing content that was previously uploaded to our platform and have stated that they may seek damages for such infringement. We vigorously dispute the claims of infringement but could be subject to an adverse judgment in any litigation if a lawsuit were filed against us or be forced to settle any claims for an as-yet undetermined amounts. Depending on how such claims are resolved, the impact on us could be material.

The EU enacted a law that came into effect on June 6, 2019 that will 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 have until June 6, 2021 to pass legislation to implement the law in their respective countries. To comply with this new law, we will likely have to devote significant time and resources to develop 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 without adopting some form of robust content identification systems.

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 laws 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 such third-party intellectual property rights, or if we cannot license or develop alternative technology for any infringing aspect of our business, we would 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, 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, or the DMCA, which provides immunity from monetary damages for online service providers such as us for, among other things, infringing content uploaded to our platform by our users provided we comply with certain statutory requirements, and Section 230 of the Communications Decency Act, or the 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. President Trump recently issued an executive order directing the FCC to redefine Section 230 of the CDA in such a way as to remove certain social media companies from its protection. If Section 230 of the CDA were so amended or repealed, we could potentially be subject to liability if we continue to censor speech, even if that speech were offensive to our users.

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 is also reportedly reviewing the regulation of digital services, and it has been reported that the EU plans to introduce the Digital Services Act, a package of legislation intended to update the liability and safety rules for digital platforms, products, and services, which could negatively impact the scope of the limited immunity provided to us by the E-Commerce Directive. In countries in Asia and Latin America, generally there are not similar statutes to the CDA or E-Commerce Directive. 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.***

Our agreements with third parties generally 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, we cannot assure you 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, we cannot assure you 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**

***Our listing differs significantly from an underwritten initial public offering.***

This is not an underwritten initial public offering of our Class A common stock. This listing of our Class A common stock on the NYSE differs from an underwritten initial public offering in several significant ways, which include, but are not limited to, the following:

- There are no investment banks conducting an underwritten initial public offering. Consequently, prior to the opening of trading on the NYSE, and in connection with the direct listing, there was no book building process and no price at which any investment banks acting as underwriters initially sell shares to the public to help inform efficient and sufficient price discovery with respect to the opening trades on the NYSE. Therefore, buy and sell orders submitted prior to and at the opening of trading of our Class A common stock on the NYSE will not have the benefit of being informed by a published price range or a price at which the underwriters initially sell shares to the public, as would be the case in an underwritten initial public offering. Moreover, there will be no underwriters assuming risk in connection with the initial resale of shares of our Class A common stock. Unlike the case in a traditional underwritten offering, this registration statement does not provide for an over-allotment option of the underwriters to purchase additional shares from us. Moreover, we will not engage in, and have not and will not, directly or indirectly, request the financial advisors to engage in, any special selling efforts or stabilization or price support activities in connection with any sales made pursuant to this registration statement. In an underwritten initial public offering, the underwriters may engage in "covered" short sales in an amount of shares representing the underwriters' option to purchase additional shares. To close a covered short position, the underwriters purchase shares in the open market or exercise the underwriters' option to purchase additional shares. In determining the source of shares to close the covered short position, the underwriters typically consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the underwriters' option to purchase additional shares. Purchases in the open market to cover short positions, as well as other purchases underwriters may undertake for their own accounts in an initial public offering, may have the effect of preventing a decline in the trading price of shares. Given that there will be no underwriters' option to purchase additional shares and no underwriters engaging in stabilizing

transactions, there could be greater volatility in the public price of our Class A common stock during the period immediately following the direct listing. See the section titled “Risk Factors—Risks Related to Ownership of our Class A Common Stock—The public trading price of our Class A common stock may be volatile, and could, upon listing on the NYSE, decline significantly and rapidly” below.

- There is not a fixed or determined number of shares of our Class A common stock available for sale in connection with the registration and the listing. Therefore, there can be no assurance that any registered stockholders or other existing stockholders will sell any of their shares of our Class A common stock and there may initially be a lack of supply of, or demand for, shares of our Class A common stock on the NYSE. Alternatively, we may have a large number of registered stockholders or other existing stockholders who choose to sell their shares of our Class A common stock in the near term, resulting in potential excess supply of our Class A common stock, which could adversely impact the public price of our Class A common stock once listed on the NYSE and thereafter.
- None of our registered stockholders or other existing stockholders have entered into contractual lock-up agreements or other restrictions on transfer. In an underwritten initial public offering, it is customary for an issuer’s officers, directors, and most or all of its other stockholders to enter into a contractual lock-up arrangement with the underwriters to help promote orderly trading immediately after such initial public offering. Consequently, any of our stockholders, including our directors and officers who own our Class A common stock or Class B common stock and other significant stockholders, may sell any or all of their shares at any time (subject to any restrictions under applicable law, and in the case of shares of Class B common stock, upon conversion of any shares of Class B common stock into Class A common stock at the time of sale), including immediately upon listing. If such sales were to occur in a significant volume in a short period of time following the listing, it may result in an oversupply of our Class A common stock in the market, which could adversely impact the trading price of our Class A common stock. See the section titled “Risk Factors—Risks Related to Ownership of our Class A Common Stock—None of our stockholders are party to any contractual lock-up agreement or other contractual restrictions on transfer. Following our listing, sales of substantial amounts of our Class A common stock in the public markets, or the perception that sales might occur, could cause the trading price of our Class A common stock to decline.”
- We will not conduct a traditional “roadshow” prior to the opening of trading of our Class A common stock on the NYSE as would be typical in an underwritten initial public offering. Instead, we intend to host one investor day and engage in additional investor education meetings. In advance of the investor day, we will announce the date for such day over financial news outlets in a manner consistent with typical corporate outreach to investors. We intend to prepare an electronic presentation for this investor day, which will have content similar to a traditional roadshow presentation, and to make the presentation publicly available, without restrictions, on our website. There can be no guarantee that the investor day and other investor education meetings will have the same impact on investor education as a traditional “roadshow” conducted in connection with an underwritten initial public offering. As a result, there may not be efficient or sufficient price discovery with respect to our Class A common stock or sufficient demand among potential investors immediately after our listing, which could result in a more volatile public trading price of our Class A common stock.

Such differences from an underwritten initial public offering could result in a volatile trading price for our Class A common stock and uncertain trading volume, which may adversely affect your ability to sell any shares of our Class A common stock that you may purchase.

***The public trading price of our Class A common stock may be volatile, and could, upon listing on the NYSE, decline significantly and rapidly.***

The listing of our Class A common stock and the registration of the registered stockholders' shares of Class A common stock is a process that is not an underwritten initial public offering. We have engaged Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, and BofA Securities, Inc. as our financial advisors. In connection with the direct listing, there was no book building process and no price at which any investment banks acting as underwriters initially sold shares to the public to help inform efficient and sufficient price discovery with respect to the opening trades on the NYSE. As there has not been a recent sustained history of trading in our Class A common stock in a private placement market prior to listing, NYSE listing rules require that a designated market maker, or DMM, consult with a financial advisor in order to effect a fair and orderly opening of our Class A common stock without coordination with us, consistent with the applicable securities laws in connection with our listing on the NYSE. Accordingly, Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, and BofA Securities, Inc. will be available to consult with the DMM who will be setting the opening public trading price of our Class A common stock on the NYSE. Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, and BofA Securities, Inc. are expected to provide input to the DMM regarding their understanding of the ownership of our outstanding Class A common stock and pre-listing selling and buying interest in our Class A common stock. The financial advisors will not engage in a book building process as would typically be undertaken by underwriters in a registered initial public offering. Instead, the input that the financial advisors provide to the DMM will be based on information they become aware of from potential investors and holders of our Class A common stock (which may include certain of the registered holders) in connection with investor education regarding the process and mechanics of the direct listing, the receipt of buy and sell orders, and other customary brokerage activities undertaken without coordination with us. We will endeavor, and it is our understanding that the financial advisors and any affiliated persons each will endeavor, to conduct our and their activities specifically in compliance with Regulation M (to the extent that Regulation M applies to such activities). The DMM, in consultation with Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, and BofA Securities, Inc., is also expected to consider the information in the section titled "Sale Price History of Our Class A Common Stock." Based on information provided to the NYSE, the opening public trading price of our Class A common stock on the NYSE will be determined by buy and sell orders collected by the NYSE from broker-dealers, and the NYSE is where buy orders can be matched with sell orders at a single price. Based on such orders, the DMM will determine an opening price for our Class A common stock pursuant to NYSE rules. However, because our financial advisors have not engaged in a book building process in connection with the direct listing, they will not be able to provide input to the DMM that is based on or informed by that process. For more information, see the section titled "Plan of Distribution."

Moreover, prior to the opening trade, there will not be a price at which any investment banks acting as underwriters initially sold shares of our Class A common stock to the public as there would be in an underwritten initial public offering. The absence of a predetermined initial public offering price could impact the range of buy and sell orders collected by the NYSE from various broker-dealers. Consequently, upon listing on the NYSE, the public trading price of our Class A common stock may be more volatile than in an underwritten initial public offering and could decline significantly and rapidly.

Further, because of our listing process, individual investors may have greater influence in setting the opening public trading price and subsequent public trading prices of our Class A common stock on the NYSE and may participate more in our initial and subsequent trading, leading to an increased amount of smaller orders at numerous prices, for example, than is typical for an underwritten initial public offering with more institutional investor influence. These factors could result in more volatility in the public trading price of our Class A common stock and an unsustainable trading price if the price of our Class A common stock significantly rises upon listing and institutional investors believe our Class A common stock is worth less than retail investors, in which case the price of our Class A common stock



may decline over time. Further, if the public trading price of our Class A common stock is above the level that investors determine is reasonable for our Class A common stock, some investors may attempt to short our Class A common stock after trading begins, which would create additional downward pressure on the public trading price of our Class A common stock. There will likely be more ability for investors to short our Class A common stock in early trading than is typical for an underwritten initial public offering given increased availability of our Class A common stock on the trading markets in part due to the lack of contractual lock-up agreements or other restrictions on transfer. To the extent that there is a lack of awareness among retail investors, such lack of awareness could reduce the value of our Class A common stock and cause volatility in the public trading price of our Class A common stock.

The public trading price of our Class A common stock following the listing could be subject to fluctuations in response to various factors, including those listed in this prospectus, 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 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 financial guidance or projections, any changes in those projections 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 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;
- other events or factors, including those resulting from war, incidents of terrorism, pandemics, including the COVID-19 pandemic, wildfires or 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 trading price of our Class A common stock, upon listing on the NYSE, may have little or no relationship to the historical sales prices of our Class A common stock in private transactions.***

Prior to the listing of our Class A common stock on the NYSE, our shares have not been listed on any stock exchange or other public trading market and have an extremely limited history of trading in private transactions. In the section titled "Sale Price History of Our Class A Common Stock," we have provided the historical sales prices of our capital stock in private transactions. However, this information may have little or no relation to broader market demand for our Class A common stock and thus the public trading price of our Class A common stock on the NYSE once trading begins. As a result, you should not place undue reliance on these historical sales prices as they may differ materially from the opening public trading prices and subsequent public trading prices of our Class A common stock on the NYSE. For more information about how the initial listing price on the NYSE will be determined, see the section titled "Plan of Distribution."

***An active, liquid, and orderly market for our Class A common stock may not develop or be sustained. You may be unable to sell your shares of Class A common stock at or above the price you bought them for.***

We currently expect our Class A common stock to be listed and traded on the NYSE. Prior to listing on the NYSE, there has been no public market for our Class A common stock. Moreover, consistent with Regulation M and other federal securities laws applicable to our listing, we have not consulted with registered stockholders or other existing stockholders regarding their desire or plans to sell shares in the public market following the listing or discussed with potential investors their intentions to buy our Class A common stock in the open market following the listing. While our Class A common stock may be sold after our listing on the NYSE by the registered stockholders pursuant to this prospectus or by our other existing stockholders in accordance with Rule 144 of the Securities Act, unlike an underwritten initial public offering, there can be no assurance that any registered stockholders or other existing stockholders will sell any of their shares of Class A common stock and there may initially be a lack of supply of, or demand for, our Class A common stock on the NYSE.

Conversely, there can be no assurance that the registered stockholders and other existing stockholders will not sell all of their shares of Class A common stock, resulting in excess supply of our Class A common stock on the NYSE.

In the case of a lack of supply of our Class A common stock, the trading price of our Class A common stock may rise to an unsustainable level. Further, institutional investors may be discouraged from purchasing our Class A common stock if they are unable to purchase a block of our Class A common stock in the open market due to a potential unwillingness of our existing stockholders to sell a sufficient amount of Class A common stock at the price offered by such institutional investors and the greater influence individual investors have in setting the trading price. If institutional investors are unable to purchase our Class A common stock, the market for our Class A common stock may be more volatile without the influence of long-term institutional investors holding significant amounts of our Class A common stock. In the case of a lack of demand for our Class A common stock, the trading price of our Class A common stock could decline significantly and rapidly after our listing. Therefore, an active, liquid, and orderly trading market for our Class A common stock may not initially develop or be sustained, which could significantly depress the public trading price of our Class A common stock and result in significant volatility, which could affect your ability to sell your shares of Class A common stock.

***None of our stockholders are party to any contractual lock-up agreement or other contractual restrictions on transfer. Following our listing, sales of substantial amounts of our Class A common stock in the public markets, or the perception that sales might occur, could cause the trading price of our Class A common stock to decline.***

In addition to the supply and demand and volatility factors discussed above, sales of a substantial number of shares of our Class A common stock into the public market, particularly sales by our founders, directors, executive officers, and principal stockholders, or the perception that these sales might occur in large quantities, could cause the trading price of our Class A common stock to decline. None of our securityholders are subject to any contractual lock-up or other restriction on the transfer or sale of their shares.

As of January 15, 2021, after giving effect to the conversion of all outstanding shares of our preferred stock to shares of Class A common stock upon the effectiveness of the registration statement of which this prospectus forms a part, we had 493,253,146 shares of Class A common stock outstanding and 57,287,302 shares of Class B common stock outstanding, all of which are “restricted securities” (as defined in Rule 144 under the Securities Act). Approximately 388.2 million of these shares of Class A common stock may be immediately sold either by the registered stockholders pursuant to this prospectus or by our other existing stockholders under Rule 144 since such shares held by such other stockholders will have been beneficially owned by non-affiliates for at least one year. Moreover, once we have been a reporting company subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act for 90 days and assuming the availability of certain public information about us, (i) non-affiliates who have beneficially owned our common stock for at least six months may rely on Rule 144 to sell their shares of common stock, and (ii) our directors, executive officers, and other affiliates who have beneficially owned our common stock for at least six months, including certain of the shares of Class A common stock covered by this prospectus to the extent not sold hereunder, will be entitled to sell their shares of our Class A common stock subject to volume limitations under Rule 144.

In addition, following the effectiveness of the registration statement of which this prospectus forms a part, we intend to file a registration statement on Form S-8 under the Securities Act to register all shares subject to options and restricted stock units, or RSUs, outstanding or reserved for future issuance under our equity compensation plans. As of January 15, 2021, we had 98,356,381 options outstanding that, if fully exercised, would result in the issuance of shares of Class A common stock, as

well as 3,061,237 shares of Class A common stock subject to RSU awards. In addition, 11,500,000 shares of Class A common stock subject to an RSU award that was granted subsequent to January 15, 2021 are issuable to Mr. Baszucki upon satisfaction of service-based and stock price vesting conditions under our 2017 Plan. See the section titled “Executive Compensation—Founder and CEO Long-Term Performance Award” for additional details. Accordingly, these shares will be able to be freely sold in the public market upon issuance, subject to applicable vesting requirements and compliance by affiliates with Rule 144.

Based on the number of shares of our capital stock outstanding as of January 15, 2021, and following the effectiveness of the registration statement of which this prospectus forms a part, the holders of up to 498,771,845 shares of our Class A common stock issued or issuable upon conversion of our Class B common stock, will have rights, subject to some conditions, to require us to file registration statements for the public resale of such Class A common stock or to include such shares in registration statements that we may file for us or other stockholders. Any registration statement we file to register additional shares, whether as a result of registration rights or otherwise, could cause the trading price of our Class A common stock to decline or be volatile.

***As of January 15, 2021, our executive officers, directors, and holders of 5% or more of our Class A common stock collectively beneficially owned approximately 65.5% of the outstanding shares of our Class A common stock and 100% of the outstanding shares of our Class B common stock and continued to have substantial control over us, which may limit your ability to influence the outcome of important transactions, including a change in control.***

Our directors, executive officers, and other principal stockholders who own 5% or more of our outstanding Class A common stock and their affiliates beneficially own, in the aggregate, approximately 65.5% of the outstanding shares of our Class A common stock and 100% of the outstanding shares of our Class B common stock as of January 15, 2021. As a result, these stockholders, if acting together, are able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our company or its assets. They may also have interests that differ from yours and may vote in a way with which you disagree which may be adverse to your interests. This concentration of ownership could limit your ability to influence corporate matters and may have the effect of delaying, preventing or deterring a third party from acquiring control over our company, could deprive our stockholders of an opportunity to receive a premium for their Class A common stock as part of a sale of our company and might ultimately affect the market price of our Class A common stock.

***The dual class stock structure of our common stock has the effect of concentrating voting control in our founder, which limit or preclude 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, registered in this listing, has one vote per share. Our Founder and Chief Executive Officer, and largest stockholder, David Baszucki and his affiliates, beneficially own 100% of our outstanding Class B common stock, together as a single class, representing 70.1% of the voting power of our capital stock as of January 15, 2021, which voting power may increase over time as Mr. Baszucki exercises or vests in equity awards outstanding at the time of the completion of this offering. If all such equity awards held by Mr. Baszucki had been exercised or vested and exchanged for shares of Class A common stock as of the date of the completion of this offering, Mr. Baszucki would hold 70.8% of the voting power of our outstanding capital stock. David 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 the date of effectiveness of the registration statement of which this prospectus forms a part continues to remain outstanding, (iii) the date that is 15 years from the first day of trading shares of capital stock of the Company on the NYSE, (iv) nine months after the death or permanent disability of Mr. Baszucki, or (v) nine months after the date that Mr. Baszucki no longer serves as our Chief Executive Officer 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. See the section titled “Description of Capital Stock” for additional information on the dual class stock structure of our common stock.

***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 have announced restrictions on including companies with multiple-class share structures in certain of their indices. In July 2017, FTSE Russell announced that it plans to require new constituents of its indices to have greater than 5% of a company’s voting rights in the hands of public stockholders, and S&P Dow Jones announced that it will no longer admit companies with multiple-class share structures to certain of its indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400, and S&P SmallCap 600, which together make up the S&P Composite 1500. Also in 2017, MSCI, a leading stock index provider, opened public consultations on their treatment of no-vote and multi-class structures and temporarily barred new multi-class listings from certain of its indices; however, in October 2018, MSCI announced its decision to include equity securities “with unequal voting structures” in its indices and to launch a new index that specifically includes voting rights in its eligibility criteria. Under such announced policies, the dual class structure of our common stock would make us ineligible for inclusion in certain indices and, as a result, mutual funds, exchange-traded funds, and other investment vehicles that attempt to passively track those indices would not invest in our Class A common stock. These policies are relatively new and it is unclear what effect, if any, they will have on the valuations of publicly-traded companies excluded from such indices, but it is possible that they may depress valuations as compared to similar companies that are included. Because of the dual class structure of our common stock, we will likely be excluded from certain indices, and we cannot assure you that other stock indices will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from certain stock indices would likely preclude investment by many of these funds and would make our Class A common stock less attractive to other investors. As a result, the trading price of our Class A common stock could be adversely affected.

***We are an “emerging growth company” and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A common stock less attractive to investors.***

We are an “emerging growth company,” as defined in the JOBS Act, and have the option to utilize certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive

compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We will remain an emerging growth company until the earlier of (i) the last day of the fiscal year (A) following the fifth anniversary of this listing, (B) in which we have total annual revenue of at least \$1.07 billion, or (C) in which we are deemed to be a large accelerated filer, with at least \$700 million of equity securities held by non-affiliates as of the prior June 30th, and (ii) the date on which we have issued more than \$1 billion in non-convertible debt during the prior three-year period.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates. Further, we may take advantage of some of the other reduced regulatory and reporting requirements that will be available to us so long as we qualify as an “emerging growth company.”

Among other things, this means that our independent registered public accounting firm will not be required to provide an attestation report on the effectiveness of our internal control over financial reporting so long as we qualify as an emerging growth company, which may increase the risk that weaknesses or deficiencies in our internal control over financial reporting go undetected. Likewise, so long as we qualify as an emerging growth company, we may elect not to provide you with certain information, including certain financial information and certain information regarding compensation of our executive officers, that we would otherwise have been required to provide in filings we make with the SEC, which may make it more difficult for investors and securities analysts to evaluate our company. As a result, investor confidence in our company and the market price of our Class A common stock may be adversely affected. Further, we cannot predict if investors will find our Class A common stock less attractive because we will rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

***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 $\frac{2}{3}$ % 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 will 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 Chief Executive Officer, 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 will authorize 100 million 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 securities 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.

***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 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. In addition, our credit agreement contains restrictions on our ability to pay dividends. 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.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus 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 “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “would,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential,” 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 prospectus 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, operating expenses, 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;
- the sufficiency of our cash, cash equivalents, and marketable securities to meet our liquidity needs;
- the demand for our platform in general;
- our ability to increase our number of users, developers, and creators;
- 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;
- future acquisitions or investments;
- 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;
- the functionality and economics of our platform on mobile operating systems;
- our ability to continue to provide a safe and civil online environment, particularly for children;
- our ability to develop and protect our brand;
- our ability to maintain the security and availability of our platform;
- our 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;
- Tencent’s ability to successfully publish and operate Luobolesi in China;

- our expectations surrounding Robux as an attractive virtual currency and incentives to reinvest Robux in the platform;
- the impact of foreign currency exchange rates on results of operations;
- economic, seasonal, and industry trends;
- the impact of the COVID-19 pandemic, including on our users', developers', and creators' usage and spending habits, and any associated economic downturn on our business and results of operations;
- our estimates related to stock-based compensation expenses; 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 prospectus.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this prospectus 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 prospectus. 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 prospectus. 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 prospectus 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 prospectus to reflect events or circumstances after the date of this prospectus 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.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this prospectus, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

## **INDUSTRY, MARKET AND OTHER DATA**

Unless otherwise indicated, estimates and information contained in this prospectus concerning our industry and the market in which we operate, including our general expectations, market position, and market opportunity, are based on industry publications and reports generated by third-party providers, other publicly available studies and our internal sources and estimates. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Although we are responsible for all of the disclosure contained in this prospectus and we believe the information from the industry publications and other third-party sources included in this prospectus is reliable, we have not independently verified the accuracy or completeness of the data contained in such sources. Similarly, while we believe our management estimates to be reasonable, they have not been verified by any independent sources. Forecasts and other forward-looking information with respect to industry are subject to the same qualifications and additional uncertainties regarding the other forward-looking statements in this prospectus. See the section titled “Special Note Regarding Forward Looking Statements.”

The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled “Risk Factors” and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

## **USE OF PROCEEDS**

Registered stockholders may, or may not, elect to sell shares of our Class A common stock covered by this prospectus. To the extent any registered stockholder chooses to sell shares of our Class A common stock covered by this prospectus, we will not receive any proceeds from any such sales of our Class A common stock. See the section titled "Principal and Registered Stockholders."



## **DIVIDEND POLICY**

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions and other factors that our board of directors may deem relevant.

**CAPITALIZATION**

The following table sets forth cash, cash equivalents, and marketable securities as well as our capitalization, as of December 31, 2020 as follows:

- on an actual basis;
- on a pro forma basis, giving effect to (i) the issuance of 11,888,886 shares of our Series H convertible preferred stock and related gross proceeds of \$535.0 million subsequent to December 31, 2020, (ii) the automatic conversion of all outstanding shares of our convertible preferred stock, including our Series H convertible preferred stock, into an aggregate of 349,123,976 shares of our Class A common stock, as if such conversion had occurred on December 31, 2020, and (iii) the filing and effectiveness of our amended and restated certificate of incorporation to be effective shortly before the effectiveness of the registration statement of which this prospectus forms a part.

You should read this table together with our consolidated financial statements and related notes, and the sections titled “Selected Consolidated Financial and Other Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” that are included elsewhere in this prospectus.

	<b>As of December 31, 2020</b>	
	<b>Actual</b>	<b>Pro Forma</b>
	<b>(in thousands, except per share amounts)</b>	
Cash, cash equivalents, and marketable securities	<u>\$ 893,943</u>	<u>\$ 1,428,943</u>
Convertible preferred stock, \$0.0001 par value per share: 349,522,440 shares authorized, 337,235,090 shares issued and outstanding, actual; no shares authorized, no shares issued or outstanding, pro forma	<u>344,827</u>	<u>—</u>
Stockholders’ equity (deficit):		
Preferred stock, \$0.0001 par value per share: no shares authorized, issued and outstanding, actual; 100,000,000 shares authorized, no shares issued and outstanding, pro forma.	—	—
Class A common stock, \$0.0001 par value per share: 675,000,000 shares authorized, 144,039,488 shares issued and outstanding, actual; 4,935,000,000 shares authorized, 493,163,464 shares issued and outstanding, pro forma	14	49
Class B common stock, \$0.0001 par value per share: 65,000,000 shares authorized, 57,287,302 issued and outstanding, actual and pro forma	6	6
Additional paid-in capital	239,792	1,119,584
Accumulated other comprehensive income (loss)	90	90
Accumulated deficit	(492,290)	(492,290)
Total Roblox Corporation stockholders’ equity (deficit)	(252,388)	627,439
Noncontrolling interests	20,007	20,007
Total stockholders’ equity (deficit)	(232,381)	647,446
Total capitalization	<u>\$ 112,446</u>	<u>\$ 647,446</u>

The pro forma column in the table above is based on 493,163,464 shares of our Class A common stock outstanding as of December 31, 2020 (after giving effect to the automatic conversion of all outstanding shares of our convertible preferred stock, including our Series H convertible preferred stock issued subsequent to December 31, 2020, on an as-converted basis) and 57,287,302 shares of our Class B common stock outstanding as of December 31, 2020, and excludes the following:

- 1,700,000 shares of our Class A common stock issued upon the conversion of 1,700,000 shares of our Class B common stock that were outstanding as of December 31, 2020 by entities affiliated with David Baszucki, our Founder, President, Chief Executive Officer and Chair of our board of directors;
- 98,501,384 shares of our Class A common stock issuable upon the exercise of options to purchase shares of our Class A common stock that were outstanding as of December 31, 2020, under our 2017 Plan and 2004 Plan, with a weighted-average exercise price of \$2.55 per share;
- 324,000 shares of our Class A common stock issuable upon the exercise of warrants to purchase Class A common stock outstanding as of December 31, 2020, with an exercise price of \$3.41 per share;
- 3,061,237 RSUs outstanding covering shares of our Class A common stock issuable upon satisfaction of both service-based and liquidity event-based vesting conditions under our 2017 Plan as of December 31, 2020;
- 89,682 shares of our Class A common stock issued upon the exercise of options under our 2017 Plan subsequent to December 31, 2020;
- 11,500,000 RSUs outstanding covering shares of our Class A common stock, or the Founder and CEO Long-Term Performance Award, issuable to Mr. Baszucki upon satisfaction of service-based and stock price vesting conditions under our 2017 Plan, granted subsequent to December 31, 2020; and
- 81,448,094 shares of our Class A common stock reserved for future issuance under our equity compensation plans, as of December 31, 2020, consisting of:
  - 60,000,000 shares of our Class A common stock to be reserved for future issuance under our 2020 Plan, which will become effective in connection with the effectiveness of the registration statement of which this prospectus forms a part;
  - 15,448,094 shares of our Class A common stock reserved for future issuance under our 2017 Plan, as of December 31, 2020, which number of shares will be added to the shares of our Class A common stock to be reserved for future issuance under our 2020 Plan upon its effectiveness, at which time we will cease granting awards under our 2017 Plan; and
  - 6,000,000 shares of our Class A common stock to be reserved for future issuance under our ESPP, which will become effective in connection with the effectiveness of the registration statement of which this prospectus forms a part.

Our 2020 Plan and ESPP each provide for annual automatic increases in the number of shares of our Class A common stock reserved thereunder, and our 2020 Plan also provides for increases to the number of shares that may be granted thereunder based on shares under our 2017 Plan and 2004 Plan that expire, are tendered to or withheld by us for payment of an exercise price or for satisfying tax withholding obligations or are forfeited or otherwise repurchased by us, as more fully described in the section titled “Executive Compensation—Employee Benefit and Stock Plans.”

**SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA**

The following tables set forth our selected consolidated financial and other data. The selected consolidated statements of operations data for the years ended December 31, 2018, 2019, and 2020 and the selected consolidated balance sheet data (except the pro forma share and net loss per share information) as of December 31, 2018, 2019, and 2020 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. You should read the following selected consolidated financial data below in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included elsewhere in this prospectus. The selected consolidated financial data in this section are not intended to replace, and are qualified in their entirety by, the consolidated financial statements and related notes.

**Consolidated Statements of Operations Data**

	Year Ended December 31,		
	2018	2019	2020
	(dollars in thousands, except per share data)		
Revenue	\$ 324,956	\$ 508,393	\$ 923,885
Cost and expenses:			
Cost of revenue(1)	72,978	122,381	239,898
Developer exchange fees	71,887	111,976	328,740
Infrastructure and trust & safety(2)	105,590	156,699	264,226
Research and development(2)	87,051	107,095	201,433
General and administrative(2)	34,460	41,945	97,341
Sales and marketing(2)	40,542	44,737	58,384
Total cost and expenses	412,508	584,833	1,190,022
Loss from operations	(87,552)	(76,440)	(266,137)
Interest income	3,759	6,546	1,822
Other expense, net	(4,279)	(1,211)	(32)
Loss before provision for income taxes	(88,072)	(71,105)	(264,347)
Provision (benefit) for income taxes	3	9	(6,656)
Consolidated net loss	(88,075)	(71,114)	(257,691)
Net loss attributable to the noncontrolling interest(3)	—	(146)	(4,437)
Net loss attributable to common stockholders	\$ (88,075)	\$ (70,968)	\$ (253,254)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.60)	\$ (0.44)	\$ (1.39)
Weighted-average shares used in computing net loss per share attributable to common stockholders—basic and diluted(4)	147,278	163,051	182,108
Pro forma net loss per share attributable to common stockholders—basic and diluted (unaudited)(4)			\$ (0.48)
Weighted-average shares used in computing pro forma net loss per share attributable to common stockholders—basic and diluted (unaudited)(4)			526,227

	Year Ended December 31,		
	2018	2019	2020
	(in thousands, except hours engaged and ABPDAU data)		
<b>Non-GAAP and selected financial and operating data:</b>			
Bookings <sup>(5)</sup>	\$ 499,038	\$ 694,262	\$ 1,882,543
Loss from operations (GAAP)	\$ (87,552)	\$ (76,440)	\$ (266,137)
Depreciation and amortization (GAAP)	\$ 11,941	\$ 27,664	\$ 43,808
Stock based compensation (GAAP)	\$ 36,310	\$ 17,634	\$ 79,158
Change in deferred revenue (GAAP)	\$ 175,061	\$ 187,196	\$ 965,919
Change in deferred cost of revenue (GAAP)	\$ (42,665)	\$ (48,309)	\$ (230,404)
Net cash provided by operating activities (GAAP)	\$ 101,038	\$ 99,185	\$ 524,340
Free cash flow <sup>(5)</sup>	\$ 34,966	\$ 14,456	\$ 411,220
Daily active users (DAUs) <sup>(6)</sup>	12,017	17,623	32,587
Hours engaged (millions) <sup>(6)</sup>	9,429	13,652	30,601
Average Bookings per DAU (ABPDAU) <sup>(6)</sup>	\$ 41.53	\$ 39.40	\$ 57.77

- (1) Depreciation of servers and infrastructure equipment included in infrastructure and trust & safety.  
(2) Includes stock-based compensation as follows:

	Year Ended December 31,		
	2018	2019	2020
	(dollars in thousands)		
Infrastructure and trust & safety	\$ 3,046	\$ 2,085	\$ 7,396
Research and development	25,691	9,695	39,402
General and administrative	4,426	3,347	25,939
Sales and marketing	3,147	2,507	6,421
Total stock-based compensation	\$ 36,310	\$ 17,634	\$ 79,158

During the year ended December 31, 2018 and December 31, 2020, we recorded compensation expense of \$25.2 million and \$35.2 million, respectively, related to a tender offer conducted by the purchasers of Series F and Series G convertible preferred stock to acquire shares from employees, former employees, and other existing investors. This expense was recorded because the purchasers were our affiliates and the tender was completed at above the then-fair market value. In connection with the tender offer, the Company waived any rights of first refusal or transfer restrictions applicable to such shares.

- (3) Our consolidated financial statements include our majority-owned subsidiary Roblox China Holding Corp. The ownership interest of minority investor, Songhua, is recorded as a noncontrolling interest.  
(4) See Note 14 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the method used to calculate our basic and diluted net loss per share attributable to common stockholders, basic and diluted pro forma net loss per share attributable to common stockholders and the weighted-average number of shares used in the computation of the per share amounts. The calculations for basic and diluted pro forma net loss per share attributable to common stockholders and the weighted-average number of shares used in the computation of the pro forma per share amount for the year ended December 31, 2020 do not include the issuance of 11,888,886 shares of our Series H convertible preferred stock that occurred subsequent to December 31, 2020.  
(5) See the section titled “Selected Consolidated Financial and Other Data” for a reconciliation of each non-GAAP financial measure to the most directly comparable financial measure calculated in accordance with GAAP.  
(6) See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics—Operating Metrics” for more information.

	As of December 31,		
	2018	2019	2020
	(dollars in thousands)		
<b>Consolidated Balance Sheet Data:</b>			
Cash and cash equivalents	\$ 227,647	\$ 301,493	\$ 893,943
Working capital	65,556	76,122	195,585
Total assets	542,362	760,208	1,847,800
Total deferred revenue	401,096	589,010	1,554,929
Accumulated deficit	(168,068)	(239,036)	(492,290)
Total stockholders’ deficit	(113,189)	(112,949)	(232,381)

## Operating Metrics

We manage our business by tracking several operating metrics, including the following: daily active users, or DAUs, hours engaged, and average bookings per DAU, or ABPDAU. We believe each of these operating metrics provide useful information to investors and others in understanding and evaluating our results in the same manner as management. See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics—Operating Metrics” for more information.

	Year Ended December 31,		
	2018	2019	2020
<b>Operating Metrics:</b>			
Daily Active Users (DAUs) (in thousands)	12,017	17,623	32,587
Hours Engaged (in millions)	9,429	13,652	30,601
Average Bookings per DAU (ABPDAU)	\$ 41.53	\$ 39.40	\$ 57.77

## Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe the below non-GAAP measures are useful in evaluating our performance. We use the below 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.

	Year Ended December 31,		
	2018	2019	2020
	(dollars in thousands)		
Bookings	\$ 499,038	\$ 694,262	\$ 1,882,543
Net cash provided by operating activities (GAAP)	\$ 101,038	\$ 99,185	\$ 524,340
Free cash flow	\$ 34,966	\$ 14,456	\$ 411,220

A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

### Bookings

Bookings represent the sales activity in a given period without giving effect to certain non-cash adjustments. Substantially all of our bookings are generated from sales of virtual items on the Roblox Platform. Proceeds from the sale of virtual items are initially recorded in deferred revenue and recognized as revenues over the estimated period of time the virtual items are available on the Roblox Platform (estimated to be the average lifetime of a paying user) or as the virtual items are consumed. See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of



Operations—Critical Accounting Policies and Estimates—Revenue Recognition” for more information, including the methodology for the average lifetime of a paying user estimate. Bookings also include a minimal dollar 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:

	Year Ended December 31,		
	2018	2019	2020
	(dollars in thousands)		
<b>Reconciliation of revenue to bookings:</b>			
Revenue	\$ 324,956	\$ 508,393	\$ 923,885
Add (deduct):			
Change in deferred revenue	175,061	187,916	965,919
Other	(979)	(2,047)	(7,261)
Bookings	<u>\$ 499,038</u>	<u>\$ 694,262</u>	<u>\$ 1,882,543</u>

We also break out bookings by geography to understand our performance in certain markets. Bookings by geography is apportioned to each region based on our determination of the geographic location in which the user made a purchase.

	Year Ended December 31,					
	2018		2019		2020	
	Amount	Percentage of Bookings	Amount	Percentage of Bookings	Amount	Percentage of Bookings
	(in thousands, except percentages)					
<b>Bookings:</b>						
United States and Canada	\$362,439	73%	\$483,165	70%	\$1,283,935	68%
Europe	78,320	16	122,883	18	352,924	19
Asia-Pacific, including Australia and New Zealand	35,279	7	55,131	8	139,138	7
Rest of the world	23,000	4	33,083	4	106,546	6
Total	<u>\$499,038</u>	<u>100%</u>	<u>\$694,262</u>	<u>100%</u>	<u>\$1,882,543</u>	<u>100%</u>

**Free Cash Flow**

We define free cash flow as net cash provided by operating activities less purchases of property, equipment, and intangible assets.

We believe that free cash flow is a useful indicator of 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, including investing in our business, making strategic acquisitions, and strengthening our balance sheet.

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:

	Year Ended December 31,		
	2018	2019	2020
	(dollars in thousands)		
<b>Reconciliation of net cash from operating activities to free cash flow:</b>			
Net cash provided by operating activities	\$ 101,038	\$ 99,185	\$ 524,340
Add (deduct):			
Acquisition of property and equipment	(65,564)	(83,264)	(104,153)
Purchases of intangible assets	(508)	(1,465)	(8,967)
Free cash flow	<u>\$ 34,966</u>	<u>\$ 14,456</u>	<u>\$ 411,220</u>

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

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

*The following discussion and analysis of our financial condition and results of operations should be read together with the section titled "Selected Consolidated Financial and Other Data" and related notes and other financial information appearing elsewhere in this prospectus. This discussion and analysis and other parts of this prospectus 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" and "Special Note Regarding Forward-Looking Statements" included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected for any periods in the future.*

### Overview

The story of Roblox began in 1989 when our founders, David Baszucki and Erik Cassel, programmed a 2D simulated physics lab called Interactive Physics, which would later go on to influence our approach to building the groundwork for Roblox. Students across the world used Interactive Physics to see how two cars would crash, or how they could build destructible houses. In starting Roblox in 2004, we wanted to replicate the inspiration of imagination and creativity we saw in Interactive Physics on a much grander scale by ushering in a new category of human interaction that did not exist at the time.

An average of 37.1 million 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 over 8 million active developers. We call this emerging category "human co-experience," which we consider to be the new form of social interaction we envisioned back in 2004. Our platform is powered by user-generated content and draws inspiration from gaming, entertainment, social media, and even toys.

Some refer to our category as the metaverse, a term often used to describe the concept of persistent, shared, 3D virtual spaces in a virtual universe. The idea of a metaverse has been written about by futurists and science fiction authors for over 30 years. With the advent of increasingly powerful consumer computing devices, cloud computing, and high bandwidth internet connections, the concept of the metaverse is materializing.

Our Roblox human co-experience platform consists of the Roblox Client, the Roblox Studio, and the Roblox Cloud. Roblox Client is the application that allows users to explore 3D digital worlds. Roblox Studio is the 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 build a human co-experience platform that enables shared experiences among billions of users. 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.

Since our inception in 2004, we have had a steadfast approach to innovation and a long-term focus that has allowed us to achieve strong growth and the following product development and company milestones.

### Product Development and Company Milestones



Our revenue grew 125% to \$325.0 million in the year ended December 31, 2018, grew 56% to \$508.4 million in the year ended December 31, 2019, and grew 82% to \$923.9 million in the year ended December 31, 2020.

Our bookings grew 62% to \$499.0 million for the year ended December 31, 2018, grew 39% to \$694.3 million for the year ended December 31, 2019, and grew 171% to \$1,882.5 million for the year ended December 31, 2020.

We had net losses of \$88.1 million, \$71.0 million, and \$253.3 million for the years ended December 31, 2018, 2019, and 2020, respectively. Cash provided by operations was \$101.0 million, \$99.2 million, and \$524.3 million for the years ended December 31, 2018, 2019, and 2020, respectively.

Our free cash flow was \$35.0 million, \$14.5 million, and \$411.2 million for the years ended December 31, 2018, 2019, and 2020, respectively.

### Recent Developments

In January 2021, we issued 11,888,886 shares of our Series H convertible preferred stock to certain institutional accredited investors in a private placement at a purchase price of \$45.00 per share for aggregate gross proceeds of approximately \$535.0 million. There was no underwriter or placement agent used in connection with this sale. The shares acquired by such investors will be registered for resale in connection with the registration statement of which this prospectus forms a part. See the section titled “Principal and Registered Stockholders.”

In December 2020, we completed the acquisition of LoomAi Inc., a privately-held company specializing in real-time facial animation technology for 3D avatars using deep learning, computer vision and VFX. The consideration for the acquisition consisted of 1,320,575 shares of our Class A common stock and \$46.0 million of cash.

In November 2020, we completed the acquisition of assets from Imbellus, Inc., a privately-held software company which developed simulation-based cognitive assessments that measure human thought processes. The consideration for the acquisition consisted of 80,000 shares of our Class A common stock and \$8.5 million of cash.

### **Our Business Model**

When users sign up for Roblox, they can create an avatar and explore the vast majority of our experiences for free, although the business model for any given experience is ultimately up to its developer. Most free experiences allow users to spend Robux by purchasing experience-specific enhancements. Users can also use Robux to purchase items such as clothing accessories and simulated gestures, or emotes, from our Avatar Marketplace or Avatar Shop. Roblox retains a portion of every Robux transaction and distributes the rest to developers and creators. All Robux earned by developers and creators are deposited into their virtual accounts, and those who qualify for and are registered in our Developer Exchange Program can convert their earned Robux into U.S. dollars at an exchange rate of 1 Robux to \$0.0035 as of December 31, 2020, which is determined by Roblox and is subject to change in its sole discretion.

#### ***How users purchase Robux***

Users can purchase Robux in two ways, as one-time purchases or via Roblox Premium, a subscription service that is billed monthly and includes discounted Robux, access to exclusive in-experience benefits, exclusive and discounted marketplace items, and the ability to buy, sell and trade certain Avatar items. Roblox accepts payments through app stores, credit cards, and prepaid cards. The average price for a Robux for the year ended December 31, 2020 was \$0.01.

For one-time purchases, users can purchase our virtual currency through various common channels including Apple App Store, Google Play Store, credit cards, prepaid cards, Microsoft app store, PayPal, and others. For the year ended December 31, 2019, 30% and 18% of our revenue were generated on Apple App Store and Google Play Store, respectively. For the year ended December 31, 2020, 35% and 19% of our revenue were generated on Apple App Store and Google Play Store, respectively. For operations through both the Apple App Store and Google Play Store, we pay 30% of any money paid by users to purchase Robux to Apple or Google, as applicable.

The number of daily paying users, which is measured as the average number of unique paying users for each day during the period, was approximately 125,000, 184,000, and 490,000 for the years ended December 31, 2018, 2019, and 2020, respectively.

#### ***How developers and creators earn Robux***

Robux are considered "earned" if a developer or creator receives them as payments for a bona fide third party transaction for virtual goods through the Roblox Platform. We currently offer developers and creators four mechanisms to earn Robux:

- sale of access to their experiences and enhancements in their experiences;

- engagement-based payouts, which reward developers for the amount of time that Premium subscribers spend in their experiences;
- sale of content and tools between developers; and
- sale of items to users through the Avatar Marketplace.

As users purchase and subsequently spend Robux on Roblox, developers receive 70% of the Robux spent within their experiences and 70% of the Robux spent for items that appear in the Studio Marketplace. Creators receive 30% of the Robux spent for their items that appear in the Avatar Marketplace or Avatar Shop.

Earned Robux are deposited into the virtual accounts of the developers and creators, who can convert Robux into U.S. dollars at an exchange rate of 1 Robux to \$0.0035 as of December 31, 2020, if they qualify for and are registered in our Developer Exchange Program. Acceptance into the Developer Exchange Program is subject to certain requirements, such as earning at least 100,000 Robux, having a verified account, and having an account in good standing. In the year ended December 31, 2020, over 4,300 developers and creators that were qualified and registered in our Developer Exchange Program earned \$328.7 million, up from approximately 2,600 of such developers and creators who earned \$112.0 million in the year ended December 31, 2019.

Our developers and creators do not always cash out their Robux to real-world currency. Some choose to reinvest their Robux into developer tools from the Studio Marketplace, promoting their experiences through our internal ad network, or spend the Robux as any other user would, which investments or purchases are valued at the same exchange rate.

Our business model focus is on investment and growth of the Roblox Platform, which we believe will enable the developer and creator community to produce better and more engaging content, which in turn will drive more users to our platform over time.

Our primary areas of investment 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. The vast majority of our costs fall into the aforementioned areas and are intentionally aligned with our goals.

### **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, or DAUs, hours engaged, and average bookings per DAU, or ABPDAU. As a management team, we believe each of these operating metrics provides useful information to investors and others.

These metrics are determined by using internal company data and systems that track user account and session activity. 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. However, the accuracy of these 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” and “Risk Factors—Some developers, creators, and users on our platform may make unauthorized, fraudulent, or illegal use of Robux and other digital goods on our platform, including through unauthorized third-party websites or “cheating” programs.”

### **Daily Active Users**

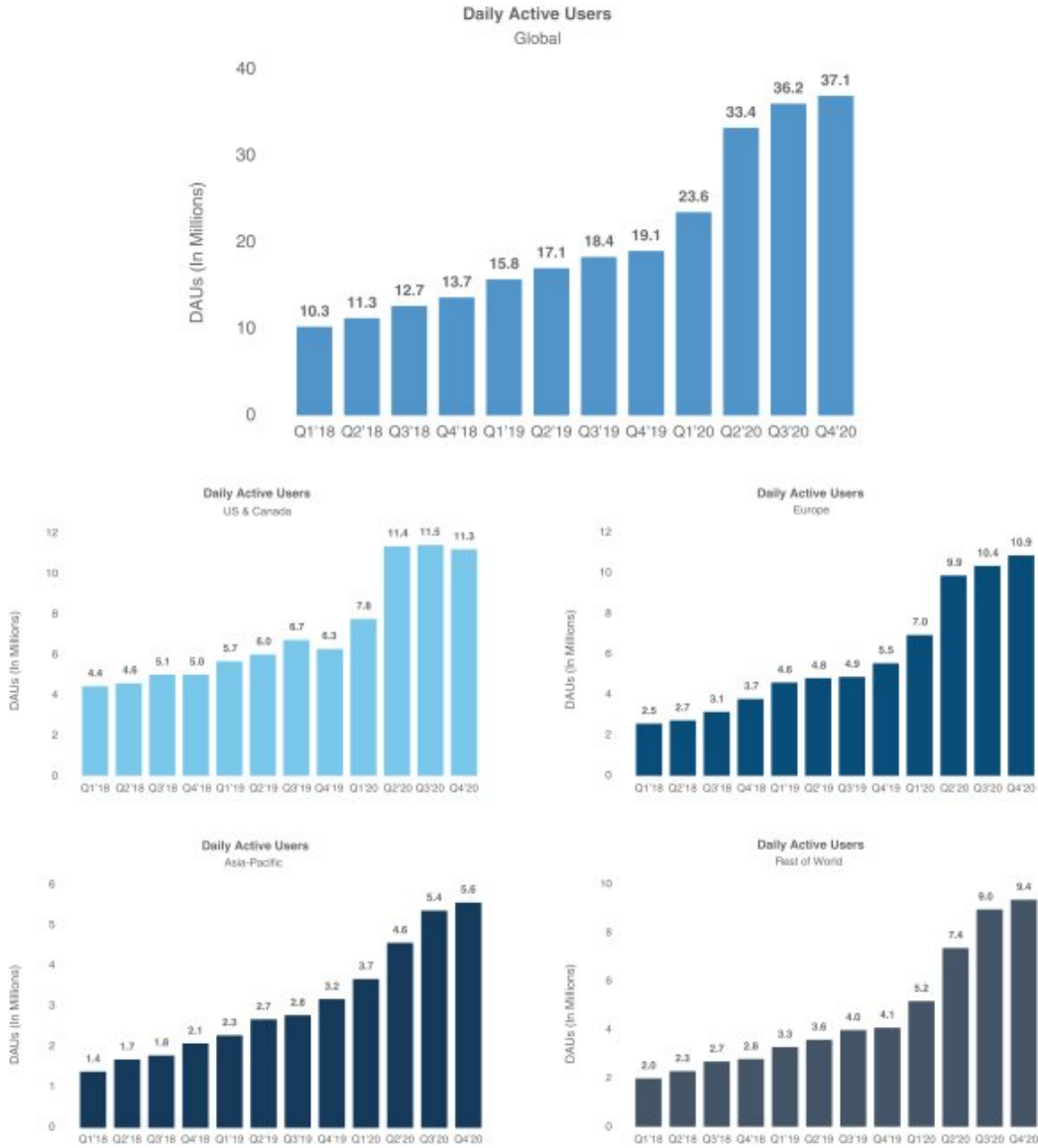
We define a DAU as a user who has logged in and visited Roblox through our website or application on a unique registered account on a given calendar day. If a registered, logged in user visits Roblox more than once within a 24-hour period that spans two calendar days, that user is counted as a DAU only 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, so 30 days, for example, in the month of September.

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. We also break out DAUs 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.

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 DAU metric is 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 on our platform, including through unauthorized third-party websites or “cheating” programs.”

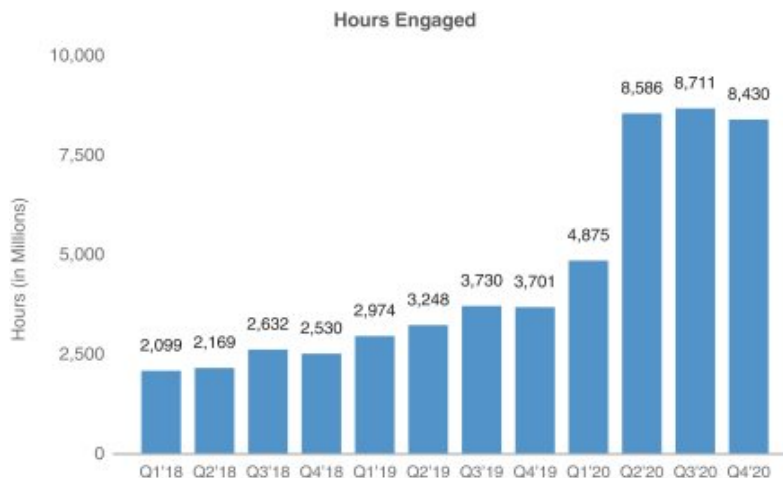


**Hours engaged**

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 also within platform features such as chat and avatar personalization. Users are able to personalize the size and body shape of their avatars as well as equip their avatars with items acquired from the Avatar Marketplace, a marketplace that allows users to acquire items such as clothing, gear, simulated gestures, or emotes, and other accessories.

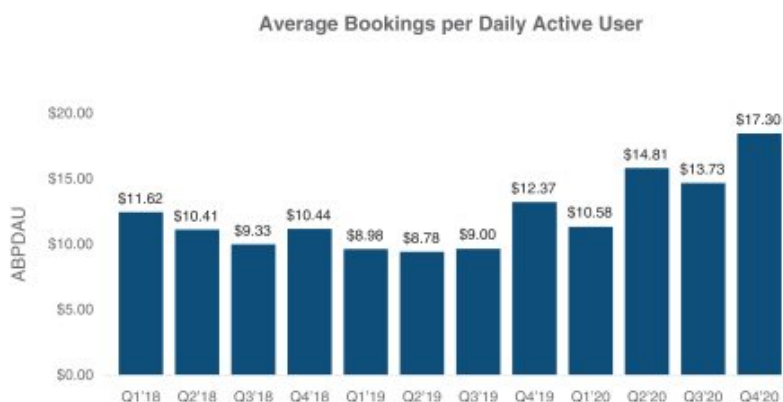
We calculate total hours engaged as the aggregate of user session lengths in a given period. We determine this length of time using internal company systems that track user activity on our platform, and aggregate discrete activities into a user session.

We believe that the growth in hours engaged on our platform reflects the increasing value of our platform. As we continue to invest in improving the Roblox Platform, and as the developers expand the number and quality of immersive experiences as well as other features on Roblox, we believe we will attract more users who spend more time and more Robux on our platform.



**Average bookings per daily active user**

We define average bookings per DAU, or ABPDAU, as bookings in a given period divided by the DAUs for such period. We use ABPDAU as a way to understand how we are monetizing across all of our users through the sale of virtual currency and subscriptions as more fully described in the section titled “Our Business Model.” We experience seasonality in our business with more activity in the fourth quarter of each year as described in the section titled “Seasonality”.



**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. See the section titled “Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures” for more information, including the limitations of such measures and a reconciliation of each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP.

### **Bookings**

We define bookings as revenue plus the change in deferred revenue during the period and other non-cash adjustments. The change in deferred revenue constitutes the vast majority of the reconciling difference from revenue to bookings. Bookings is equal to the amount of virtual currency purchased by users in a given period of time. We use bookings to measure and monitor our business as we believe it enables an analysis of our performance based on the timing of actual transactions with our users and provides a more current indication of trends in our operating results than revenue alone.

	Year Ended December 31,		
	2018	2019	2020
	(dollars in thousands)		
Bookings	\$ 499,038	\$ 694,262	\$ 1,882,543

### **Free cash flow**

We define free cash flow as net cash provided by operating activities less purchases of property, equipment, and intangible assets. 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.

	Year Ended December 31,		
	2018	2019	2020
	(dollars in thousands)		
Free cash flow	\$ 34,966	\$ 14,456	\$ 411,220

## **Key Factors Affecting Our Performance**

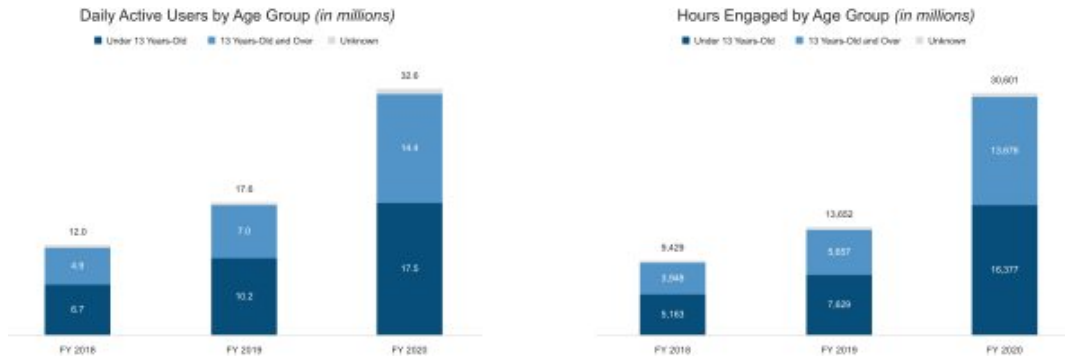
We believe that our financial performance depends upon many key factors, including those described below.

### **Growth and engagement of our user base**

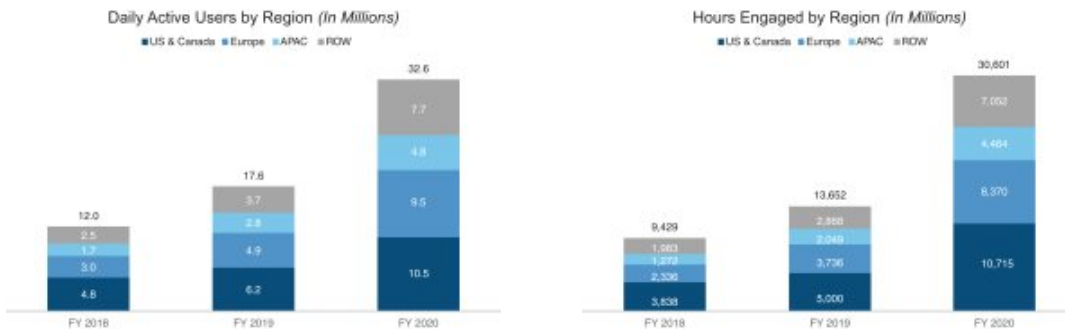
We have experienced significant growth in our number of users over the last several years. In the year ended December 31, 2020, we had 32.6 million DAUs compared to 17.6 million and 12.0 million in the years ended December 31, 2019 and 2018, respectively.

Our ability to grow our user base is dependent on our ability to attract and engage users on our platform. We rely on two mutually reinforcing network effects, content and social, to drive our growth. High-quality content on the platform built by our developer community attracts more users to the platform, which in turn makes Roblox more attractive to developers. The social aspects of the platform drive organic growth as our users typically play with friends, inspiring them to invite their friends, who in turn, invite their friends. The more friends users have on the platform, the more valuable and engaging the platform becomes. This fuels developers to build higher quality experiences, driving more users to our platform.

We believe that our business performance is in part dependent on increasing our penetration and engagement across all user demographics, in particular those over the age of 13. This demographic has a higher propensity to spend on content, and our ability to increase penetration in, and user contribution from, this demographic will affect our ability to grow revenue.



We believe that our business performance is also dependent on our ability to expand our user base internationally. For the year ended December 31, 2020, approximately 68% of our DAUs were outside of the U.S. and Canada region, and our non-U.S. and Canada user base is growing faster than our U.S. and Canada user base. We see significantly more potential to grow our user base in non-U.S. and Canada regions, particularly in the Europe, Middle East and Africa region, where we have recently experienced significant growth in Germany and France, and the Asia-Pacific region, where we have recently experienced significant growth in South Korea. Our ability to increase our brand penetration in these markets will depend upon a number of factors, including our ability to translate our platform and navigate regulatory environments. In China, we believe we are uniquely positioned to grow our penetration in the market through our joint venture's relationship with Shenzhen Tencent Computer Systems Co. Ltd, or Tencent, upon whom we rely to operate and publish Luobulesi, the name of the Roblox Platform in China.



While we believe we have a significant opportunity to grow our user base, we anticipate that our user growth rate will slow over time as the size of our user base increases. To the extent our user growth or user growth rate slows, our revenue growth will become increasingly dependent on our ability to increase levels of user monetization, as measured by ABPDAU. ABPDAU monetization is dependent on the degree of user engagement, as measured by hours engaged. As such we believe our business performance will be driven in part by our ability to increase hours engaged per DAU on our platform.

**Growth in monetization**

We monetize our users through the sale of Robux. Our ability to grow our revenue depends in large part on our ability to increase ABPDAU. Beyond user growth and increased user engagement there are a number of other factors that we believe can help us grow ABPDAU, including increased payer conversion and the degree to which users choose to pay for more features and experiences on our platform.

Despite approximately 68% of our DAUs being outside the U.S. and Canada for the year ended December 31, 2020, our monetization is largely concentrated in users in those countries. For the year ended December 31, 2020, 68% of bookings were from the U.S. and Canada. Our ability to drive increased ABPDAU is in part dependent on our ability to increase payer conversion in non-U.S. and Canada regions. We believe this will depend on a number of factors including our ability to localize content and ensure the availability of payment options to non-U.S. and Canada users.

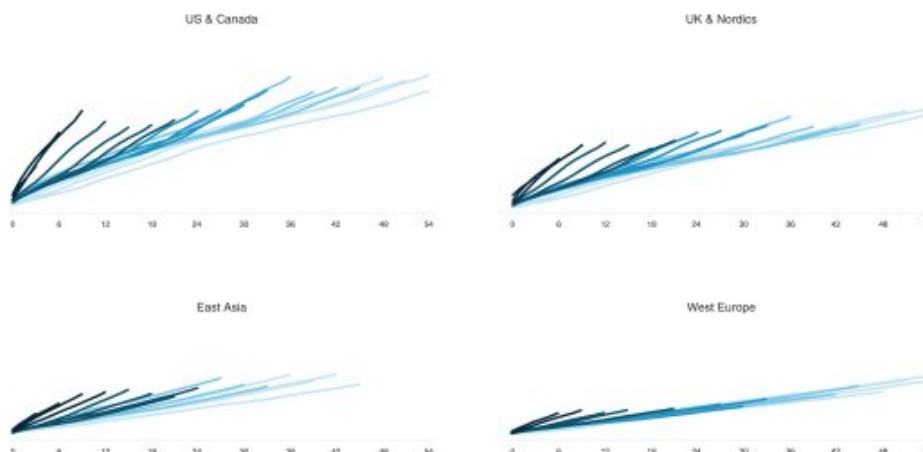
As we continue to expand our international operations, we become more exposed to the effects of fluctuations in currency exchange rates. We generally collect revenue from our international markets in the local currency. While we periodically adjust the price of Robux to account for the relative value of local currency to the U.S. dollar such adjustments are not immediate, nor do they typically track the underlying currency fluctuations. As a result, rapid appreciation of the U.S. dollar against these foreign currencies can harm our reported results and cause the revenue derived from our foreign users to decrease. In addition, even if we do adjust the cost of our Robux in foreign markets to track appreciation in the U.S. dollar such appreciation could increase the costs of purchasing Robux to our users outside of the U.S., adversely affecting our business, results of operations and financial condition.

The degree to which our users choose to pay for features or spend Robux in experiences is driven by the quality of the content on our platform. In addition to the core monetization of the platform, we recently launched an engagement-based reward program, Premium Payouts, in tandem with our subscription service, Roblox Premium. Premium Payouts rewards Robux to developers based on the number of in-experience hours spent on their experiences by Roblox Premium subscribers. These Premium Payouts rewards are in addition to any Robux spent directly by users in developers' experiences. We believe that this initiative will incentivize developers to focus on creating content that maximizes engagement to a greater degree. We believe that growth of higher engagement content will positively affect the number of hours engaged on Roblox per user, resulting in a positive impact on Robux spend and ABPDAU.

As users continue to encounter new experiences, they remain engaged on the Roblox platform and, consequently, continue to monetize over their period of engagement with the Roblox platform. The charts below illustrate our ability to maintain consistent monetization over extended periods by presenting the cumulative cohorted quarterly bookings per signup since 2016, across various regions. Each line represents cumulative monetization over time for a particular quarter's sign-up cohort, defined as all paying users that joined Roblox in a given quarter from a particular region. The lightest blue lines represent 2016 sign-up cohorts (one line for each quarter), and the darkest blue lines represent 2020 sign-up cohorts. The x-axes in the charts show the number of months since sign-up for each respective cohort, and the y-axes show average cumulative bookings per paying user. To generate each cohort's cumulative monetization line, we take the cumulative bookings in US dollars from each sign-up cohort as of the end of each month and divide it by the number of paying users in that particular cohort as of such date. The charts demonstrate that our user cohorts continue to monetize at a steady pace, with the oldest cohorts showing consistent monetization rates 54 months following sign-up. The East Asia region consists primarily of South Korea and Japan. The West Europe region consists primarily of Germany, Spain, France, Italy, Belgium, and Portugal. We believe these user cohorts are representative of typical cohorts across various regions, and our cohort monetization has been consistent over time, but historical bookings is not a predictor of future financial performance of these historical cohorts or any other cohorts.



### User Cohort Analysis



We also intend to explore other opportunities to increase ABPDAU such as immersive brand advertising for our platform. The degree to which these opportunities may increase ABPDAU are dependent on the degree to which they are implemented in a manner that is seamless and non-disruptive to our user experience.

#### **Continued innovation of our platform**

We are focused on innovation and technology leadership in order to maintain our competitive advantage. We believe we have built a unique platform for our users, developers, and creators, and our ability to maintain and increase the size and engagement of our users will depend, in part, on our ability to improve the existing features, services, and functionality on the platform. We have historically made product decisions based on long-term vision rather than short-term benefits and believe that our deliberate and systematic approach has enabled us to scale to the success that we see today.

For our developers and creators, we must regularly update and enrich Roblox Studio with tools and features to meet evolving developer behavior needs and to deliver a superior creating experience. In addition, it is important that we constantly update and improve the Roblox Cloud.

For our users, we invest heavily in developing new features and products to support and enhance user experience on our platform worldwide. Further, our users' continued engagement is in large part dependent on the safe and civil environment offered by our platform. Our ability to attract and engage users is dependent on our ability to maintain technological leadership in safety and civility features on our platform.

#### **Our ability to attract talent**

The success of Roblox depends on our ability to hire and retain great talent, in particular technical talent. As of December 31, 2020, we employed over 960 full time employees, which represented an increase of over 360 full time employees from December 31, 2019. Approximately 79% of those employees were engineers and product professionals. In addition, as of December 31, 2020, we had over 2,300 trust & safety agents across the globe. In order to continue to evolve and grow the Roblox Platform, we must continue to invest heavily in attracting and retaining key talent, especially those focused on engineering and product, and so we expect to maintain or grow the ratio of technical talent

to overall employees. To support and grow our business, we intend to increase our headcount for the foreseeable future.

### ***Investment in infrastructure***

We intend to increase the capacity and enhance the capability and reliability of our infrastructure. We have made and will continue to make significant investments in our technical infrastructure globally to ensure that our growing user and developer base can access and can use the Roblox Platform rapidly, reliably, and effectively. In 2015, we began serving our users out of our co-located data center in Elk Grove Village, Illinois to optimize reliability and performance while reducing server expenses compared to traditional leased server and data centers. Since then, we have broadened our infrastructure strategy across the globe to incorporate multiple data centers and regional points of presences, or PoPs, that we lease and operate.

We expect the investments and expenses associated with our infrastructure to continue to grow to support current and potential expansion of our user and developer base. These investments include costs to third-party service providers, such as cloud computing or other hosting and data storage, rent and facilities-related costs for our co-located data centers and PoPs that we lease and operate, network and bandwidth costs, and depreciation and associated support and maintenance of our servers and infrastructure equipment. We expect our reliance on third-party service providers to decrease over time as we build out our infrastructure.

### ***Seasonality***

We experience seasonality in monetization on our platform. Historically, we generate higher levels of bookings in the fourth quarter of the year due in large part to the end-of-year holiday season. In the years ended December 31, 2018, 2019, and 2020, the fourth quarter accounted for 29%, 34%, and 34% of annual bookings, respectively. The significant user and monetization growth, along with COVID-19 impact, have partially masked these trends in recent historical periods, particularly in 2020, and the seasonal impacts may be more pronounced in the future or different altogether.

### **Impact of COVID-19**

Although the COVID-19 pandemic has caused general business disruption worldwide beginning in January 2020, it has resulted in an increase in our operational performance, cash flows, and financial condition. We have and may continue to experience an increase in user and bookings growth following the implementation of shelter-in-place orders to mitigate the COVID-19 pandemic. We believe that the COVID-19 pandemic could accelerate adoption of our platform, which we expect will generate additional opportunities for us in the future. However, this increase in engagement and monetization may be temporary and will likely moderate over time as shelter-in-place orders and other related measures and community practices evolve. Further, as a result of global economic conditions, users may reduce their discretionary spending on Robux, may not renew their subscriptions or may otherwise reduce their usage of our platform, which would adversely impact our revenue and financial condition.

In addition, in response to the spread of COVID-19, we have required or are requiring substantially all of our employees to work remotely to minimize the risk of the virus to our employees and the communities in which we operate, which represents a significant disruption in how we operate our business. We may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers and business partners.

The full extent to which the COVID-19 pandemic will directly or indirectly impact the global economy, the lasting social effects, and impact on our business, results of operations and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted. For additional details, refer to the section titled “Risk Factors—The recent global COVID-19 pandemic has significantly affected our business and operations.”

## **Components of Results of Operations**

### **Revenue**

We generate substantially all of our revenue through the sale of virtual items on the Roblox Platform. Users can purchase and spend Robux to obtain virtual items to enhance their social experience on the Roblox Platform. We recognize revenue over the estimated period of time the virtual items are available to the user on the Roblox Platform (estimated average lifetime of a paying user) or until 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. The average lifetime for a paying user for the years ended December 31, 2018, 2019, and 2020 was 23 months. Revenue is reported net of taxes and estimated chargebacks.

Other revenue streams include a minimal amount of revenue from advertising, licenses, and royalties. We recognize revenue based on the performance obligations of the underlying agreements, in an amount that reflects the consideration we expect to be entitled to.

### **Costs and Expenses**

We allocate shared costs, such as facilities (including rent, 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.

Personnel costs include salaries, benefits, travel-related expenses, and stock-based compensation for each expense category, with the exception of cost of revenue and developer exchange fees. In the years ended December 31, 2018, 2019, and 2020, personnel costs were \$124.6 million, \$150.9 million, and \$292.9 million, respectively.

During the year ended December 31, 2018 and year ended December 31, 2020, we recorded compensation expense of \$25.2 million and \$35.2 million, respectively, related to a tender offer conducted by the purchasers of Series F and Series G convertible preferred stock to acquire shares from employees, former employees, and other existing investors. This expense was recorded because the purchasers were our affiliates and the tender was completed at above the then-fair market value. In connection with the tender offer, we waived any rights of first refusal or transfer restrictions applicable to such shares.

### **Cost of revenue**

Cost of revenue primarily consists of third-party payment processing fees charged by the various distribution channels. We defer payment processing fees and recognize them over the same period as the respective revenue. These costs are incurred in connection with our sales of our virtual currency.

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. We have observed a shift of our sales toward mobile

distribution channels, such as the Apple App Store and Google Play Store. These distribution channels are subject to higher processing fees compared to other distribution channels, such as credit card payment processors. As a result, we expect our cost of revenue expenses to increase both in absolute dollars and as a percentage of revenue over time as our business grows due to the ongoing shift toward these mobile channels, although the percentage may fluctuate from period to period.

#### ***Developer exchange fees***

Developer exchange fees represent the amount earned by developers and creators on the platform. Developers and creators are able to exchange their accumulated earned Robux, for real-world currency under certain conditions outlined in our Developer Exchange Program. Developers and creators can earn Robux through sale of access to their experiences and enhancements in their experiences, sale of content and tools between developers through the Studio Marketplace, and the sale of items to users through the Avatar Marketplace. Additionally, developers can earn Robux through our engagement-based reward program, Premium Payouts that rewards developers based on the number of hours spent in their experiences by Roblox Premium subscribers.

Over the next few years, a major goal is to drive as much money to our developer and creator community as possible while maintaining reasonable margins and free cash flow. We intend to use future cost efficiencies realized in other areas of our business to increase earnings for our developers and creators. As such, we expect that our developer exchange fees will increase in both absolute dollars and as a percentage of bookings over time as our business grows and as we continue to invest in supporting our Roblox developer and creator community.

#### ***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 costs to third-party service providers, such as cloud computing or other hosting and data storage, rent and facilities-related expenses for our co-located data centers and PoPs that we lease and operate, network and bandwidth costs, and depreciation and associated support and maintenance of our servers and infrastructure equipment. In the year ended December 31, 2020, depreciation related to infrastructure and trust & safety was \$40.4 million. The same costs were \$26.5 million and \$10.8 million in the years ended December 31, 2019 and 2018, respectively. As of December 31, 2020, we have data centers and PoPs around the world with over 21,000 servers.

Infrastructure and trust & safety expenses also include personnel costs and allocated overhead for employees and team members whose primary responsibilities relate to supporting our infrastructure and trust & safety initiatives. In the year ended December 31, 2020, stock-based compensation related to infrastructure and trust & safety was \$7.4 million. The same costs were \$2.1 million and \$3.0 million in the years ended December 31, 2019 and 2018, respectively. As of December 31, 2020, we have a global customer service team with over 2,300 trust & safety agents supporting users.

We plan to continue increasing the capacity and enhancing the 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 in the business by building and maintaining our own technical infrastructure and expect our infrastructure and trust & safety expenses to increase in the short term and then decrease over time as a percentage of bookings over time as our business grows, although the percentage may fluctuate from period to period depending on fluctuations in the timing and extent of our infrastructure and trust & safety expenses and business seasonality.

**Research and development**

Research and development expenses consist primarily of personnel costs and allocated overhead for our engineering, design, product management, data science, and other personnel engaged in maintaining and enhancing the functionality of the platform. We plan to increase the dollar amount of research and development expenses for the foreseeable future primarily for increased headcount to develop new features, functionality, and innovation of our product. However, we expect research and development expenses to decrease as a percentage of bookings as our business grows, although the percentage may fluctuate from period to period depending on fluctuations in the timing and extent of our research and development expenses and business seasonality.

**General and administrative**

General and administrative expenses consist primarily of personnel costs and allocated overhead for our finance and accounting, legal, human resources, talent acquisition, and other administrative teams. General and administrative expenses also include professional services fees such as outside legal, accounting, audit, and outsourcing services, and other corporate expenses. We plan to increase the dollar amount of general and administrative expenses for the foreseeable future to support the growth of the business and due to costs associated with being a public company, such as increased headcount, enhanced systems, processes, and controls as well as increased expenses in the areas of insurance, compliance, investor relations, and professional services. However, we expect general and administrative expenses to decrease as a percentage of bookings as our business grows, although the percentage may fluctuate from period to period depending on fluctuations in the timing and extent of our general and administrative expenses and business seasonality.

**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 the dollar amount of sales and marketing expenses for the foreseeable future due primarily to increased headcount to support our developer relations and brand partnership teams. However, we expect sales and marketing expenses to decrease as a percentage of bookings as our business grows, although the percentage may fluctuate from period to period depending on fluctuations in the timing and extent of our sales and marketing expenses and business seasonality.

**Interest Income**

Interest income consists primarily of interest earned on our cash, cash equivalents, and restricted cash balances.

**Other Expense**

Other expense for historical periods consisted primarily of changes in the fair value of our outstanding warrants to purchase convertible preferred stock that were remeasured at the end of each reporting period. As of December 31, 2020, there were no outstanding convertible preferred stock warrants. Other expense also includes a minimal amount of foreign currency exchange gains and losses.

### **Provision (Benefit) for Income Taxes**

Provision (benefit) for income taxes consists primarily of income taxes in foreign jurisdictions and U.S. federal and state income taxes. We maintain a full valuation allowance on our federal and state deferred tax assets as we have concluded that it is not more likely than not that the deferred assets will be utilized. As of December 31, 2020, we had federal net operating loss carryforwards of \$323.3 million, which begin to expire in 2024, state net operating loss carryforwards of \$91.6 million, which begin to expire in 2027, and foreign net operating loss carryforwards of \$3.0 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, or the Code, and other similar provisions. Further, the Tax Cuts and Jobs Act, or the Tax Act, as modified by the Coronavirus Aid Relief, and Economic Security Act, or the CARES Act, changed the federal rules governing net operating loss carryforwards. Of the \$323.3 million of federal net operating losses, \$249.8 million is carried forward indefinitely but is limited to 80% of taxable income.



**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:

	Year Ended December 31,		
	2018	2019	2020
	(dollars in thousands, except per share data)		
Revenue	\$ 324,956	\$ 508,393	\$ 923,885
Cost and expenses:			
Cost of revenue(1)	72,978	122,381	239,898
Developer exchange fees	71,887	111,976	328,740
Infrastructure and trust & safety(2)	105,590	156,699	264,226
Research and development(2)	87,051	107,095	201,443
General and administrative(2)	34,460	41,945	97,341
Sales and marketing(2)	40,542	44,737	58,384
Total cost and expenses	412,508	584,833	1,190,022
Loss from operations	(87,552)	(76,440)	(266,137)
Interest income	3,759	6,546	1,822
Other expense, net	(4,279)	(1,211)	(32)
Loss before provision for income taxes	(88,072)	(71,105)	(264,347)
Provision (benefit) for income taxes	3	9	(6,656)
Consolidated net loss	(88,075)	(71,114)	(257,691)
Net loss attributable to the noncontrolling interest(3)	—	(146)	(4,437)
Net loss attributable to common stockholders	\$ (88,075)	\$ (70,968)	\$ (253,254)
Net loss per share attributable to common stockholders, basic and diluted(4)	\$ (0.60)	\$ (0.44)	\$ (1.39)
Weighted-average shares used in computing net loss per share attributable to common stockholders—basic and diluted(4)	147,278	163,051	182,108
Pro forma net loss per share attributable to common stockholders—basic and diluted (unaudited)(4)			\$ (0.48)
Weighted-average shares used in computing pro forma net loss per share attributable to common stockholders—basic and diluted (unaudited)(4)			526,227

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

(2) Includes stock-based compensation as follows:

	Year Ended December 31,		
	2018	2019	2020
Infrastructure and trust & safety	\$ 3,046	\$ 2,085	\$ 7,396
Research and development	25,691	9,695	39,402
General and administrative	4,426	3,347	25,939
Sales and marketing	3,147	2,507	6,421
Total stock-based compensation	\$36,310	\$17,634	\$79,158

During the year ended December 31, 2018 and 2020, we recorded compensation expense of \$25.2 million and \$35.2 million, respectively, related to a tender offer conducted by the purchasers of Series F and Series G convertible preferred stock to acquire shares from employees, former employees, and other existing investors. This expense was recorded because the purchasers were our affiliates and the tender was completed at above the then-fair market value. In connection with the tender offer, we waived any rights of first refusal or transfer restrictions applicable to such shares.

- (3) Our consolidated financial statements include our majority-owned subsidiary Roblox China Holding Corp. The ownership interest of a minority investor, Songhua, is recorded as a noncontrolling interest.
- (4) See Note 14 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the method used to calculate our basic and diluted net loss per share, basic and diluted pro forma net loss per share and the weighted-average number of shares used in the computation of the per share amounts. The calculations for basic and diluted pro forma net loss per share attributable to common stockholders and the weighted-average number of shares used in the computation of the pro forma per share amount for the year ended December 31, 2020 do not include the issuance of 11,888,886 shares of our Series H convertible preferred stock that occurred subsequent to December 31, 2020.

The following table sets forth the components of our consolidated statements of operations data, for each of the periods presented, as a percentage of revenue.

	Year Ended December 31,		
	2018	2019	2020
Revenue	100%	100%	100%
Cost and expenses:			
Cost of revenue	22	24	26
Developer exchange fees	22	22	36
Infrastructure and trust & safety	32	31	29
Research and development	27	21	22
General and administrative	11	8	10
Sales and marketing	13	9	6
Total cost and expenses	127	115	129
Loss from operations	(27)	(15)	(29)
Interest income	1	1	—
Other expense, net	(1)	—	—
Loss before provision for income taxes	(27)	(14)	(29)
Provision (benefit) for income taxes	—	—	(1)
Consolidated net loss	(27)	(14)	(28)
Net loss attributable to the noncontrolling interest	—	—	(1)
Net loss attributable to common stockholders	(27%)	(14%)	(27%)

**Comparison of the Years Ended December 31, 2018, 2019, and 2020**

**Revenue**

	Year Ended December 31,			2018 to	2019 to
	2018	2019	2020	% Change	% Change
	(dollars in thousands)				
Revenue	\$ 324,956	\$ 508,393	\$ 923,885	56%	82%

*2020 Compared to 2019.* Revenue in the year ended December 31, 2020 increased \$415.5 million, or 82%, compared to the year ended December 31, 2019. The increase is primarily due to expansion within our daily paying users, which is measured as the average number of unique paying users for each day during the period. Our number of daily paying users increased from roughly 184,000 in 2019 to roughly 490,000 in 2020. Bookings per daily paying user for both periods remained relatively consistent but may not be reflected in the revenue recognized per daily paying user as a substantial portion of revenue recognized each period is from bookings from prior periods. The daily paying user expansion followed existing growth trends, but also included the impact of COVID-19 and shelter-in-place orders in 2020.

*2019 Compared to 2018.* Revenue in the year ended December 31, 2019 increased \$183.4 million, or 56%, compared to the year ended December 31, 2018. The increase is primarily due to expansion within our daily paying users as the number of daily paying users increased from roughly 125,000 in the year ended December 31, 2018 to roughly 184,000 for the year ended December 31, 2019.

### Cost of revenue

	Year Ended December 31,			2018 to	2019 to
	2018	2019	2020	% Change	% Change
	(dollars in thousands)				
Cost of revenue	\$ 72,978	\$ 122,381	\$ 239,898	68%	96%

*2020 Compared to 2019.* Cost of revenue increased \$117.5 million, or 96%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase is primarily due to an increase of \$104.5 million in payment processing fees primarily driven by the growth in our bookings.

*2019 Compared to 2018.* Cost of revenue increased \$49.4 million, or 68%, for the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase is primarily due to a \$47.8 million increase in payment processing fees in connection with the growth in our bookings, which grew at a faster pace than revenue and grew particularly quickly in mobile channels which carry higher payment processing fees.

### Developer exchange fees

	Year Ended December 31,			2018 to	2019 to
	2018	2019	2020	% Change	% Change
	(dollars in thousands)				
Developer exchange fees	\$71,887	\$111,976	\$328,740	56%	194%

*2020 Compared to 2019.* Developer exchange fees increased \$216.8 million, or 194%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase is primarily driven by the growth in our bookings over the same period and the associated growth in Robux balances in the accounts of developers and creators. Developer exchange fees track closely with our overall bookings performance as more users on the platform and Robux purchased by our users drives more Robux earned by developers and creators.

*2019 Compared to 2018.* Developer exchange fees increased \$40.1 million, or 56%, for the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase is primarily driven by the growth in our bookings over the same period and the associated growth in Robux balances in the accounts of developers and creators.

### **Infrastructure and trust & safety**

	Year Ended December 31,			2018 to	2019 to
	2018	2019	2020	% Change	% Change
	(dollars in thousands)				
Infrastructure and trust & safety	\$ 105,590	\$ 156,699	\$ 264,226	48%	69%

*2020 Compared to 2019.* Infrastructure and trust & safety expenses increased \$107.5 million, or 69%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase is primarily due to an increase of \$67.8 million related to our data center and technical infrastructure expenses associated with providing the platform to our users as well as depreciation of our servers and infrastructure equipment.

In addition, infrastructure and trust & safety expenses increased by \$20.9 million to support the growth in users and increased traffic to our platform. Other increases include \$16.2 million in personnel costs primarily due to an increase in headcount to support our infrastructure growth and stock-based compensation expense of \$5.5 million of which \$2.4 million was associated with the tender offer in the year ended December 31, 2020.

*2019 Compared to 2018.* Infrastructure and trust & safety expenses increased \$51.1 million, or 48%, for the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase is primarily due to an increase of \$31.6 million related to our data center and technical infrastructure expenses associated with providing the platform to our users as well as depreciation of our servers and infrastructure equipment. Other increases include \$8.3 million in trust & safety expenses and \$6.8 million in personnel costs due to increases in trust & safety consultants and headcount to support the growth of the business.

### **Research and development**

	Year Ended December 31,			2018 to	2019 to
	2018	2019	2020	% Change	% Change
	(dollars in thousands)				
Research and development	\$ 87,051	\$ 107,095	\$ 201,433	23%	88%

*2020 Compared to 2019.* Research and development expenses increased \$94.3 million, or 88%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase is primarily due to an increase of \$82.3 million of personnel costs, which includes \$29.8 million in stock-based compensation expense of which \$13.0 million was associated with the tender offer in the year ended December 31, 2020. The increase is also due to an increase in headcount and consultants supporting our engineering, design, and product teams. Other increases include allocated costs of \$9.9 million primarily due to facilities expense associated with office expansion in our San Mateo location.

*2019 Compared to 2018.* Research and development expenses increased \$20.0 million, or 23%, for the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase

is primarily due to an increase of personnel costs of \$16.2 million, driven by an increase of \$30.2 million in headcount and consultants in our engineering, design, and product teams to support continued product innovation partially offset by \$14.0 million decrease in stock-based compensation expense. The decrease in stock-based compensation expense is primarily driven by \$17.6 million in stock-based compensation associated with the tender offer in the year ended December 31, 2018 that was not repeated in the year ended December 31, 2019. Other increases include \$4.3 million in allocated costs primarily due to facilities expense associated with our office expansion in 2019.

### General and administrative

	Year Ended December 31,			2018 to	2019 to
	2018	2019	2020	% Change	% Change
	(dollars in thousands)				
General and administrative	\$ 34,460	\$ 41,945	\$ 97,341	22%	132%

*2020 Compared to 2019.* General and administrative expenses increased \$55.4 million, or 132%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase is primarily due to an increase of \$34.2 million in personnel costs, which includes \$22.6 million in stock-based compensation expense of which \$16.7 million was associated with the tender offer in the year ended December 31, 2020. The increase is also due to an increase in headcount in our finance, accounting, people, IT and legal functions as part of our transition to a publicly traded company. Other increases include \$13.0 million related to professional services expenses associated with legal matters and public company readiness objectives and \$3.1 million in charitable contributions made toward COVID relief efforts.

*2019 Compared to 2018.* General and administrative expenses increased \$7.5 million, or 22%, for the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase is primarily due to increases of \$2.6 million in allocated costs associated with headcount growth, \$2.0 million in professional services expenses, \$1.6 million in recruiting expenses primarily due to fees associated with senior level searches as we grew our technical and senior management and \$0.8 million in personnel costs driven by an increase of \$4.9 million from headcount and consultants growth in our administrative teams partially offset by \$4.1 million decrease in stock-based compensation expense. The decrease in stock-based compensation is primarily driven by \$5.9 million in stock-based compensation associated with the tender offer in the year ended December 31, 2018 that was not repeated in the year ended December 31, 2019.

### Sales and marketing

	Year Ended December 31,			2018 to	2019 to
	2018	2019	2020	% Change	% Change
	(dollars in thousands)				
Sales and marketing	\$ 40,542	\$ 44,737	\$ 58,384	10%	31%

*2020 Compared to 2019.* Sales and marketing expenses increased \$13.6 million, or 31%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. This increase is due to an additional \$9.4 million in personnel costs, and the stock-based compensation expense of \$3.6 million of which \$3.1 million was associated with the tender offer in the year ended December 31, 2020. The increase also includes \$3.3 million related to marketing and promotional expenses.

*2019 Compared to 2018.* Sales and marketing expenses increased \$4.2 million, or 10%, for the year ended December 31, 2019 compared to the year ended December 31, 2018. The increase is

primarily due to \$2.5 million in personnel costs due to headcount and consultant growth and \$0.7 million related to allocated costs for our sales and marketing teams.

**Interest income, other expense, and provision (benefit) for income taxes**

	Year Ended December 31,			2018 to	2019 to
	2018	2019	2020	% Change	% Change
	(dollars in thousands)				
Interest income	\$ 3,759	\$ 6,546	\$ 1,822	74%	(72%)
Other expense, net	(4,279)	(1,211)	(32)	(72)	(97)
Provision (benefit) for income taxes	3	9	(6,656)	200	(74,056)

**2020 Compared to 2019.** Interest income decreased \$4.7 million for the year ended December 31, 2020 as compared to the year ended December 31, 2019. The decrease is primarily due to a lower invested balance in marketable securities. Other expense decreased \$1.2 million for the year ended December 31, 2019 as compared to 2020. The decrease was primarily due to a decrease of \$2.3 million related to foreign exchange loss, offset by an increase of \$0.7 million in loss on re-measurement of warrants. Provision (benefit) for income taxes decreased by \$6.7 million primarily driven by the Loom.ai acquisition in the year ended December 31, 2020 and related assets acquired.

**2019 Compared to 2018.** Interest income increased \$2.8 million for the year ended December 31, 2019 as compared to the year ended December 31, 2018. The increase is primarily due to a larger invested balance in marketable securities. Other expense decreased \$3.1 million in the year ended December 31, 2019 as compared to year ended December 31, 2018 due to a decrease of \$3.1 million related to a lower remeasurement value of warrants.

**Unaudited Quarterly Results of Operations Data**

The following tables set forth our unaudited quarterly consolidated statements of operations data for each of the quarters indicated, as well as the percentage that each line item represents of our revenue for each quarter presented. The information for each quarter has been prepared on a basis consistent with our audited consolidated financial statements included in this prospectus, and reflect, in the opinion of management, all adjustments of a normal, recurring nature that are necessary for a fair statement of the financial information contained in those financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future. The following quarterly financial data should be read in conjunction with our consolidated financial statements included elsewhere in this prospectus.

	Three Months Ended											
	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020
	(dollars in thousands)											
Revenue	\$ 63,363	\$ 75,373	\$ 86,586	\$ 99,634	\$ 110,457	\$ 119,185	\$ 131,139	\$ 147,612	\$ 161,570	\$ 200,392	\$ 251,914	\$ 310,009
Cost and expenses:												
Cost of revenue(1)	13,754	16,734	19,559	22,931	25,860	27,719	31,581	37,221	41,793	53,669	65,818	78,618
Developer exchange fees	16,279	16,495	18,006	21,107	22,720	23,290	26,206	39,760	44,499	85,052	85,475	113,714
Infrastructure and trust & safety(2)	18,796	27,815	29,135	29,844	33,487	37,160	41,037	45,015	52,620	61,853	71,405	78,348
Research and development(2)	13,779	16,395	35,906	20,971	21,593	24,774	28,031	32,697	49,409	40,249	51,708	60,067
General and administrative(2)	5,662	7,165	13,521	8,112	8,773	9,838	10,302	13,032	30,558	18,707	16,168	31,908
Sales and marketing(2)	9,379	11,004	11,296	8,863	8,435	10,149	12,659	13,494	15,657	13,908	12,858	15,961
Total cost and expenses	77,649	95,608	127,423	111,828	120,868	132,930	149,816	181,219	234,536	273,438	303,432	378,616

	Three Months Ended											
	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020
	(dollars in thousands)											
Loss from operations	(14,286)	(20,235)	(40,837)	(12,194)	(10,411)	(13,745)	(18,677)	(33,607)	(72,966)	(73,046)	(51,518)	(68,607)
Interest income	381	623	1,228	1,527	1,619	1,677	1,789	1,461	1,247	294	217	64
Other expense, net	(364)	(3,976)	(5)	66	(47)	(71)	(376)	(717)	(3,157)	494	1,306	1,325
Loss before income tax expense	(14,269)	(23,588)	(39,614)	(10,601)	(8,839)	(12,139)	(17,264)	(32,863)	(74,876)	(72,258)	(49,995)	(67,218)
Provision (benefit) for income taxes	—	—	—	3	—	8	—	1	1	5	19	(6,681)
Consolidated net loss	(14,269)	(23,588)	(39,614)	(10,604)	(8,839)	(12,147)	(17,264)	(32,864)	(74,877)	(72,263)	(50,014)	(60,537)
Net loss attributable to the noncontrolling interest <sup>(3)</sup>	—	—	—	—	—	(26)	51	(171)	(498)	(742)	(1,401)	(1,796)
Net loss attributable to common stockholders	<u>\$ (14,269)</u>	<u>\$ (23,588)</u>	<u>\$ (39,614)</u>	<u>\$ (10,604)</u>	<u>\$ (8,839)</u>	<u>\$ (12,121)</u>	<u>\$ (17,315)</u>	<u>\$ (32,693)</u>	<u>\$ (74,379)</u>	<u>\$ (71,521)</u>	<u>\$ (48,613)</u>	<u>\$ (58,741)</u>

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

(2) Includes stock-based compensation as follows:

	Three Months Ended											
	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020
	(dollars in thousands)											
Infrastructure and trust & safety	\$ 318	\$ 432	\$ 1,693	\$ 603	\$ 354	\$ 442	\$ 527	\$ 762	\$ 2,804	\$ 915	\$ 1,623	\$ 2,054
Research and development	1,470	1,535	20,982	1,704	1,663	1,994	2,663	3,375	16,723	3,957	8,515	10,207
General and administrative	274	313	3,157	682	651	742	966	988	18,432	1,872	2,437	3,198
Sales and marketing	299	566	1,900	382	451	536	706	814	4,298	665	721	737
Total stock-based compensation	<u>\$ 2,361</u>	<u>\$ 2,846</u>	<u>\$ 27,732</u>	<u>\$ 3,371</u>	<u>\$ 3,119</u>	<u>\$ 3,714</u>	<u>\$ 4,862</u>	<u>\$ 5,939</u>	<u>\$ 42,257</u>	<u>\$ 7,409</u>	<u>\$ 13,296</u>	<u>\$ 16,196</u>

During the years ended December 31, 2018 and 2020, we recorded compensation expense of \$25.2 million and \$35.2 million, respectively, related to a tender offer conducted by the purchasers of Series F and Series G convertible preferred stock to acquire shares from employees, former employees, and other existing investors. This expense was recorded because the purchasers were our affiliates and the tender offer was completed at a price in excess of the then-fair market value. In connection with the tender offer, we waived any rights of first refusal or transfer restrictions applicable to such shares.

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



The following table sets forth our results of operations for the last twelve quarterly periods presented as a percentage of our total revenue for those periods:

	Three Months Ended											
	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020
	(dollars in thousands)											
Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cost and expenses:												
Cost of revenue	22	22	23	23	23	23	24	25	26	27	26	25
Developer exchange fees	26	22	21	21	21	20	20	27	28	42	34	37
Infrastructure and trust & safety	30	37	34	30	30	31	31	30	33	31	28	25
Research and development	22	22	41	21	20	21	21	22	31	20	21	19
General and administrative	9	10	16	8	8	8	8	9	18	9	6	10
Sales and marketing	14	14	12	9	7	9	10	10	9	7	5	6
Total cost and expenses	123	127	147	112	109	112	114	123	145	136	120	122
Loss from operations	(23)	(27)	(47)	(12)	(9)	(12)	(14)	(23)	(45)	(36)	(20)	(22)
Interest income	1	1	1	1	1	2	1	1	1	—	—	—
Other expense, net	(1)	(5)	—	—	—	—	—	—	(2)	—	—	—
Loss before income tax expense	(23)	(31)	(46)	(11)	(8)	(10)	(13)	(22)	(46)	(36)	(20)	(22)
Provision (benefit) for income taxes	—	—	—	—	—	—	—	—	—	—	—	(2)
Consolidated net loss	(23)	(31)	(46)	(11)	(8)	(10)	(13)	(22)	(46)	(36)	(20)	(20)
Net loss attributable to the noncontrolling interest	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Net loss attributable to common stockholders	(23%)	(31%)	(46%)	(11%)	(8%)	(10%)	(13%)	(22%)	(46%)	(36%)	(19%)	(19%)

	Three Months Ended											
	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020
	(in thousands, except hours engaged and APBDAU amounts)											
<b>Non-GAAP and selected financial and operating data:</b>												
Bookings	\$120,202	\$117,446	\$118,926	\$142,464	\$142,260	\$150,322	\$165,377	\$236,303	\$249,576	\$494,171	\$496,485	\$642,311
Daily active users (DAUs)	10,342	11,283	12,745	13,652	15,841	17,121	18,375	19,110	23,585	33,376	36,173	37,125
Hours engaged (in millions)	2,099	2,169	2,632	2,530	2,974	3,248	3,730	3,701	4,875	8,586	8,711	8,430
Average bookings per DAU (ABPDAU)	\$ 11.62	\$ 10.41	\$ 9.33	\$ 10.44	\$ 8.98	\$ 8.78	\$ 9.00	\$ 12.37	\$ 10.58	\$ 14.81	\$ 13.73	\$ 17.30

## Quarterly Trends

### Revenue

Our revenue has increased sequentially for all periods presented primarily due to the increase in bookings across our existing user base. We generally experience seasonality in the fourth quarter due to the holiday season. However seasonality in recent periods may be overshadowed due to the growth of the business. Since a substantial amount of bookings is deferred over the average lifetime of a paying user, a substantial portion of revenue recognized each period is from bookings from previous periods. As such,

increases or decreases associated with bookings due to seasonality or growth from new users may not immediately be reflected as revenue for that period.

Revenue increased sequentially in the three months ended March 31, 2020, June 30, 2020, September 30, 2020, and December 31, 2020 due to an expansion of our user base that was partially driven by the impact of COVID-19 and shelter-in-place orders.

### **Costs and expenses**

Our quarterly operating results may fluctuate due to various factors affecting our performance. As noted above, we recognize revenue from purchases of virtual items over the estimated average lifetime of a paying user or as the virtual items are consumed. Therefore, changes in our bookings activity in the near term may not be apparent as a change to our reported revenue until future periods. Most of our expenses are recorded as period costs, and thus, factors affecting our cost structure may be reflected in our financial results sooner than changes to our revenue.

Total cost of revenue increased, consistent with our revenue, in order to support our overall growth. Starting in the third quarter of 2019, cost of revenue as a percentage of revenue also increased as the mix of sales by distribution channel began to shift significantly toward mobile distribution channels such as the Apple App Store and Google Play Store, which charge a higher processing fees than our other distribution channels.

Our costs and expenses have generally increased sequentially for all periods presented, primarily due to increased personnel-related costs to support our expanded operations, and our continued investment in our platform and services. In the three months ended September 30, 2018 and three months ended March 31, 2020, overall costs and expenses include \$25.2 million and \$35.2 million of stock-based compensation attributable to tender offers in that quarter, respectively.

The expenses associated with the tender offer increased infrastructure and trust & safety expense by \$1.1 million, research and development expense by \$17.6 million, general and administrative expense by \$5.9 million, and sales and marketing expense by \$0.6 million in the three months ended September 30, 2018.

The expenses associated with the tender offer increased infrastructure and trust & safety expense by \$2.4 million, research and development expense by \$13.0 million, general and administrative expense by \$16.7 million, and sales and marketing expense by \$3.1 million in the three months ended March 31, 2020.

### **Key metrics**

Average bookings per DAU can fluctuate from period to period due to a number of factors, but historically we see higher monetization in the fourth fiscal quarter of each year due to the seasonal impact on our business. As a result, our ABPDAU was highest in the fourth fiscal quarter of the year ended December 31, 2020. During the three months ended December 31, 2020, September 30, 2020, June 30, 2020, and for a portion of the three months ended March 31, 2020, we experienced a significant increase in bookings partially due to the impact of COVID-19 and global shelter in place orders.

### **Liquidity and Capital Resources**

As of December 31, 2020, our principal sources of liquidity were cash and cash equivalents of \$893.9 million, which were held for working capital 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 and borrowings under our credit facilities. We bill and collect payment upfront for our bookings.

In January 2021, we completed a private placement and sold an aggregate of 11,888,886 shares of our Series H convertible preferred stock at a purchase price of \$45.00 per share for net proceeds of approximately \$535.0 million.

In February 2019, we entered into an agreement for a revolving line of credit, with maximum borrowings of up to \$50.0 million available under the line, due February 2020. Outstanding borrowings under the line of credit bear interest at 1.5% per annum. In February 2020, this credit facility was renewed for a one-year period. In February 2021, we terminated the credit facility agreement. No amounts had been borrowed under the revolving line of credit.

As of December 31, 2020, we have generated losses from our operations as reflected in our accumulated deficit of \$492.3 million as of December 31, 2020, and positive cash flows from operating activities for each of the periods presented. A substantial source of our cash provided by operating activities is our deferred revenue, which is included on our consolidated balance sheets as a liability. Deferred revenue consists of the unearned portion of bookings for which we have already received cash and, which is recorded 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.

We believe our existing cash, cash equivalents and marketable securities, together with cash provided by operations, will be sufficient to meet our needs for the next 18 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, and timing and extent of spending to support our efforts to develop our platform. We estimate that our investment in infrastructure over the next 12 months will require an amount in the range of \$150 million to \$200 million. 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, and 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 the section titled "Risk Factors."

Our principal uses of cash in recent periods have been funding our operations and making capital expenditures.

### Cash Flows

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

	Year Ended December 31,		
	2018	2019	2020
	(dollars in thousands)		
<b>Consolidated Statements of Cash Flows Data:</b>			
Net cash provided by operating activities	\$ 101,038	\$ 99,185	\$ 524,340
Net cash used in investing activities	\$ (83,150)	\$ (84,330)	\$ (97,030)
Net cash provided by financing activities	\$ 151,777	\$ 53,112	\$ 164,972

### ***Operating activities***

Our largest source of operating cash is cash collection from sales of Robux to our paying users. Our primary uses of cash from operating activities are for payment processing fees, personnel-related expenses, data center and infrastructure-related operations, and developer exchange fees.

During the year ended December 31, 2020, cash provided by operating activities was \$524.3 million, which consisted of a net loss of \$257.7 million, adjusted by non-cash charges of \$126.0 million and net cash inflows from the change in net operating assets and liabilities of \$656.0 million. The non-cash charges were primarily comprised of depreciation and amortization of \$79.2 million and stock-based compensation of \$43.8 million. The net cash inflows from the change in our net operating assets and liabilities was primarily due to a \$965.9 million increase in deferred revenue and a \$49.9 million increase in developer exchange liability offset by a \$230.4 million increase in deferred cost of revenue and a \$156.9 million increase in accounts receivable, all due to increases in bookings.

During the year ended December 31, 2019, cash provided by operating activities was \$99.2 million, which consisted of a net loss of \$71.1 million, adjusted by non-cash charges of \$45.8 million and net cash inflows from the change in net operating assets and liabilities of \$124.5 million. The non-cash charges were primarily comprised of depreciation and amortization of \$27.7 million and stock-based compensation of \$17.6 million. The net cash inflows from the change in our net operating assets and liabilities was primarily due to a \$187.9 million increase in deferred revenue and a \$12.9 million increase in developer exchange liability due to increases in bookings, and a \$11.4 million increase in deferred rent due to additional office space. These changes were offset by a \$48.3 million increase in deferred cost of revenue and a \$40.1 million increase in accounts receivable.

During the year ended December 31, 2018, cash provided by operating activities was \$101.0 million, which consisted of a net loss of \$88.1 million, adjusted by non-cash charges of \$51.9 million and net cash provided by the change in net operating assets and liabilities of \$137.2 million. The non-cash charges were primarily comprised of stock-based compensation of \$36.3 million and depreciation and amortization of \$11.9 million. The change in our net operating assets and liabilities was primarily due to an increase in deferred revenue of \$175.1 million and developer exchange liability of \$10.3 million partially offset by an increase in deferred cost of revenue of \$42.7 million.

### ***Investing activities***

During the year ended December 31, 2020, cash used in investing activities was \$97.0 million, primarily consisting of cash used in capital expenditures of \$104.2 million, and payments related to business combination of \$40.9 million, offset by cash provided by net maturities of marketable securities of \$57.0 million.

During the year ended December 31, 2019, cash used in investing activities was \$84.3 million, primarily consisting of cash used in capital expenditures of \$83.3 million offset by cash provided by net maturities of marketable securities of \$0.4 million.

During the year ended December 31, 2018, cash used in investing activities was \$83.2 million, primarily consisting of cash used in capital expenditures of \$65.6 million and net purchases of marketable securities of \$17.1 million.

### ***Financing activities***

During the year ended December 31, 2020, cash provided by financing activities was \$165.0 million primarily consisting of net proceeds of \$149.7 million from the issuance of convertible preferred stock and proceeds of \$15.2 million from the exercise of stock options.

During the year ended December 31, 2019, cash provided by financing activities was \$53.1 million, consisting of a capital contribution from non-controlling interest holder, Songhua, of \$50.0 million and proceeds of \$3.1 million from the exercise of stock options.

During the year ended December 31, 2018, cash provided by financing activities was \$151.8 million primarily consisting of net proceeds of \$149.6 million from the issuance of convertible preferred stock and proceeds of \$2.1 million from the exercise of stock options.

### Contractual Obligations and Commitments

Our principal contractual commitments consist of obligations under operating leases for office space and data center operations. The following table summarizes our consolidated principal contractual cash obligations, as of December 31, 2020 for the periods presented below:

	Payment Due by Period				Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years	
Operating lease commitments(1)	\$ 51,397	\$102,392	\$71,193	\$ 55,882	\$280,864
Purchase commitments(2)	11,027	10,162	1,392	11	22,592
	<u>\$ 62,424</u>	<u>\$112,554</u>	<u>\$72,585</u>	<u>\$ 55,893</u>	<u>\$303,456</u>

(1) Consists of future non-cancelable minimum rental payments under operating leases for our offices and data centers.

(2) The substantial majority of our purchase commitments are related to agreements with our data center hosting providers and software vendors.

In addition to the contractual obligations set forth above, as of December 31, 2020, we had \$9.9 million in letters of credit outstanding related to our office facilities in San Mateo, California and data center facilities in Ashburn, Virginia.

### Internal Control Over Financial Reporting

During the year ended December 31, 2020, we identified a material weakness in our internal control over financial reporting that resulted in a restatement of our financial statements for the years ended December 31, 2018 and December 31, 2019. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. The material weakness was due to ineffective controls over the identification of the performance obligations in our revenue recognition methodology that resulted in an error where we previously identified a single performance obligation to provide an integrated and enhanced online experience via hosting services performed by the Company over the time period for which the user is estimated to access the Roblox Platform. Upon further review, we concluded that we have a performance obligation to provide customers with the ability to acquire and use virtual goods on the platform and the nature of the virtual good (consumable/durable) determines the pattern of recognition of the identified performance obligation.

We are in the process of implementing measures designed to improve our internal control over financial reporting and remediate the control deficiency that led to the material weakness related to our revenue recognition methodology. This includes hiring additional dedicated and experienced technical resources (including engaging a third-party consultant to assist management) to strengthen its

corporate oversight over financial reporting and controls associated with complex accounting matters. See the section titled “Risk Factors— We have identified a material weakness in our internal control over financial reporting which resulted in our restatement of our financial statements for the years ended December 31, 2018 and December 31, 2019. In the future we may identify additional material weaknesses or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations.”

Notwithstanding the identified material weakness, management has concluded that the consolidated financial statements and notes thereto included elsewhere in this prospectus present fairly, in all material respects, our financial position, results of operations and cash flows in conformity with GAAP.

### **Off-Balance Sheet Arrangements**

As of December 31, 2020, 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.

### **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.

### **Foreign Currency Exchange Risk**

Most of our revenue is generated in U.S. dollars, with the remainder generated in British pounds sterling, Euros, Canadian dollars, and Australian dollars. Our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations, which are primarily in the U.S., Europe, and China. Our results of current and future operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our historical consolidated financial statements for the years ended December 31, 2018, 2019, and 2020. As the impact of foreign currency exchange rates has not been material to our historical operating results, we have not entered into derivative or hedging transactions, but we may do so in the future if our exposure to foreign currency becomes more significant.

### **Interest Rate Risk**

Our cash, cash equivalents, and marketable securities primarily consist of cash on hand and highly liquid investments in money market instruments and U.S. government securities. As of December 31, 2020, we had cash and cash equivalents of \$893.9 million. We do not enter into investments for trading or speculative purposes. Our investments are exposed to market risk due to fluctuations in interest rates, which may affect our interest income and the fair market value of our investments. However, due to the short-term nature of our investment portfolio, we do not believe an immediate 10% increase or decrease in interest rates would have a material effect on the fair market value of our portfolio. We therefore do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

## **Critical Accounting Policies and Estimates**

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenue generated, and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

### **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 we expect to be entitled to in exchange for these services. To achieve the core principle of this standard, we determine 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, we satisfy performance obligations by transferring the promised services.

We derive substantially all of our revenue from the sale of virtual items on the Roblox Platform.

### **Roblox Platform**

We operate 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 revenues as a user purchases and uses virtual items. Our 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 mobile payments, credit cards, or prepaid cards. Payments from users are non-refundable and relate to noncancellable contracts for a fixed price that specify our obligations. 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. Such payments are initially recorded to deferred revenue.



The satisfaction of our performance obligation is dependent on the nature of the virtual item purchased and as a result, we categorize our 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 we recognize 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 our Roblox Platform. We recognize revenue from the sale of durable virtual items ratably over the estimated period of time the items are available to the user on the Roblox Platform.

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 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 and is currently estimated to be 23 months. Determining the estimated average lifetime of a paying user requires management's judgment. The Company considers results from prior analyses and trends in the activity of the Company's recent user cohorts 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.

### **Stock-Based Compensation**

We measure stock-based compensation expense based on the estimated grant date fair value of the awards. We have granted certain awards, consisting primarily of stock option awards, that vest based upon a service condition. We account for forfeitures as they occur.

We estimate the fair value of stock options using the Black-Scholes option-pricing model and recognize expense on a straight-line basis over the requisite service period of the awards. The Black-Scholes option pricing model requires certain subjective inputs and assumptions, including the fair value of our common stock, the expected term, risk-free interest rates, expected stock price volatility, and expected dividend yield of our Class A common stock. The assumptions used to determine the fair value of the option awards represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. These assumptions and estimates are as follows:

- Fair value of Class A common stock—Because our Class A common stock is not yet publicly traded, we must estimate the fair value of Class A common stock, as discussed below in the section titled "Common Stock Valuations."
- Expected term—The expected term represents the period that our stock-based awards are expected to be outstanding. The expected term assumptions were determined based on the vesting terms, estimated exercise behavior, post-vesting cancellations and contractual lives of the awards.
- Risk-free interest rates—The risk-free interest rate is based on the implied yields in effect at the time of the grant of U.S. Treasury notes with terms approximately equal to the expected term of the award.

- Expected stock price volatility—We estimate the volatility of our Class A common stock on the date of grant based on the average historical stock price volatility of comparable publicly-traded companies in our industry group as there has been no public market for our Class A common stock to date.
- Expected dividend yield—Our expected dividend yield is zero, as we have not paid and do not anticipate paying dividends on our common stock.

The following table summarizes the assumptions used in the Black-Scholes option-pricing model to determine the fair value of our stock options:

	Year Ended December 31,		
	2018	2019	2020
Risk-free interest rate	2.5%—3.1%	1.5%—1.72%	0.5%—1.8%
Expected volatility	37.7%—40.8%	37.0%—40.8%	35.4%—39.8%
Dividend yield	—	—	—
Expected term (in years)	6	6—7	7
Fair value of common stock	\$1.22—\$3.35	\$3.35—\$4.01	\$4.61—\$21.06

Future stock-based compensation for unvested options granted and outstanding as of December 31, 2020 is \$240.2 million to be recognized over a weighted-average remaining requisite service period of 3.5 years.

### Common Stock Valuations

Given the absence of a public trading market for our common stock, and in accordance with the American Institute of Certified Public Accountants Accounting and Valuation Guide: Valuation of Privately-Held Company Equity Securities Issued as Compensation, our board of directors along with management exercised its reasonable judgment and considered numerous objective and subjective factors to determine the best estimate of fair value of our common stock, including:

- the prices at which we or other holders sold our common and convertible preferred stock to outside investors in arms-length transactions;
- contemporaneous valuations performed by an unrelated third-party valuation firm;
- our operating and financial performance;
- the lack of marketability of our common stock;
- the valuation of comparable companies;
- the industry outlook;
- the likelihood of achieving a liquidity event, such as an initial public offering or a sale of our company given prevailing market conditions; and
- the U.S. and global economic and capital market conditions and outlook.

We determine the fair value of our common stock using the most observable inputs available to us, including income approaches as well as recent sales of our stock. The income approach estimates the value of our business based on the future cash flows we expect to generate discounted to their present value using an appropriate discount rate to reflect the risk of achieving the expected cash flows.

We also considered any secondary transactions involving our capital stock. In our evaluation of those transactions, we considered the facts and circumstances of each transaction to determine the extent to which they represented a fair value exchange. Factors considered include transaction volume, timing, whether the transactions occurred among willing and unrelated parties, and whether the transactions involved investors with access to our financial information.

During the years ended December 31, 2018 and 2020, we recorded compensation expense of \$25.2 million and \$35.2 million, respectively, related to a tender offer conducted by the purchasers of Series F and Series G convertible preferred stock to acquire shares from employees, former employees, and other existing investors. This expense was recorded because the purchasers were affiliates of us and the tender offer was completed at a price in excess of the then-fair market value. In connection with the tender offer, we waived any rights of first refusal or transfer restrictions applicable to such shares. See Note 10 of the notes to our consolidated financial statements included elsewhere in this prospectus for more information.

In February 2021, the compensation committee of our board of directors granted the Founder and CEO Long-Term Performance Award, an RSU award under our 2017 Plan to David Baszucki covering a maximum of 11,500,000 shares of our Class A common stock. The Founder and CEO Long-Term Performance Award vests upon the satisfaction of a service condition and achievement of certain stock price goals, which if achieved, would allow our other stockholders to benefit from the increases in our stock price as further described in the section titled “Executive Compensation—Founder and CEO Long-Term Performance Award.”

We estimated the grant date fair value of the Founder and 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 stock price targets may not be satisfied. The weighted-average grant date fair value of the Founder and CEO Long-Term Performance Award was estimated to be \$20.35 per share, and we estimate that we will recognize total stock-based compensation expense of approximately \$234 million over the requisite service period of each of the seven separate tranches. If the stock price targets 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 as our Chief Executive Officer is provided by Mr. Baszucki over the requisite service period, regardless of whether the stock price targets are achieved.

Following the effectiveness of the registration statement of which this prospectus forms a part, the fair value of our Class A common stock will be based on the closing price as reported on the date of grant on the NYSE.

### **Recent Accounting Pronouncements**

See Note 1 of the notes to our consolidated financial statements included elsewhere in this prospectus for more information.

### **JOBS Act Accounting Election**

We are an emerging growth company, as defined in the JOBS Act. The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act until the earlier

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[Table of Contents](#)

[Index to Financial Statements](#)

of the date we (1) are no longer an emerging growth company or (2) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

## LETTER FROM OUR FOUNDER, PRESIDENT AND CHIEF EXECUTIVE OFFICER

As I sit here writing this letter, I can't help but reflect on the last 15 years and how they have gone by so quickly. It seems like only yesterday when Erik Cassel and I launched the first version of Roblox from a small office in Menlo Park. From the start, we imagined the possibilities of bringing people together through play. Our goal was to create an online community where people could do things together in virtual worlds. We hoped that by sharing experiences, our users would connect, learn, and have fun with one another.

We knew almost everyone in the Roblox community during those first few months. We would write code throughout the day, and in the late afternoon socialize with our user base. We forged a tight connection with our early community of several hundred people, of which only twenty or so were online at any time. When we released Roblox Studio, we experienced firsthand the power of user-generated content. During the weeks that followed, Erik and I (and early employees John Shedletsy and Matt Dusek) were amazed by the creativity of our first developers. We quickly realized what they were building was much more interesting and engaging than anything we could ever make.

Surprisingly (or not?), things feel similar now to when we started. Today, Roblox provides shared online experiences where people can interact in 3D simulated virtual environments, sometimes referred to as a metaverse. And our original vision to make Roblox a platform for shared experiences is now leading the way for a new category we call human co-experience. Our vision for the future of our platform has never been more real and attainable.

We built Roblox from the start as a single platform, single name, single focus company that would someday support billions of users. The ultimate "product specification" was always to model reality, based on the belief that the more accurately we could simulate the real world, the more utility we could provide. Looking forward, we intend to maintain this focus as a single platform company, even as we expand the ways in which we enable people around the world to play, learn, and work together.

A fundamental part of being human is connecting, sharing, and doing things together with others. There have been countless advancements in technology that have helped humans communicate as well as share stories across space and time. Communication probably started with sound (drums) and then progressed to mail, the telegraph, radio, the telephone, and video communication. Storytelling evolved from cave art to songs, the written word, photography, silent movies, and today's 3D movies.

Technology has enhanced the ways we communicate and share stories, but historically it has been difficult to support "doing things together" at a distance. Thanks to several recent technological developments, we are beginning to see a convergence of communication and storytelling that is enabling co-experience, starting with multiplayer gaming over the internet. On Roblox, we expect people to engage in a vast range of activities, such as visiting ancient Rome, going to an awesome concert, or dissecting a simulated frog with others in an online classroom. We continue to take long-term bets with innovative engineering to improve the realism, fidelity, and intensity of how we interact online.

We recognized early on that building a safe and civil community was just as essential to our vision of connecting the world as were the engineering challenges we faced. One of our core values is "respect the community," and this continually guides our approach to the trust we build into our platform. This is our most important priority, and it is why we have a stringent safety system we constantly improve and evolve. In our vision, metaverse platforms will connect people from different life experiences with new and interesting ideas. We believe these connections will help build empathy by safely immersing people in different perspectives, where they will hear diverse viewpoints. And someday, as the metaverse supports a broader range of positive educational and social experiences, we hope this can expand opportunities for all people around the world.

As we've seen the creators on Roblox grow and evolve, we are continually amazed by their creativity. In the early days, most of our creators were users who would spend a few days at a time building something. We saw everything from outer space adventures to places where one could practice driving a railroad locomotive. Along the way, we have seen many innovations in gameplay mechanics originate on Roblox and then get adopted by other platforms.

Today, our creators range from first-time tinkerers to professional teams. We are pleased that much of the experiences they create are simply places to hang out and do things with friends, whether it is working in a restaurant or designing fashion outfits. Increasingly, our most popular experiences are social models of the real world, where one can go to high school or remodel a home. As the platform and the diversity of our users continues to expand, there will be plenty of opportunities for both hobbyists and professional studios.

In 2011, during our first Roblox convention called Roblox Rally, many Roblox players asked for our autographs. Today, players are chasing after Roblox creators for their autographs. We build the tools and platform, but our creators are the real engine for new and compelling experiences. We flex our internal creativity on technical innovation to empower our creators to build more diverse and higher-quality experiences. We ultimately hope the stories, avatars, and experiences our creators generate can become intellectual properties that will live well beyond Roblox. Our initial foray into toys and action figures, for example, is a way to bring the best of creators' work into the real world. Someday, we hope there might be a movie based on one of the experiences (and characters) created on our platform rather than a "Roblox" movie.

When we talk about "creators" we do so in a general sense, because creating experiences on Roblox taps a broad range of skills. Our creator community includes people specialized in coding, 3D experience design, avatar and clothing design, sound design, community management, moderation, live ops, production, and business. We believe that experience creation will become a growing field of employment.

Our engine for growth is ultimately the people in the company and how we organize to drive innovation. We have learned from our creator community that a simple set of "principles" (i.e. the Roblox platform) can empower teams to innovate and execute at scale (i.e. independent, autonomous studios). The same applies to our own systems and principles for hiring and organizing within the company. We call these principles the Roblox OS. We run the company as a collection of semi-autonomous teams with the right people to drive innovation, with minimal interdependencies and aligned by our shared vision of connecting the world.

We sometimes like to say the most important thing we will ever build is the team we assemble and the systems we use to run the company. We have tried to replicate the innovation we achieved as a 20 person company at a far larger scale throughout our company. The importance of a top-notch team with aligned values remains, whether we are a team of two or thousands.

More than 15 years ago our co-founder Erik and I started with the vision of connecting the world, and today we see ourselves as stewards of this original vision. Futurists and science fiction writers have been imagining the metaverse for decades. As computing power, networking bandwidth, and human interface technologies improve, metaverses will become more and more pervasive. We feel lucky to be part of this evolution. And as we embark on our next 15 years, I look forward to the change that is inevitable as well as the things we feel will always be the same.

## BUSINESS

### Overview

The story of Roblox began in 1989 when our founders, David Baszucki and Erik Cassel, programmed a 2D simulated physics lab called Interactive Physics, which would later go on to influence our approach to building the groundwork for Roblox. Students across the world used Interactive Physics to see how two cars would crash, or how they could build destructible houses. In starting Roblox in 2004, we wanted to replicate the inspiration of imagination and creativity we saw in Interactive Physics on a much grander scale by ushering in a new category of human interaction that did not exist at that time.

An average of 37.1 million 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 over 8 million active developers. We call this emerging category “human co-experience,” which we consider to be the new form of social interaction we envisioned back in 2004. Our platform is powered by user-generated content and draws inspiration from gaming, entertainment, social media, and even toys.

Some refer to our category as the metaverse, a term often used to describe the concept of persistent, shared, 3D virtual spaces in a virtual universe. The idea of a metaverse has been written about by futurists and science fiction authors for over 30 years. With the advent of increasingly powerful consumer computing devices, cloud computing, and high bandwidth internet connections, the concept of the metaverse is materializing.

Our Roblox human co-experience platform consists of the Roblox Client, the Roblox Studio, and the Roblox Cloud. Roblox Client is the application that allows users to explore 3D digital worlds. Roblox Studio is the 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 build a human co-experience platform that enables shared experiences among billions of users. 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.

The Roblox Platform has a number of key characteristics:

- **Identity.** All users have unique identities in the form of avatars that allow them to express themselves as whoever or whatever they want to be. These avatars are portable across experiences.
- **Friends.** Users interact with friends, some of whom they know in the real world and others who they meet on Roblox.
- **Immersive.** The experiences on Roblox are 3D and immersive. As we continue to improve the Roblox Platform, these experiences will become increasingly engaging and indistinguishable from the real world.
- **Anywhere.** Users, developers and creators on Roblox are from all over the world, including North America, Europe, South America, Asia, Australia and Africa. In 2019, we entered into a joint venture agreement with Songhua River Investment Limited, or Songhua, an affiliate of Tencent, to operate a Chinese version of the Roblox Platform that will be operated and published in China by Tencent under the name “Luobulesi.” Further, as of December 31, 2020, the Roblox Client operates on iOS, Android, PC, Mac, and Xbox, and supports VR experiences on PC using Oculus Rift and HTC Vive headsets.



- **Low Friction.** It is simple to set up an account on Roblox, and free for users to enjoy experiences on the platform. Users can quickly traverse between and within experiences either on their own or with their friends. It is also easy for developers to build experiences and then publish them to the Roblox Cloud so that they are then accessible to users on the Roblox Client across all platforms. On behalf of the developers and creators, Roblox also provides critical services such as user acquisition, billing, collections, content moderation, translation, safety, regulatory compliance, and customer support. This makes it easier and simpler for even individual developers and creators and small studios to be successful developers and creators.
- **Variety of Content.** Roblox is a vast and expanding universe of developer and creator-built content. As of December 31, 2020, there were over 20 million experiences on Roblox, and in the year ended December 31, 2020, over 13 million of these were experienced by our community. These ranged from experiences that simulate building and operating a theme park to adopting a pet, scuba diving, creating and playing your own superhero, and more. There are also millions of creator-built virtual items, such as hats, shirts, and pants, with which users can personalize their avatars and 3D virtual items, assets and sounds that creators can incorporate in experiences. Historically, Roblox has also created virtual items with which users can personalize their avatars. Our focus today and going forward, however, is on user-generated content.
- **Economy.** Roblox has a vibrant economy built on a currency called Robux. Users who choose to purchase Robux can spend the currency on experiences and on items for their avatar. Developers and creators earn Robux by building engaging experiences and compelling items that users want to purchase. Roblox enables developers and creators to convert Robux back into real-world currency.
- **Safety.** Multiple systems are integrated into the Roblox Platform to promote civility and ensure the safety of our users. These systems are designed to enforce real-world laws, and are designed to extend beyond minimum regulatory requirements.

Growth at Roblox has been driven primarily by a significant investment in technology and two mutually reinforcing network effects: content and social.



First, user-generated content, built by our community of developers and creators, powers our platform. As developers and creators build increasingly high-quality content, more users are attracted to our platform. The more users on our platform, the higher the engagement and the more attractive Roblox becomes to developers and creators. With more users, more Robux are spent on our platform, incentivizing developers and creators to design increasingly engaging content and encouraging new developers and creators to start building on our platform.

Second, our platform is social. When users join, they typically play with friends. This inspires them to invite more friends, who in turn, invite their friends, driving organic growth. The more friends

that each of our users has playing together on the platform, the more valuable and engaging the platform becomes. This drives more users to our platform through word of mouth from their existing friends on the platform.

The Roblox Platform combines significant bookings and revenue with strong unit economics, free cash flow generation and high growth.

- As of December 31, 2020, there were over 20 million experiences on Roblox, and in the year ended December 31, 2020, over 13 million of these were experienced by our community.
- Daily active users, or DAUs, on Roblox grew 47% from 12.0 million DAUs in 2018 to 17.6 million in 2019 and grew 85%, to 32.6 million, in 2020.
- Daily paying users on Roblox grew from approximately 125,000 in 2018 to approximately 184,000 in 2019, and approximately 490,000 in 2020.
- Hours engaged on Roblox grew 45% from 9.4 billion in 2018 to 13.7 billion in 2019 and grew 124%, to 30.6 billion, in 2020.
- Revenue grew 56% from \$325.0 million in 2018 to \$508.4 million in 2019 and grew 82%, \$923.9 million, in 2020.
- Bookings grew 39% from \$499.0 million in 2018 to \$694.3 million in 2019 and grew 171%, to \$1,882.5 million, in 2020.
- Net loss was \$88.1 million, \$71.0 million, and \$253.3 million in 2018, 2019, and 2020, respectively.
- Net cash provided by operating activities was \$101.0 million, \$99.2 million, and \$524.3 million in 2018, 2019, and 2020, respectively.
- Free cash flow was \$35.0 million, \$14.5 million, and \$411.2 million in 2018, 2019, and 2020, respectively.

See the section titled “Selected Consolidated Financial and Other Data” for a reconciliation of each non-GAAP financial measure to the most directly comparable financial measure calculated in accordance with GAAP.

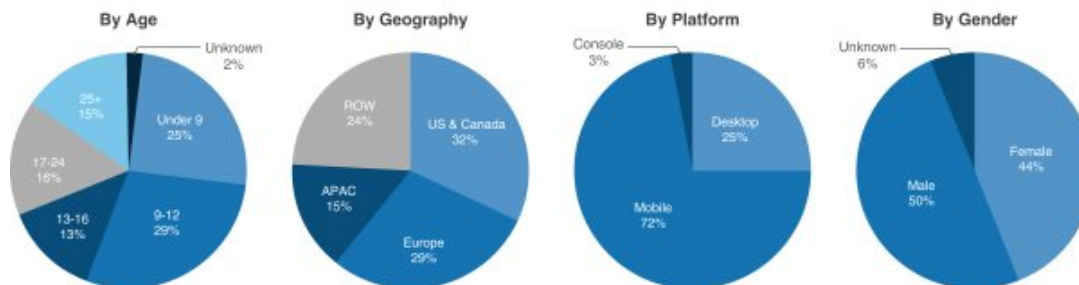
### **Our Community**

Roblox is powered by user-generated content from our community of developers and creators who build immersive and engaging experiences found only on Roblox, as well as the vast majority of the items for customizing avatars. Upon signing up for Roblox, users personalize their avatars by selecting body types, clothes, and gear. Users are then free to immerse themselves in the millions of developer-built experiences. Developers and creators can earn our virtual currency, Robux, through microtransactions in their experiences, through engagement-based rewards, and by selling virtual items. Robux can be exchanged for real-world currency through our Developer Exchange Program. This ability to generate income encourages developers and creators to invest in more and better content that attracts more users. As users enjoy our platform with each other and invite more friends to Roblox, developers and creators attract larger audiences and are encouraged to create even more. Many users eventually become developers and creators, and nearly all developers and creators started as users.

## Our Users

In the year ended December 31, 2020, 32.6 million average DAUs across over 180 countries enjoyed experiences on Roblox across mobile, desktop and console platforms. Our users are diversified across multiple dimensions, including age, geography, platform, and gender. Each day users can express themselves through their avatars, explore different worlds, and engage with others in the Roblox community. In the year ended December 31, 2020, there were over 1,500 experiences that generated at least 1 million hours of engagement and over 270 experiences that generated 10 million hours of engagement or more. During the year ended December 31, 2020, users spent 30.6 billion hours engaged on the platform, or an average of 2.6 hours per daily active user each day. Over the same period, our users explored an average of around 20 different experiences on the Roblox Platform per month.

Breakdown of Our Users



**Global DAU = 32.6 million<sup>2</sup>**

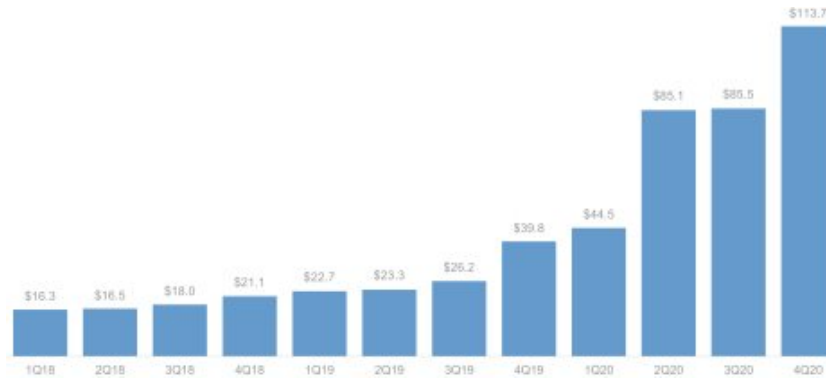
- 1 Platform breakdown determined by users' sign up platform.
- 2 As of year ended December 31, 2020.

## Our Developers and Creators

We offer users the ability to build engaging, immersive experiences that they can easily share with the Roblox community. Experiences refer to the various titles that can be enjoyed by our users in our platform. Users who create experiences are called developers and those who create avatar items are called creators. Developers can also build and sell custom tools and 3D models to help other developers create experiences. Collectively, our developers and creators contribute to our platform in three ways: by building experiences for users to enjoy, by building avatar items for users to acquire and express themselves with, and by building tools and 3D models for other developers and creators to utilize. In this way, our developers and creators enable us to offer a wide variety of experiences and cost-effectively crowd-source our experiences, marketplace content, and development environment. In the year ended December 31, 2020, we had over 8 million active developers across more than 170 countries who had either created or updated an experience on the platform. Our developer and creator community includes individuals with a wide spectrum of professional capabilities and team sizes, ranging from young students and independent hobbyists, all the way to full-time studios.

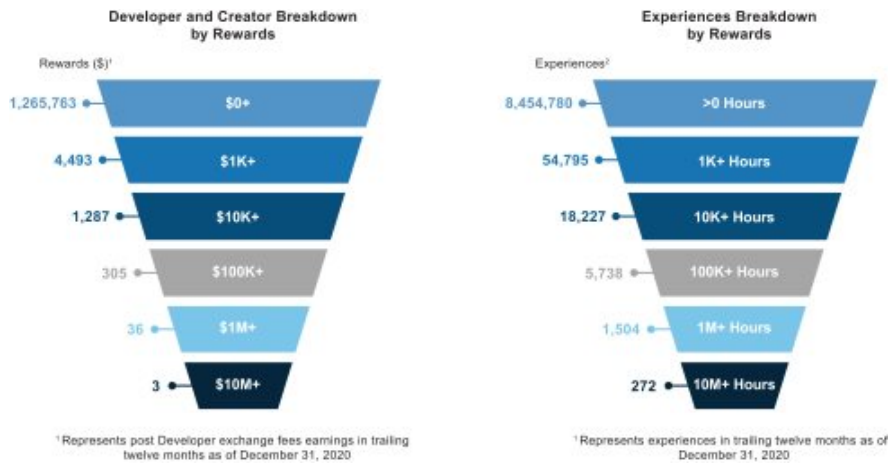
We measure the health and success of our developer and creator community based on their earnings and the user engagement in their experiences. As our platform has scaled, our monetizing developers and creators have enjoyed meaningful earnings expansion over time, reflecting the increasing monetization of our platform and driving a growing incentive for our developers and creators to continue to build high-quality content.

**Quarterly Development Exchange Fees (\$ in millions)**



For the year ended December 31, 2020, over 1,250,000 developers and creators earned Robux on the Roblox Platform, of which over 4,300 developers qualified for and were registered in our Developer Exchange Program and therefore met certain conditions, such as having earned at least 100,000 Robux, having a verified developer account, and having an account in good standing, and were therefore eligible to exchange their earned Robux for real-world currency. Of such developers and creators, for the year ended December 31, 2020, over 3,300 developers and creators actually exchanged their earned Robux for real-world currency through our Developer Exchange Program. For the same period, there were over 1,250 developers and creators that earned \$10,000 or more and over 300 developers and creators that earned \$100,000 or more in Robux. On an engagement basis, for the year ended December 31, 2020, there were over 1,500 experiences that generated at least one million hours of engagement per year and over 18,000 experiences that generated ten thousand hours of engagement or more.

**Reward and Experiences Breakdown**

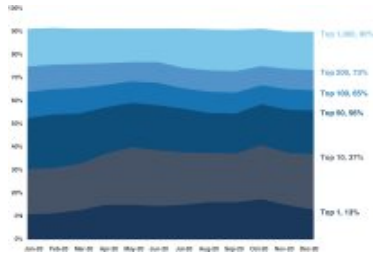


We invest in our developer and creator community by providing a comprehensive set of tools and services through Roblox Studio that enable them to easily build, publish, and monetize experiences. In addition, our developer relations function focuses on providing appropriate support for all developers and creators to ensure engagement and growth in our developer and creator community. This includes

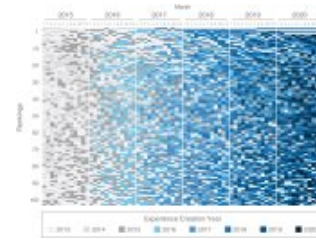
creating self-guided tutorials, managing and moderating our online developer and creator forums, and operating special programs for aspiring and top developers and creators such as our incubator program and our annual Roblox Developers Conference.

The investment in our developer and creator community has resulted in an ever-changing offering of diverse content for our users to explore and engage in. The chart below on the left shows the percentage of in-experience engagement within the top 1,000 experiences by month from January 1, 2020 to December 31, 2020. In the last twelve months, roughly 90% of our users' in-experience engagement was distributed across the top 1,000 experiences. The bottom right chart shows the top 100 grossing experiences by month from January 1, 2015 to December 31, 2020. The color coding indicates the year in which each individual experience was created. Between January 1, 2015 and December 31, 2020, almost half of the highest grossing experiences were made in the prior two years and almost a third were made in the same year.

**User Engagement in Top 1,000 Experiences**



**Top Grossing Experiences Over Time**



### Our Products and Technology

The Roblox Platform is the underlying technology and infrastructure that supports shared experiences for an average of 32.6 million daily active users. The platform is composed of three elements:

- **Roblox Client**—The application that allows users to explore 3D digital worlds.
- **Roblox Studio**—The toolset that allows developers and creators to build, publish, and operate 3D experiences and other content accessed with the Roblox Client.
- **Roblox Cloud**—The services and infrastructure that power the human co-experience platform.

Since our founding, we have invested heavily in building the Roblox Platform, and 79% of our employees are dedicated to maintaining, improving, and expanding it. Here is how our technology supports the key characteristics of the Roblox Platform.

#### Identity

The Roblox avatar system allows users to create and personalize their unique 3D identities. Our avatar technology supports a wide variety of character styles, ranging from classic “blocky” avatars with minimal motion and unrealistic proportions, to highly detailed stylized avatars with human proportions and realistic movement.

The Roblox Client features the Avatar Editor, which enables users to manipulate the size and body shape of their avatars as well as equip their avatar with clothing, gear, animations, simulated gestures, or emotes, and other accessories from the Avatar Marketplace. Our avatar system allows

users to attach practically any accessory to any avatar maximizing the combinatorial variety of avatar configurations supported by the platform. Users manipulate their avatar through a consistent set of controls for emotes, basic movement, and tap-to-move functionality which adapts to dynamically changing virtual environments. The Roblox client normalizes camera and avatar control inputs from different device form factors, including mobile, tablet, PC and game console to simplify the process of building multiplayer, multiplatform, and avatar-based experiences.

Within most experiences, avatars appear exactly how they were configured in the Avatar Editor, creating a sense of persistent identity. However, developers, when designing experiences, have the freedom to dynamically reconfigure all or part of the participating avatars to meet the specific needs of the developer's virtual experience.

### ***Friends***

The Roblox Client allows users to connect through various means, including matching their phone and email, detecting nearby players, or simply meeting in 3D experiences. The social graph created by these connections is stored in the Roblox Cloud and requires mutual opt-in to avoid unwanted communications.

The social graph is central to human co-experience. When a user chooses to join an experience, the Roblox Cloud is designed to automatically place that user into the same virtual environment as others connected through the social graph. In addition, most experience developers allow users to purchase private servers that allow groups of friends to share an exclusive, invite-only instance of a 3D experience.

The Roblox Platform supports text-based chat among users sharing the same 3D experience and between users connected through the social graph. For safety, every message passes through filters that block personally identifiable information, or PII, profanity, and offensive language. Using advanced pattern matching and machine learning, our filters are constantly evolving. As of December 31, 2020, our filters processed over 2 billion messages per day.

### ***Immersive***

The Roblox Platform allows developers to build deeply immersive 3D environments where users can share synchronous experiences with others, independent of where they may be physically. The Roblox Client provides users with intuitive camera and input controls that are tuned for each device's form factor. By abstracting these controls from developers, the process of building cross platform 3D experiences is greatly simplified.

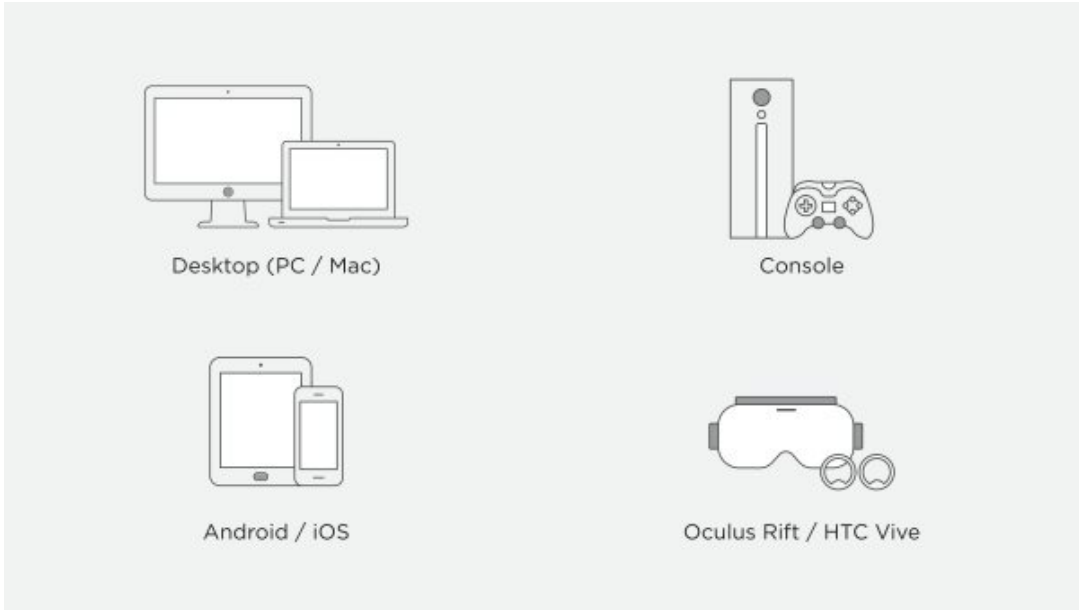
Developers use Roblox Studio to easily build 3D experiences that are then rendered and simulated on the Roblox Platform. The Roblox Client leverages efficient low-level hardware-specific device APIs, such as Vulkan for Android devices and Metal for Apple devices, to efficiently render those experiences. Each experience combines thousands of meshes, textures, 3D models, and animations that are brought to life through techniques such as physically based rendering, dynamic shadowmap lighting, and fully 3D smooth voxelized terrain.

Each 3D experience is simulated in the Roblox Cloud with a custom physics engine built for rigid body and constraint-based physics. Using a combination of novel mathematical formulations and aggressive optimization, the engine can simulate a large number of complex mechanisms at high levels of fidelity. To achieve an optimal balance between latency, scale, and consistency, computations for the simulation are distributed across Roblox Clients and the Roblox Cloud.

Assets that make up the 3D experience are stored in a persistent tree hierarchy that is the foundation for collaborative editing and interactive multiplayer experiences. The hierarchy can be modified through APIs which serve as a powerful abstraction layer making it easy to create experiences that are consistent across all Roblox Clients, regardless of device type. During simulation, this data is dynamically replicated within the Roblox Cloud and selectively transmitted to Roblox Clients. The Roblox Client then constructs and renders its own view of the 3D experience.

### **Low Friction**

The Roblox Platform gives users the ability to interact with experiences almost instantly, on most popular client devices, and from anywhere in the world over existing broadband and cellular networks. As of December 31, 2020, the Roblox Client operates on iOS, Android, PC, Mac, and Xbox, and supports VR experiences on PC using Oculus Rift and HTC Vive headsets. With Roblox, developers can build an experience once and then expect that experience to operate consistently on all supported devices.



The Roblox Client is designed for the rapid movement of users between experiences. Almost immediately upon launching a new experience, the Roblox Client will begin simulating and rendering the virtual world using a partial representation of the environment at a low level of detail. As more and higher fidelity assets are received by the Roblox Client, the fidelity of the experience automatically improves.

Assets are delivered to the Roblox Client through geographically distributed content delivery networks. The Roblox Cloud determines the format, level of detail, and priority of each asset sent in order to optimize for the capabilities and bandwidth available to the client device. For large experiences, the Roblox Client can dynamically purge unnecessary assets from device memory, ensuring that a single large experience can be played simultaneously on different devices regardless of device memory capacity.

The Roblox Cloud is central to enabling low-latency, responsive gameplay within 3D environments having millions of concurrent players. When a user joins a 3D experience, the Roblox



Cloud assigns that user to a particular game instance based on, among other considerations, the user's social graph, geographic location, spoken language, and age group. When the number of users in a given experience increases, the Roblox Cloud automatically spawns additional server instances necessary to support additional users. The platform optimally packs these instances onto physical servers and allocates compute resources based on the resource requirements of each instance. Developers can choose to allow up to 100 users within an instance, but may choose fewer to optimize their experience.

Developers have access to high-speed data stores in the Roblox Cloud where information about users and each simulated environment can be persisted. This, along with other services hosted in the Roblox Cloud, make it possible for a developer to build, launch, scale and monetize a 3D experience without any additional tools or services.

The majority of services operated by the Roblox Cloud are hosted in Roblox managed data centers. For some of our high-speed databases, scalable object storage, and message queuing services we leverage Amazon Web Services and, when additional compute resources are required, the Roblox Cloud can leverage Amazon EC2. All servers tasked with simulating the virtual environment and optimizing assets for Roblox Clients are owned by Roblox and operate from data centers and regional PoPs widely distributed across 21 cities in North America, Asia, and Europe. Through geographic distribution, the Roblox Cloud is fault tolerant and prepared for disaster recovery. As of December 31, 2020, the Roblox Cloud uses over 21,000 servers and handles approximately 12 million requests per second.

Data centers in the Roblox Cloud are linked through a high-performance dedicated backbone network bypassing the public internet for server-to-server calls and we operate under an open peering policy where we have direct interconnection with Internet providers globally. Operating our own network maximizes performance and increases the immersiveness experienced by our users.

### ***Variety of Content***

Developers and creators build nearly all of the content for the Roblox Platform. Their efforts contribute to an expanding content library that includes over 20 million experiences and millions of items for the Avatar Marketplace as of December 31, 2020.

Developers build, publish, and operate 3D experiences with Roblox Studio, a suite of tools accessible to all skill levels, from novice to professional. Teams can work together using built-in access control management and collaborative editing. Once content is built, it can be replicated and shared across multiple experiences giving developers the ability to scale their efforts and make rapid updates.

In addition to constructing 3D objects and environments, developers can script complex behaviors into their virtual experience with Roblox Lua. Based on Lua, an interpreted light-weight programming language popular in the gaming industry, Roblox Lua adds an optional static type system and a highly optimized interpreter that maximizes performance on Roblox Clients and in the Roblox Cloud. Using scripts, developers can modify the environment, control object behavior, and create new ways for users to interact with the virtual environment. Within Roblox Studio, developers have access to a powerful script editor which supports autocomplete, debugging, and the ability to emulate the Roblox Client running on supported devices.

Developers can share their work with other developers through the Studio Marketplace. The Studio Marketplace drives collaboration within our developer community, accelerates creation of new experiences, and provides additional ways for developers to monetize their work. As of December 31, 2020, the Studio Marketplace contained over 35 million models, meshes, textures, scripts, audio clips, developer tools, and packaged combinations of these items.

Roblox provides developers with reference material, tutorials, community forums, and analytics to build their creations. Dev Hub includes reference material, API documentation, and tutorials for developers. Developer Forum is a private forum for qualified developers which provides insight on new features, community initiatives, recruitment opportunities, bug reporting, and direct engagement with the Roblox staff. Edu Hub provides content for educators, students, and parents who are using Roblox as a tool to learn coding, 3D design, and digital civility. All developers on Roblox have access to dashboards that show daily visits and earned Robux. For top developers we provide more robust reporting.

Within the Roblox Client, users find experiences through personalized content recommendations and search. Recommendations are based on past user behavior, the social graph, and basic demographic information collected at signup. An emphasis is always placed on experiences where someone you are connected with is present. The search engine automatically learns user intent, accounting for misspellings, slang, and multilingual queries.

### ***Anywhere***

The Roblox Platform serves a global audience. In the year ended December 31, 2020, developers from over 170 countries and users spanning over 180 countries accessed the platform. Localization and compliance systems embedded within the Roblox Client and Roblox Cloud help to lower cultural barriers and enable our developers to meet regional requirements with little to no additional effort.

Developers can build experiences in their native language and then, using machine translation and advanced pattern recognition, the Roblox Cloud automatically translates those experiences into 11 languages including simplified Chinese, traditional Chinese, French, German, Indonesian, Italian, Japanese, Korean, Portuguese, Russian, and Spanish. Developers also have the ability to customize all or part of their translations if needed.

To meet an evolving global regulatory environment, the Roblox Client can adjust a user's experience and available content based on their age, device type, current location and where the client application was obtained. This allows Roblox to dynamically apply relevant content filters, antiaddiction rules, payment limits, and parental consent requirements.

The localization and compliance systems are also central to Luobu, our joint venture with Songhua, which we believe will form the basis of growing our brand penetration in the China market. In December 2020, Tencent received a publishing license from the National Press and Publication Administration of the Chinese government to publish and operate a localized version of the Roblox Platform as a game in China under the name "Luobulesi." Luobu has focused on creating a developer community in China. See the section titled "Risk Factors—We may not realize the benefits expected through our China joint venture and the joint venture could have adverse effects on our business."

### ***Economy***

Roblox has a vibrant economy built on a currency called Robux, which can be purchased through the Roblox Client and Roblox website. Roblox works with multiple payment and gift card processors including Amazon, Apple, BlackHawk, ePay, Google, Incomm, PayPal, Vantiv, and Xsolla. Roblox relies on payment processor partners to store account information.

Users can also acquire Robux through a monthly subscription to Roblox Premium. With a subscription, users receive discounted Robux along with access to exclusive or discounted items in the Avatar Marketplace. Developers may also choose to offer additional benefits to active Premium subscribers in the form of discounted virtual merchandise or access to exclusive in-experience features.

Developers and creators earn Robux by selling access to virtual content. Developers can also earn Robux by driving engagement of Premium subscribers through an engagement-based payout system. When Premium subscribers spend time in a developer's experience, that developer earns a prorated share of the user's monthly subscription fee. The payout system is designed to protect against fraud and computes a developer's revenue share on a daily basis. Engagement-based payouts incentivize developers to invest in the engagement of their experiences.

Roblox allows developers and creators to convert earned Robux into the real-world currency of their choice through our Developer Exchange Program. All Developer Exchange Program requests are reviewed on a risk-based approach to mitigate fraud and money laundering. Developers and creators participating in the program are required to create an account with Tipalti, our partner which collects tax information, ensures regulatory compliance, and executes the payouts.

## **Safety**

Multiple systems are integrated into the Roblox Platform to promote civility and ensure the safety of our users. These systems are designed to enforce our policies, protect users' personal information, and abide by local laws. We leverage text-filtering, content moderation systems, and automated systems to proactively identify behaviors that may violate our policies.

Content submitted by developers and creators, including images, models, meshes, and audio, goes through a multi-step review process before appearing on the platform. Images are evaluated for Child Sexual Abuse Material, or CSAM, using PhotoDNA with flagged images automatically reported to the National Center for Missing and Exploited Children, or NCMEC. Audio files are scanned for IP infringement using Audible Magic. Finally, assets which have not already been flagged for removal are subject to a 100% human review policy. During the year ended December 31, 2020, our human review team evaluated over 96 million assets. Assets refer to images, meshes, audio files, and video files that developers upload to Roblox to include in their experiences.

When experiences are published or updated on the Roblox Platform, they are evaluated by a suite of tools that identify problematic language, potential bypasses to our chat filters, and content that falls outside our policies. A human review team is continuously operating to evaluate flagged experiences. The Roblox Platform includes a suite of anti-intruder technology leveraging machine learning, throttles, and circuit breakers to block automated bot attacks and mitigate the impact of humans who attempt to spam users and disrupt the service. We also leverage automated penetration testing, a bug bounty program, code threat assessments, and vulnerability to management tools to ensure the safety of our users and the platform.

Roblox operates a customer service portal that profiles self-help information along with ways to contact Roblox via email or from within the Roblox Client. In the year ended December 31, 2020, Roblox responded to over 11 million customer inquiries and had a human respond to actionable safety issues generally within 10 minutes of their submission on average.

## **Safety and Digital Civility**

We aspire to build a safe and civil online society. We have no tolerance on our platform for content or behavior that violates our rules. Safety and civility systems are built into our platform and apply to every experience. In many instances, our systems extend beyond minimum regulatory requirements.

Our platform is designed to comply with the Children's Online Privacy Protection Act, or COPPA, and the General Data Protection Regulation, or GDPR, regulations. We work closely with regulators,

authorities, and safety groups in many countries. We endeavor to promptly report any suspected child exploitation or abuse materials to the relevant authorities.

We partner with over 10 leading global organizations focused on child and internet safety, including the WePROTECT Global Alliance, the Internet Watch Foundation, or IWF, the UK Safer Internet Centre, Fair Play Alliance, Family Online Safety Institute, or FOSI, Connect Safely, and kidSAFE, among others. We are also a member of various organizations, such as UKIE and the Technology Coalition, with a goal of cross-industry collaboration, knowledge and technology exchange in areas of user safety, and child safety. For example, we worked with Microsoft on a cross-industry initiative to identify child safety issues. As a member of the Technology Coalition, we are committed to providing transparency and promoting child safety online. We continue to work diligently with other digital platforms to report bad actors and inappropriate content so that they can also take appropriate actions on their platforms.

### ***Our Trust & Safety Systems***

We use machine scanning and a dedicated team of human moderators to review content, including images, sound, and video, uploaded into our platform. Our advanced machine scanning algorithms also review and monitor communications that flow through Roblox to block and protect users from inappropriate behavior, such as questions about personal information and instructions on how to connect on less protective third-party chat applications. The algorithms in our chat filters are age-sensitive: they monitor both what users can say and see based on their ages.

Throughout our site and in-experience, we provide our users with the ability to report activity that they find objectionable. Users can also block or mute players with whom they don't want to interact. We also provide parents with customizable parental controls to limit or disable online chat or to restrict access to a curated list of age-appropriate experiences.

As of December 31, 2020, we have a dedicated team and over 2,300 trust & safety agents protecting our users by focusing on detecting inappropriate content 24/7 through a combination of machine scanning and human moderation. We take swift action to address any content or developer or creator that violates our terms of use once detected. We have a Safety Advisory Board, made up of global industry experts that advise on the best practices to protect our community.

We continue to invest in technology and people to combat bad actors who attempt to undermine our efforts to connect millions of people. Our priority remains the safety and digital civility of our community.

### **The Roblox Economy**

We support our developer and creator community by giving them the tools to build, publish, operate, and monetize content. Our economy enables developers and creators to generate income through Roblox. For the year ended December 31, 2020, over 1,250,000 developers and creators earned Robux on the Roblox Platform, of which approximately 4,300 developers qualified for and were registered in our Developer Exchange Program and therefore met certain conditions, such as having earned at least 100,000 Robux, having a verified developer account, and having an account in good standing, and were therefore eligible to exchange their earned Robux for real-world currency. Of such developers and creators, for the year ended December 31, 2020, over 3,300 actually exchanged their earned Robux for real-world currency through our Developer Exchange Program. For the same period, there were over 1,250 developers and creators that earned \$10,000 or more and over 300 developers and creators that earned \$100,000 or more in Robux.

### ***Business Model***

When users sign up for Roblox, they can create an avatar and explore the vast majority of our experiences for free, although the business model for any given experience is ultimately up to its developer. Most free experiences allow users to spend Robux by purchasing experience-specific enhancements. Users can also use Robux to purchase items such as clothing, accessories and emotes, from our Avatar Marketplace. Roblox retains a portion of every Robux transaction and distributes the rest to developers and creators. Robux can only be purchased from us at a price set by us, and can only be spent within our platform. Other than daily and monthly limitations to prevent fraud, there is no cap on the number of Robux that any user or users in the aggregate can purchase. Robux have no monetary or intrinsic value outside of our platform and can only be converted to U.S. dollars through our Developer Exchange Program as described below. We are aware that some users seek to use unauthorized third-party websites to exchange Robux for real-world currency which is not permitted under our terms of use. We regularly monitor and screen usage of our platform with the aim of identifying and preventing these activities, as well as regularly send cease-and desist letters to operators of third-party websites offering fraudulent Robux or digital good offers.

### ***How Users Purchase Robux***

Users can purchase Robux in two ways, as one-time purchases or via Roblox Premium, a subscription service that is billed monthly and includes discounted Robux, access to exclusive in-experience benefits, exclusive and discounted marketplace items and the ability to buy, sell and trade certain Avatar items. Roblox accepts payments through app stores, credit cards, and prepaid cards. The average price for a Robux for the year ended December 31, 2020 was \$0.01.

### ***How Developers and Creators Earn Robux***

Robux are considered “earned” if a developer or creator receives them as payments for a bona fide third party transaction for virtual goods through the Roblox Platform. We currently offer developers and creators four mechanisms to earn Robux:

- sale of access to their experiences and enhancements in their experiences;
- engagement-based payouts, which reward developers for the amount of time that Premium subscribers spend in their experiences;
- sale of content and tools between developers; and
- sale of items to users through the Avatar Marketplace.

As users purchase and subsequently spend Robux on Roblox, developers receive 70% of the Robux spent within their experiences and 70% of the Robux spent for items that appear in the Studio Marketplace. Creators receive 30% of the Robux spent for their items that appear in the Avatar Marketplace.

Earned Robux are deposited into the virtual accounts of the developers and creators, who can convert Robux into U.S. dollars at an exchange rate which is determined by Roblox in its sole discretion of 1 Robux to \$0.0035 as of December 31, 2020, if they qualify for and are registered in our Developer Exchange Program. Acceptance into the Developer Exchange Program is subject to certain requirements, such as earning at least 100,000 Robux, having a verified account, and having an account in good standing. In the 2020, approximately 4,300 developers and creators that were qualified and registered in our Developer Exchange Program earned \$328.7 million, up from approximately 2,600 of such developers and creators who earned \$112.0 million in 2019.

Our developers and creators do not always cash out their Robux into real-world currency. Some choose to reinvest their Robux into developer tools from the Studio Marketplace, promote their experiences through our internal ad network, or spend the Robux as any other user would.



### Our Growth Strategies

We believe that the Roblox Platform has the potential to transform how people express themselves, socialize, play, learn, work, and transact together around the world. We are focused on the following key growth strategies:

- **Platform Extension:** We are continually investing in the Roblox Platform, including significant investments in high fidelity avatars, more realistic experiences, 3D spatial audio technology, and other social features. These investments should enable Roblox to support human co-experience in the entertainment, learning and business markets. For example, developers will be able to build and host virtual concerts, classrooms, meetings and conferences on Roblox.
- **Age Demographic Expansion:** As a result of platform extension, developers, and creators are now able to build higher quality experiences and content that appeals to an older age demographic. We believe there is significant potential for us to increase our penetration and engagement across all age demographics. We ultimately aim to be a brand that serves all ages. An early sign of what is possible: DAUs from our 17 to 24-year-old user age group grew faster than our core under 13 age group in the year ended December 31, 2020.
- **International Reach:** We believe there is significant potential for us to grow the global reach of our platform. We believe some of that will occur by the same organic, word of mouth user and developer growth that we have seen in markets like the U.S., Canada, and the United Kingdom. In addition, we are investing in technology that will also enhance our growth around the world. For example, we believe that features such as automated translation and built-in regional compliance will enable us to scale usage in global markets, allowing developers to publish in multiple languages and allowing users to communicate with each other even when they speak different languages. Further, we are addressing the opportunity in China through Luobu, a wholly-owned subsidiary of our joint venture with Songhua, an affiliate of Tencent Holdings Ltd.
- **Monetization:** We believe there is significant potential to increase monetization on our platform. First, we are actively working with our developer and creator community to help them improve their monetization. Second, we recently introduced our subscription service, Roblox Premium, which we believe will increase our conversion of our free users to paying users and the retention of our paying users. Finally, we expect to work with leading brands to build unique marketing opportunities on the Roblox Platform. To date, though we have not created meaningful monetization from marketing partnerships, each of Warner Bros Pictures, Netflix, NFL, WWE, Marvel, and FC Barcelona have introduced branded content on our platform.

## **Brand and Marketing**

Our go-to-market approach is driven by the strength and continued enhancement of our brand, organic adoption across our user, creator and developer communities, and an influencer-based marketing strategy. We primarily rely on our owned and earned channels and word of mouth to drive user acquisition. This strategy has been integral to our growth to 32.6 million DAUs in the year ended December 31, 2020.

Users build a direct relationship with the Roblox brand by establishing a single identity and creating their social graph. Users are able to navigate across an integrated universe of experiences on our platform and engage on the platform with users in their social graph. We believe this approach helps to create a flywheel that brings new users to the platform, and promotes loyalty and engagement.

We have millions of experiences to choose from on Roblox, and developers continue to build new experiences on the platform and publish them daily. As experiences on the platform grow in popularity, this success accrues to the Roblox brand and serves to draw in new audiences. Our approach is to amplify these experiences on both earned and owned channels which builds awareness and affinity for Roblox.

We believe safety is an integral and differentiating part of our brand. We have invested heavily in creating a safe and civil platform, which has allowed us to both grow and retain our user base.

We continue to enhance our brand through investment in products and experiences that complement those on our platform today. We have been active in leveraging our IP outside of the Roblox Platform through toys and branded apparel as a means to celebrate our users and further enhance our brand awareness. We have also launched entertainment partnerships to build brand awareness and drive engagement on the platform.

### ***Highly Efficient Marketing Model***

We operate a highly efficient marketing model. Our approach is almost entirely organic, with our user, creator and developer adoption driven by mutually reinforcing content and social network effects. We also leverage our influencer community to increase brand awareness and our reach across all age demographics.

## **Our People**

As of December 31, 2020, we employed over 960 full time employees. In addition, we had over 2,300 trust & safety agents across the globe. In order to continue to evolve the Roblox Platform, we must continue to invest heavily in attracting and retaining key talent, especially those focused on product and engineering. We monitor our progress with human capital metrics such as turnover, time to fill open roles, ratio of internally developed talent to external hires, ratio of technical talent to overall employees and employee engagement. Our brand, market position, reputation for innovation, and developer and creator-centric culture support our ability to recruit best-in-class engineering talent. As of December 31, 2020, we had 759 employees in product and engineering functions, accounting for 79%, and 20 of our employees are located outside of the U.S. In addition, we had 46 employees in China as part of our Luobu joint venture with Songhua as of December 31, 2020, 23 of which were in product and engineering functions.

We operate Roblox as a portfolio of small vision aligned teams. Each team maintains their own objectives, roadmap, and key performance indicators. Organizing this way maximizes accountability, creativity, and the number of leadership opportunities.



### **China Joint Venture**

In February 2019, we entered into a joint venture agreement with Songhua, an affiliate of Tencent Holdings Ltd., a leading internet company in China and one of the world's largest gaming companies, to create Roblox China Holding Corp. (in which we hold a 51% ownership interest and Songhua holds a 49% interest). The joint venture operates through a wholly-owned subsidiary based in Shenzhen, China, named Roblox (Shenzhen) Digital Science and Technology Co., Ltd and branded "Luobu." Through Luobu, Roblox and Shenzhen Tencent Computer Systems Co. Ltd or Tencent, will work together with the goal of building a successful localized version of Roblox in China that will leverage the strength of each party. Tencent currently intends to publish and operate a localized version of the Roblox Platform as a game in China under the brand name "Luobulesi." In December 2020, Tencent received a required publishing license from the National Press and Publication Administration of the Chinese government. The issuance of this publishing license follows a review of the content of Luobulesi to confirm that such content is not in contravention with the requirements of Chinese law. Luobu has focused on creating opportunities for local Chinese developers to learn Roblox Studio for building and publishing experiences and content.

### **Our Values**

We have embraced five core values since we founded Roblox:

- **Respect the Community.** We put the needs of our community above our own.
- **Take the Long View.** We incorporate our long-term goals in every decision.
- **Get Stuff Done.** We have a bias toward action.
- **Self-Organize.** We define our own path, aligned by a shared vision.
- **Own It.** We own the outcome for which we are responsible.

### **Competition**

We compete for both users, 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, Facebook, Google, Microsoft, and Tencent, global entertainment companies such as Comcast, Disney, and ViacomCBS, global gaming companies such as Activision Blizzard, Electronic Arts, Take-Two, Valve, Unity, and Zynga, online content platforms including Netflix, Spotify, and YouTube, as well as social platforms such as Facebook, Pinterest, and Snap. We are able to compete for these users based on our variety of content, personalized user experience, and various engaging and social features.

We rely on developers and creators to create the content that leads to and maintains user engagement (including maintaining the quality of experiences). We compete to attract and retain developers and creators by providing developers and creators the tools to easily build, publish, operate, and monetize content. We compete for developers, creators and engineering talent with gaming platforms such as Epic Games, Unity, and Valve Corporation, who provide developers and creators the ability to create or distribute interactive content. We are able to compete for these developers and creators because of our comprehensive offering to build, publish, and operate experiences on our platform, our free and easy-to-use technology, our broad user reach, our economic rewards system, our brand, our reputation for innovation, our developer and creator-centric culture, and our mission.

## Security, Privacy, Data Protection and Regulatory Matters

We are subject to a number of U.S. federal and state and foreign laws and regulations that involve matters central to our business. These laws and regulations may involve privacy, data protection, security, rights of publicity, content regulation, intellectual property, competition, protection of minors, consumer protection, credit card processing, taxation, anti-bribery, anti-money laundering and corruption, economic or other trade prohibitions or sanctions or securities law compliance or other subjects. Many of these laws and regulations are still evolving and being tested in courts and could be interpreted and applied in a manner that is inconsistent from country to country or state to state and inconsistent with our current policies and practices and in ways that could harm our business. In addition, the application and interpretation of these laws and regulations often are uncertain, particularly in the new and rapidly evolving industry in which we operate. The costs of complying with these laws and regulations are high and likely to increase in the future, particularly as the degree of regulation increases, our business grows and our geographic scope expands. Further, the impact of these laws and regulations may disproportionately affect our business in comparison to our peers in the technology sector that have greater resources. Any failure on our part to comply with these laws and regulations may subject us to significant liabilities or penalties, or otherwise adversely affect our business, financial condition or operating results. It is imperative that we secure the creative assets, performance and user data that are critical to our business. We devote considerable resources to our security program and regularly test the security of our services with the intent to ensure that user assets are securely stored and separated. We make it easy for content developers and creators to securely build and distribute their content in our ecosystem.

We rely on a variety of statutory and common-law frameworks and defenses relevant to the content available on our service, including the Digital Millennium Copyright Act, or DMCA, the Communications Decency Act, or CDA, and the fair-use doctrine in the U.S., and the Electronic Commerce Directive in the EU. However, each of these statutes is subject to uncertain or evolving judicial interpretation and regulatory and legislative amendments. In addition, pending or recently adopted legislation in the EU may impose additional obligations or liability on us associated with content uploaded by users to our platform. If the rules, doctrines or currently available defenses change, if international jurisdictions refuse to apply protections similar to those that are currently available in the U.S. or the EU, or if a court were to disagree with our application of those rules to our service, we could be required to expend significant resources to try to comply with the new rules or incur liability, and our business, revenue and financial results could be harmed.

We are also subject to U.S. federal and state and foreign laws and regulations regarding privacy and data protection, including with respect to the storage, sharing, use, processing, transfer, disclosure, and protection of personal data. For example, the California Consumer Privacy Act, CCPA, went into effect on January 1, 2020. The CCPA requires covered companies to, among other things, provide new disclosures to California consumers, and afford such consumers new abilities to opt-out of the sale of personal information. Additionally, a new privacy law, the CPRA, was approved by California voters in November 2020. The CPRA would significantly modify the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. Similar legislation has been proposed or adopted in other states. Aspects of the CCPA and these other state laws and regulations, as well as their enforcement, remain unclear, and we may be required to modify our practices in an effort to comply with them. In addition, foreign data protection, privacy, consumer protection, content regulation, and other laws and regulations also more restrictive and burdensome. For example, GDPR imposes stringent operational requirements for entities processing personal information and significant penalties for non-compliance. Under GDPR, fines up to 20 million Euros up or up to 4% of the annual global revenues of the infringer, whichever is greater, can be imposed for violations. In addition, in July 2020, the European Court of Justice struck down the EU-Swiss Privacy Shield program, which was used by 5,000 companies to transfer data from the EU to

the U.S. The court ruling also suggested that the propriety of Standard Contractual Clauses, which are an alternate method of data transfer from the EU to the U.S., may be challenged in the future.

Children's privacy has also been a focus of recent enforcement activity and subjects our business to potential liability that could adversely affect our business, financial condition or operating results. The Federal Trade Commission and state attorneys in the U.S. general have in recent years increased enforcement of COPPA, which requires companies to obtain parental consent before collecting personal information from children under the age of 13. In addition, the GDPR prohibits certain processing of the personal information of children under the age of 13-16 (depending on the country) without parental consent. The CCPA requires companies to obtain the consent of children in California under the age of 16 (or parental consent for children under the age of 13) before selling their personal information. Although we take reasonable efforts to comply with these laws and regulations, we may in the future face claims under COPPA, the GDPR, the CCPA or other laws relating to children's privacy. There are also a number of legislative proposals pending before the U.S. Congress, various state legislative bodies and foreign governments concerning content regulation and data protection that could affect us if enacted in the future.

We take a variety of technical and organizational security measures and other measures designed to protect our data, including data pertaining to our users, employees and business partners. Despite measures we put in place, we may be unable to anticipate or prevent unauthorized access to such data.

Non-compliance with any applicable laws and regulations could result in penalties or significant legal liability. Although we take reasonable efforts to comply with all applicable laws and regulations, there can be no assurance that we will not be subject to regulatory action, including fines, in the event of an incident. We or our third-party service providers could be adversely affected if legislation or regulations are expanded to require changes in our or our third-party service providers' business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our or our third-party service providers' business, results of operations, or financial condition.

Government authorities outside the U.S. may also seek to restrict access to or block our service, prohibit or block the hosting of certain content available through our service or impose other restrictions that may affect the accessibility or usability of our service in that country for a period of time or even indefinitely. In addition, some countries have enacted laws that allow websites to be blocked for hosting certain types of content or may require websites to remove certain restricted content.

Our privacy policy and terms and conditions of use describe our practices concerning the use, transmission, and disclosure of user information and are posted on our website. For additional information, please see the sections titled "Risk Factors—Risks Related to Our Business Generally—If the security of our platform is compromised, it could compromise our and our users', developers', and creators' proprietary information, disrupt our internal operations and harm public perception of our platform, which could cause our business and reputation to suffer," "Risk Factors—Risks Related to Our Business Generally—We anticipate that our ongoing efforts related to privacy, safety, security, and content review will identify additional instances of misuse of user data or other undesirable activity by third parties on our platform" and "Risk Factors—Risks Related to Government Regulations—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 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."

## Intellectual Property

Our intellectual property is an important aspect of our business, and our success depends in part on our ability to enforce and defend our intellectual property rights. We rely on a combination of patents, copyrights, trademarks, trade secrets, know-how, license agreements, contractual provisions, non-disclosure agreements, employee non-disclosure and invention assignment agreements, and confidentiality procedures to establish and protect our intellectual property rights. In addition to the protection provided by our intellectual property rights, we maintain a policy requiring our employees, consultants, and other third parties to enter into confidentiality and proprietary rights agreements to control access to our intellectual property.

As of December 31, 2020, we owned more than 50 U.S. patents relating to aspects of our actual or contemplated operations and technologies. Our issued patents are scheduled to expire between 2025 and 2039. We also had more than 80 pending patent applications in the U.S. and abroad. There can be no assurance that each of our patent applications will result in the issuance of a patent. In addition, any resulting issued patents may have claims narrower than those in our patent applications. We seek to protect our proprietary inventions relevant to our business through patent protection; however, we are not dependent on any particular patent or application for the operation of our business.

We have registered “Roblox,” “Robux” and our corporate logo as trademarks in the U.S. and other jurisdictions. In total, we are the registered holder of over 320 trademarks and have over 90 trademark applications in the U.S. and foreign countries as of December 31, 2020. There can be no assurance that each of our trademark applications will result in the issuance of a trademark or that each resulting trademark registration will be able to be maintained. As of December 31, 2020, we were the registered holder of over 270 domestic and international domain names. We continually monitor the registration of our domain names, trademarks, and service marks in the U.S. and in certain locations outside the U.S.

Despite our efforts, we may not be able to obtain or maintain sufficient protection for or successfully enforce our intellectual property. Any current and future patents, trademarks and other intellectual property or other proprietary rights we own or license, or otherwise have a right to use may be contested, circumvented or found unenforceable or invalid. Our existing and future patents, copyrights, trademarks, trade secrets, domain names and other intellectual property rights may not provide us with competitive advantages, distinguish our products from those of our competitors or prevent competitors from launching comparable products. We may also be dependent on third-party content, technology and intellectual property in connection with our business. Further, we may not be able to prevent third parties from infringing, diluting or otherwise misappropriating or violating our intellectual property rights, and we may face challenges to the validity or enforceability of our intellectual property rights. We cannot guarantee that our business does not and will not infringe or misappropriate the rights of third parties. We are presently involved in intellectual property lawsuits, and expect to continue to face allegations from third parties, including our competitors and “non-practicing entities,” that we have infringed or otherwise violated their intellectual property rights. While we do not anticipate that these lawsuits will have a materially adverse impact on our business, financial condition or operating results, there can be no guarantee that such current or future lawsuits will not have a materially adverse impact on us. Further, 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, or the DMCA, provides immunity from monetary damages for online service providers such as us from, among other things, infringing content uploaded to our platform by our users provided we comply with certain statutory requirements. The immunity is part of a statutory safe harbor. To enjoy the benefits of the safe harbor and be immune from monetary damages for infringing content uploaded by our users, we have to register a designated agent with the U.S. Copyright Office and maintain that filing on a periodic basis with the U.S. Copyright Office. We must also expeditiously remove any infringing content upon acquiring actual knowledge of such infringement or, in the absence of actual knowledge, if we become aware of facts or circumstances from which infringing activity is apparent. We must also adopt and reasonably implement, and inform users of our platform, of a policy that provides for the termination in appropriate circumstances of users who are repeat infringers

of the copyrights of third parties. If we fail to comply with the conditions for qualifying for safe harbor protection, we may be subject to monetary damages for infringing content on our platform. The damages for copyright infringement can range from \$750 to \$30,000 per work infringed and, in the case of willful infringement, up to \$150,000 per work infringed. Alternatively, copyright owners could seek to recover their actual damages and the Company's profits. As we host millions of user uploaded works, the Company could be subject to significant damages claims if we are determined not to comply with the DMCA safe harbors. Intellectual property disputes are common in our sector and, as we face increasing competition or grow our business, there is an ongoing risk that we may become involved in additional legal disputes involving intellectual property claims. In addition to the protection provided by our intellectual property rights, we maintain a policy requiring our employees, consultants, and other third parties to enter into confidentiality and proprietary rights agreements to control access to our intellectual property.

For additional information on risks relating to intellectual property, please see the sections titled "Risk Factors—Risks Related to Intellectual Property—Claims by others that we infringe their proprietary technology or other rights could harm our business," "Risk Factors—Risks Related to Intellectual Property—Failure to protect or enforce our intellectual property rights or the costs involved in such enforcement would harm our business," and "Risk Factors—Risks Related to Intellectual Property—We use open source software on our platform and in connection with certain experiences on our platform, which may pose particular risks to our proprietary software and could have a negative impact on our business."

### **Facilities**

Our corporate headquarters, consisting of approximately 300,000 square feet of office space in San Mateo, California, is leased through 2029. We lease additional office space in the U.S. in Virginia and internationally in Canada. We also operate several data centers in the U.S. in Florida, Georgia, Illinois, New Jersey, Texas, Virginia and Washington and around the world including in France, Germany, Hong Kong, Japan, Poland, Singapore, The Netherlands, and the United Kingdom pursuant to various lease agreements.

We intend to procure additional space as we add employees and expand geographically. We believe our facilities are adequate and suitable for our current needs and that, should it be needed, suitable additional or alternative space will be available to accommodate any expansion of our operations.

### **Legal Proceedings**

From time to time we are subject to actual or threatened legal proceedings, claims, investigations and government inquiries arising in the ordinary course of business, including legal proceedings, claims, investigations and government inquiries involving intellectual property, data privacy and data protection, privacy and other torts, illegal or objectionable content, consumer protection, securities, employment, contractual rights, civil rights infringement, false or misleading advertising, or other legal claims relating to content or information that is provided to us or published or made available on our service. This risk is enhanced in certain jurisdictions outside of the U.S. where our protection from liability for content published on our platform by third parties may be unclear and where we may be less protected under local laws than we are in the U.S. Based on our current knowledge, we believe that the amount or range of reasonably possible losses will not, either individually or in the aggregate, have a material adverse effect on our business, results of operations, cash flows or financial condition. Defending such proceedings is costly and can impose a significant burden on management and employees. The results of any litigation cannot be predicted with certainty, and an unfavorable resolution in any legal proceedings could materially affect our future business, results of operations, or financial condition. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs (including unfavorable preliminary or interim rulings), diversion of management resources, and other factors.

## MANAGEMENT

### Executive Officers and Directors

The following table provides information regarding our executive officers and directors as of January 25, 2021:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
<i>Executive Officers:</i>		
David Baszucki	58	Founder, President, Chief Executive Officer and Chair of the board of directors
Craig Donato	55	Chief Business Officer
Michael Guthrie	55	Chief Financial Officer
Barbara Messing	49	Chief Marketing and People Experience Officer
Mark Reinstra	55	General Counsel and Secretary
Daniel Sturman	51	Chief Technology Officer
<i>Non-Employee Directors:</i>		
Gregory Baszucki	56	Director
Christopher Carvalho <sup>(1)(2)(3)</sup>	55	Director
Anthony P. Lee <sup>(1)(2)(3)</sup>	50	Lead Independent Director
Andrea Wong <sup>(1)(2)(3)</sup>	54	Director

- (1) Member of the Audit Committee  
(2) Member of the Compensation Committee  
(3) Member of the Nominating and Corporate Governance Committee

#### **Executive Officers**

**David Baszucki.** Mr. Baszucki has served as our Founder, President, Chief Executive Officer and member of our board of directors since March 2004. From July 1989 until December 1998, Mr. Baszucki served in various positions at Knowledge Revolution, a developer of 2D and 3D motion simulation software, which was acquired in December 1998 by MSC Software Corporation, a software company that specializes in simulation software, and which was acquired by Hexagon AB, a global technology group focused on precision measuring technologies, in February 2017. Between December 1998 and December 2000, Mr. Baszucki served in various positions at MSC Software Corporation, most recently as General Manager. Mr. Baszucki holds an BS in Electrical Engineering from Stanford University.

We believe that Mr. Baszucki is qualified to serve on our board of directors because of the perspective and experience he brings as our President, Chief Executive Officer and Founder.

**Craig Donato.** Mr. Donato has served as our Chief Business Officer since December 2016. Prior to joining us, he served as Vice President of Business Development at Nextdoor.com, a social network service for neighborhoods, from September 2015 to December 2016. Between February 2013 and June 2015, he served as Vice President of Social for QVC, Inc., an online retail shopping platform. Between June 2005 and February 2013, he served as co-founder and Chief Executive Officer of Oodle, Inc., an online platform for buyers and sellers which was acquired by QVC in February 2015. Mr. Donato holds an MBA from the Stanford Graduate School of Business and a BS in Electrical Engineering from Virginia Tech.

**Michael Guthrie.** Mr. Guthrie has served as our Chief Financial Officer since February 2018. Prior to joining us, he served as Chief Financial Officer of TrueCar, Inc., an automotive pricing and

information website, from January 2012 to February 2018. Earlier in his career, Mr. Guthrie was a principal in the private equity firms TPG Ventures and Garnett & Helfrich Capital, and was an investment banker at Credit Suisse First Boston. Mr. Guthrie holds a BA in Economics from the University of Virginia and an MBA from the Stanford Graduate School of Business.

**Barbara Messing.** Ms. Messing has served as our Chief Marketing and People Experience Officer since August 2020. From August 2018 to August 2019, Ms. Messing served as Senior Vice President, Chief Marketing Officer of Walmart US, a company engaged in retail and wholesale operations. Between February 2011 and April 2018, Ms. Messing served as Vice President and Chief Marketing Officer, and later Senior Vice President and Chief Marketing Officer, for TripAdvisor, Inc., an online travel company. Between April 2002 and February 2011, she served in a number of management positions at Hotwire.com, an Internet-based travel agency, including Vice President of Customer Experience and Vice President and General Manager, Travel Ticker. Ms. Messing received her BA from Northwestern University and her JD from Stanford Law School. Ms. Messing is currently a member of the board of directors of Overstock.com, Inc., an internet retailer, Diamond Resorts International, a hospitality and vacation ownership company, and she previously served on the board of directors of XO Group, Inc., which merged with WeddingWire in December 2018.

**Mark Reinstra.** Mr. Reinstra has served as our General Counsel since December 2019 and our Secretary since November 2020. Between June 1994 and December 2019, Mr. Reinstra was a practicing attorney with Wilson Sonsini Goodrich & Rosati, P.C., our outside corporate law firm, most recently as a member of the firm. He holds a JD from Stanford Law School and BS in Industrial Engineering from the University of Wisconsin-Madison.

**Daniel Sturman.** Mr. Sturman has served as our Chief Technology Officer since January 2020. Between January 2019 and January 2020, Mr. Sturman served as an advisor and consultant to several privately-held companies. He served as Senior Vice President of Engineering and Support at Cloudera, Inc., an enterprise data cloud company between June 2015 and January 2019. From April 2007 to October 2014, he served as Engineering Director and between October 2014 and May 2015, as Vice President of Engineering for Google, Inc., a multinational technology company specializing in internet-related services and products. From July 1996 to March 2007, he served in various capacities with IBM Corporation, a multinational technology company, most recently as Director of the engineering department. He holds a Ph.D. and an MS in Computer Science from the University of Illinois at Urbana-Champaign and a BS in Computer Science from Cornell University.

#### **Non-Employee Directors**

**Gregory Baszucki.** Mr. Baszucki has been a member of our board of directors since February 2008. Mr. Baszucki is the Chief Executive Officer of Wheelhouse Enterprises, Inc., a marketplace for buyers and sellers of business software and has served as such since its founding in January 2009 and has served as a Co-Founder of FounderPartners, a closely held partnership which builds and invests in capital efficient mobile, Internet and software companies since January 2013. Prior to the founding of Wheelhouse Enterprises and FounderPartners, Mr. Baszucki founded and served as President of Dealix Corporation, an online automotive sales company between November 1998 and November 2006. Mr. Baszucki currently serves a member of the boards of directors of several private companies. Mr. Baszucki holds a Bachelors in Electrical Engineering from University of Minnesota-Twin Cities.

We believe that Mr. Baszucki is qualified to serve on our board of directors because of his significant knowledge of and history with our company, his executive leadership experience, his extensive experience as an entrepreneur, and his experience as a current and former director of many companies.



**Christopher Carvalho.** Mr. Carvalho has been a member of our board of directors since December 2015. Since January 2014 to the present, Mr. Carvalho serves as a member of the board of directors and as an advisor to several private gaming and entertainment companies. Between January 2010 and December 2013, Mr. Carvalho served as Chief Operating Officer of Kabam Games, Inc., a developer of online computer games. From June 2008 to October 2010, he served as Vice President and General Manager of SmartyCard, a division of Gazillion Entertainment, a developer of online computer games which was dissolved in November 2017. Between January 1999 and June 2008, Mr. Carvalho served in several capacities with Lucasfilm Ltd., a film and entertainment company, including as the head of Business Development. Between May 2017 and August 2019, Mr. Carvalho served as a member of the board of directors of G5 Entertainment AB, a publicly traded Swedish gaming company. Mr. Carvalho also serves as a member of the board of directors of several private companies. Mr. Carvalho serves on the board of Modern Times Group MTG AB, a publicly traded Swedish company. Mr. Carvalho holds an MBA from the University of California, Los Angeles Anderson School of Management and he was a sports broadcaster at KALX FM and a BS in Business Administration from the University of California, Berkeley, Haas School of Business.

We believe that Mr. Carvalho is qualified to serve on our board of directors because of his executive level experience in online gaming, his general experience with and knowledge of the industry in which we operate, and his experience as a current and former director of many companies.

**Anthony P. Lee.** Mr. Lee has been a member of our board of directors since February 2008, and was appointed as our Lead Independent Director in October 2020. He joined Altos Ventures in May 2000. He is currently a Vice President of Altos Ventures Management, Inc., which manages a family of international, technology-focused venture capital funds. He is a managing director of each fund. In addition, Mr. Lee currently serves on the board of directors of several private companies and non-profit organizations. He holds an AB in Politics from Princeton University and an MBA from the Stanford Graduate School of Business.

We believe that Mr. Lee is qualified to serve on our board of directors because of his significant knowledge of and history with our company and his experience as a seasoned investor and current and former director of many companies.

**Andrea Wong.** Ms. Wong has served as a member of our board of directors since August 2020. Ms. Wong has served as a member of the board of directors of Hudson Pacific Properties Inc., a real estate investment trust since August 2017 and Oaktree Acquisition Corp II, a blank check company since September 2020. Ms. Wong also serves as a member of the board of directors and as a member of the compensation committee of Liberty Media Corporation, an owner and operator of various media, communications and entertainment businesses and Qurate Retail, Inc., an owner and operator of various digital commerce businesses. From September 2011 to March 2017, Ms. Wong served as President, International Production for Sony Pictures Television and President, International for Sony Pictures Entertainment. From April 2007 to April 2010, she served as President and Chief Executive Officer of Lifetime Entertainment Services. Ms. Wong served in various positions with ABC, Inc., a subsidiary of The Walt Disney Company, from August 1993 to March 2007, most recently as Executive Vice President, Alternative Series, Specials and Late Night. Ms. Wong previously served as a director of Social Capital Hedosophia Holdings Corp., a blank check company and Hudson's Bay Company, a Canadian retail company. Ms. Wong holds a BS in electrical engineering from the Massachusetts Institute of Technology and an MBA from the Stanford Graduate School of Business.

We believe that Ms. Wong is qualified to serve on our board of directors because of her extensive background in media programming across a variety of platforms, her executive leadership experience with the management and operation of companies in the entertainment sector, and her experience as a current and former director of many companies.

### **Family Relationships**

David Baszucki, our Founder, President, Chief Executive Officer and Chair of our board of directors and Gregory Baszucki, one of our directors, are brothers. There are no other family relationships among any of our executive officers or directors.

### **Code of Business Conduct and Ethics**

Our board of directors has adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer and other executive and senior financial officers. The full text of our code of business conduct and ethics will be posted on the investor relations page on our website. We intend to disclose any amendments to our code of business conduct and ethics, or waivers of its requirements, on our website or in filings under the Exchange Act.

### **Board of Directors**

Our business and affairs are managed under the direction of our board of directors. Our board of directors currently consists of five directors. Pursuant to our current certificate of incorporation and voting agreement, our current directors were elected as follows:

- Mr. David Baszucki was elected as the designee nominated by the holders of Class A common stock;
- Mr. Gregory Baszucki was elected as the designee nominated by the holders of Series A convertible preferred stock and Series B convertible preferred stock;
- Mr. Lee was elected as the designee nominated by the holders of Series D convertible preferred stock;
- Mr. Carvalho was elected as the designee nominated by the holders of Series D-1 convertible preferred stock; and
- Ms. Wong was elected as the designee nominated by unanimous consent of the other directors.

Our voting agreement will terminate and the provisions of our current certificate of incorporation by which our directors were elected will be amended and restated in connection with our adoption of an amended and restated certification of incorporation that will become effective in connection with the effectiveness of the registration statement of which this prospectus forms a part. The number of directors will be fixed by our board of directors, subject to the terms of our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect shortly before the effectiveness of the registration statement of which this prospectus forms a part. Each of our current directors will continue to serve as a director until the election and qualification of their successor, or until their earlier death, resignation or removal.

### **Classified Board of Directors**

Our amended and restated certificate of incorporation will provide that our board of directors will be divided into three classes with staggered three-year terms. Only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective three-year terms. Our current directors will be divided among the three classes as follows:

- the Class I director will be Christopher Carvalho, and his term will expire at our first annual meeting of stockholders following our listing;

- the Class II directors will be David Baszucki and Gregory Baszucki, and their terms will expire at our second annual meeting of stockholders following our listing; and
- the Class III directors will be Anthony P. Lee and Andrea Wong, and their terms will expire at our third annual meeting of stockholders following our listing.

Each director's term will continue until the election and qualification of their successor, or their earlier death, resignation or removal. Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors. The classification of our board of directors may have the effect of delaying or preventing changes in control of our company.

### **Director Independence**

Our board of directors has undertaken a review of the independence of each director. Based on information provided by each director concerning their background, employment and affiliations, our board of directors has determined that Messrs. Carvalho and Lee and Ms. Wong do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the listing standards of the NYSE. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director, and the transactions involving them described in the section titled "Certain Relationships and Related Party Transactions."

### **Lead Independent Director**

Our Board of Directors has adopted corporate governance guidelines that provide that one of our independent directors should serve as our Lead Independent Director if the Chair is not independent. Our Board of Directors has appointed Anthony P. Lee to serve as our Lead Independent Director. As Lead Independent Director, Mr. Lee will preside over periodic meetings of our independent directors, serve as a liaison between our Chair and our independent directors and perform such additional duties as our board of directors may otherwise determine and delegate.

### **Committees of the Board of Directors**

Our board of directors has established an audit committee, compensation committee, and nominating and corporate governance committee. The composition and responsibilities of each of the committees of our board of directors is described below. Members will serve on these committees until their resignation or until as otherwise determined by our board of directors.

#### **Audit Committee**

Our audit committee consists of Christopher Carvalho, Anthony P. Lee and Andrea Wong, with Mr. Carvalho serving as Chairperson, and each of whom meet the requirements for independence under the listing standards of the NYSE and SEC rules and regulations. Each member of our audit committee also meets the financial literacy and sophistication requirements of the listing standards of the NYSE. In addition, our board of directors has determined that each of Mr. Carvalho and Mr. Lee is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the

Securities Act. Effective prior to the effectiveness of the registration statement of which this prospectus forms a part, our audit committee will, among other things:

- select a qualified firm to serve as the independent registered public accounting firm to audit our financial statements;
- help to ensure the independence and performance of the independent registered public accounting firm;
- discuss the scope and results of the audit with the independent registered public accounting firm, and review, with management and the independent registered public accounting firm, our interim and year-end results of operations;
- develop procedures for employees to submit concerns anonymously about questionable accounting or audit matters;
- review our policies on risk assessment and risk management;
- review related party transactions; and
- approve or, as required, pre-approve, all audit and all permissible non-audit services, other than de minimis non-audit services, to be performed by the independent registered public accounting firm.

Our audit committee will operate under a written charter, to be effective prior to effectiveness of the registration statement of which this prospectus forms a part, that satisfies the applicable rules and regulations of the SEC and the listing standards of the NYSE.

#### ***Compensation Committee***

Our compensation committee consists of Christopher Carvalho, Anthony P. Lee and Andrea Wong, with Ms. Wong serving as Chairperson, and each of whom meet the requirements for independence under the listing standards of the NYSE and SEC rules and regulations. Each member of our compensation committee is a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act, or Rule 16b-3. Effective prior to the effectiveness of the registration statement of which this prospectus forms a part, our compensation committee will, among other things:

- review, approve and determine, or make recommendations to our board of directors regarding, the compensation of our executive officers;
- administer our equity compensation plans;
- review and approve and make recommendations to our board of directors regarding incentive compensation and equity compensation plans; and
- establish and review general policies relating to compensation and benefits of our employees.

Our compensation committee will operate under a written charter, to be effective prior to effectiveness of the registration statement of which this prospectus forms a part, that satisfies the applicable rules and regulations of the SEC and the listing standards of the NYSE.

#### ***Nominating and Corporate Governance Committee***

Our nominating and corporate governance committee consists of Christopher Carvalho, Anthony P. Lee and Andrea Wong, with Mr. Lee serving as Chairperson, and each of whom meet the requirements for independence under the listing standards of the NYSE and SEC rules and

regulations. Effective prior to the effectiveness of the registration statement of which this prospectus forms a part, our nominating and corporate governance committee will, among other things:

- identify, evaluate and select, or make recommendations to our board of directors regarding, nominees for election to our board of directors and its committees;
- evaluate the performance of our board of directors and of individual directors;
- consider and make recommendations to our board of directors regarding the composition of our board of directors and its committees;
- review developments in corporate governance practices;
- evaluate the adequacy of our corporate governance practices and reporting; and
- develop and make recommendations to our board of directors regarding corporate governance guidelines and matters.

Our nominating and corporate governance committee will operate under a written charter, to be effective prior to the effectiveness of the registration statement of which this prospectus forms a part, that satisfies the applicable listing standards of the NYSE.

### Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is or has been an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee (or other board committee performing equivalent functions) of any entity that has one or more of its executive officers serving on our board of directors or compensation committee. See the section titled “Certain Relationships and Related Party Transactions” for information about related party transactions involving members of our compensation committee or their affiliates.

### Non-Employee Director Compensation

Our employee director, Mr. David Baszucki, has not received any compensation for his service as a director for the year ended December 31, 2020. The compensation received by Mr. Baszucki as an employee is set forth in the section titled “Executive Compensation—Summary Compensation Table.”

The following table sets forth information regarding the compensation earned or paid to our non-employee directors in 2020.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$) (1)	Total (\$)
Gregory Baszucki	\$ —	\$ —	\$ —
Christopher Carvalho	\$ —	\$ —	\$ —
Anthony P. Lee	\$ —	\$ —	\$ —
Andrea Wong	\$ 45,000	\$ 489,207	\$ 534,207

(1) The amount reported represents the aggregate grant-date fair value of the stock options, calculated in accordance with ASU No. 2016-09 “Compensation—Stock Compensation (Topic 718),” or ASC 718. Such grant-date fair value does not take into account any estimated forfeitures related to vesting conditions. The assumptions used in calculating the grant-date fair value of the stock options reported in this column are set forth in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates.” These amounts do not reflect the actual economic value that may be realized by our directors.

The following table lists all outstanding equity awards held by non-executive officer directors as of December 31, 2020:

<b>Name</b>	<b>Grant Date</b>	<b>Number of Shares Underlying Option Awards</b>	<b>Option Exercise Price (\$)</b>	<b>Option Expiration Date</b>
Gregory Baszucki(1)	7/20/16	1,168,650	0.07	7/20/26
Christopher Carvalho(2)	12/15/15	116,866	0.06	12/15/25
Anthony P. Lee	—	—	—	—
Andrea Wong(3)	8/31/20	30,000	5.21	8/31/30

- (1) Amount reflects shares of our Class A common stock subject to a stock option granted pursuant to the terms and conditions of our 2004 Plan and a stock option agreement thereunder. The shares subject to the stock option vest in 60 monthly installments beginning on July 20, 2016. If a merger or change in control of the Company occurs before vesting, the unvested portion of the stock option shall become immediately exercisable. Amount reflects a 2-to-1 forward stock split effected following December 31, 2019. Please see the section below titled “Employee Benefit and Stock Plans—2004 Incentive Stock Plan” for additional information.
- (2) Amount reflects shares of our Class A common stock subject to a stock option granted pursuant to the terms and conditions of our 2004 Plan and a stock option agreement thereunder. The shares subject to the stock option vest in 60 monthly installments beginning on December 15, 2015. If a merger or change in control of the Company occurs before vesting, the unvested portion of the stock option shall become immediately exercisable. Amount reflects a 2-to-1 forward stock split effected following December 31, 2019. Please see the section below titled “Employee Benefit and Stock Plans—2004 Incentive Stock Plan” for additional information.
- (3) Amount reflects shares of our Class A common stock subject to a stock option granted pursuant to the terms and conditions of our 2017 Plan and a stock option agreement thereunder. If a merger or change in control of the Company occurs before vesting, the unvested portion of the stock option shall become immediately exercisable. Please see the section below titled “Employee Benefit and Stock Plans—Amended and Restated 2017 Equity Incentive Plan” for additional information. The shares subject to the stock option vest in 36 monthly installments beginning on September 1, 2020.

### **Outside Director Compensation Policy**

Prior to the effectiveness of the registration statement of which this prospectus forms a part, we did not have a formal policy with respect to compensation payable to our non-employee directors for service as directors. From time to time, we have granted equity awards to certain non-employee directors to entice them to join our board of directors or for their continued service on our board of directors. We have also reimbursed our directors for expenses associated with attending meetings of our board of directors.

Our board of directors has adopted and our stockholders have approved a new compensation policy for our non-employee directors that will be effective as of the effective date of the registration statement of which this prospectus forms a part. This policy was developed with input from our prior independent compensation consultant, Compensia, regarding practices and compensation levels at comparable companies. It is designed to attract, retain, and reward non-employee directors.

Under this director compensation policy, each non-employee director will receive the cash and equity compensation for board services described below. We also will continue to reimburse our non-employee directors for reasonable, customary and documented travel expenses to board of directors meetings.

The director compensation policy provides that in any fiscal year, no non-employee director may be issued cash payments and equity awards with a combined value greater than \$750,000. Any cash compensation paid or equity awards granted to an individual for their services as an employee, or for their services as a consultant (other than as a non-employee director), will not count for purposes of the limitations. The maximum limits do not reflect the intended size of any potential compensation or equity awards to our non-employee directors.

### **Cash Compensation**

Effective as of the effective date of the policy, each non-employee director will be paid an annual cash retainer of \$180,000. There are no per-meeting attendance fees for attending board meetings.

Additionally, effective as of the effective date of the policy, each non-employee director who serves as lead director, chair, or member of a committee of the board of directors will be paid additional annual fees as follows:

- \$40,000 for service as lead director;
- \$25,000 for service as chair of the audit committee;
- \$15,000 for service as a member of the audit committee (other than as chair);
- \$15,000 for service as chair of the nominating and corporate governance committee;
- \$10,000 for service as a member of the nominating and corporate governance committee (other than as chair);
- \$20,000 for service as chair of the compensation committee; and
- \$10,000 for service as a member of the compensation committee (other than as chair).

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

### ***Equity Compensation***

**Initial Award:** Subject to the annual limitations contained in the policy, each person who first becomes a non-employee director following the effective date of the policy will receive, on the first trading day on or after the date on which such individual first becomes a non-employee director, an award of RSUs, or the Initial Award, covering a number of shares of our Class A common stock having an approximate value equal to \$360,000. The number of shares subject to the Initial Award will be determined by dividing the value of the Initial Award by the average fair market value of a share of our Class A common stock for the 60 consecutive trading days ending on the fifth trading day prior to the grant date, rounded down to the nearest whole share. The Initial Award will vest as to one-third of the RSUs subject to the Initial Award on the first quarterly vesting date that is on or after the one-year anniversary of the Initial Award's grant date and as to one-third of the RSUs on each annual anniversary thereafter subject to the non-employee director continuing to provide services to us through the applicable vesting date. A quarterly vesting date is each of February 20, May 20, August 20 and November 20. If an individual was a member of our board of directors and also an employee, becoming a non-employee director due to termination of employment will not entitle them to an Initial Award.

**Annual Award:** Subject to the annual limitations contained in the policy, each non-employee director automatically will receive, on the first trading day on or after the date on which such individual first becomes a non-employee director and on the date of each annual meeting of our stockholders following the effective date of the policy, or the Annual Meeting Date, an award of RSUs, or an Annual Award, covering a number of shares of our Class A common stock having an approximate value of \$180,000. The number of shares subject to the Annual Award will be determined by dividing the value of the Annual Award by the average fair market value of a share of our Class A common stock for the 60 consecutive trading days ending on the fifth trading day prior to the grant date, rounded down to the nearest whole share. Each Annual Award will vest on the day prior to the Annual Meeting Date next following the Annual Award's grant date, subject to the non-employee director's continued service through the applicable vesting date.

In the event of a "change in control" (as defined in our 2020 Plan), under the terms of our 2020 Plan, each non-employee director will fully vest in their outstanding company equity awards issued under the director compensation policy, including any Initial Award or Annual Award, unless specifically provided otherwise in the applicable award agreement or other written agreement between the non-employee director and us.



**EXECUTIVE COMPENSATION**

Our named executive officers, consisting of our principal executive officer and the next two most highly compensated executive officers, for the year ended December 31, 2020, were:

- David Baszucki, our Founder, President, Chief Executive Officer and Chair of our board of directors;
- Daniel Sturman, our Chief Technology Officer; and
- Barbara Messing, our Chief Marketing and People Experience Officer.

**Summary Compensation Table**

The following table provides information regarding compensation paid to our named executive officers for the year ended December 31, 2020 and December 31, 2019 (as applicable):

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Stock Awards (\$)</b>	<b>Option Awards (\$)(1)</b>	<b>Non- Equity Incentive Plan Compensation (\$)</b>	<b>Non- Qualified Deferred Comp. Earnings (\$)</b>	<b>All Other Compensation (\$)(2)</b>	<b>Total (\$)</b>
David Baszucki, Founder, President and Chief Executive Officer(3)	2020	\$532,954	\$8,042	\$ —	\$6,204,750	\$ —	\$ —	\$ 29,362	\$6,775,108
	2019	\$500,000	\$ —	\$ —	\$3,979,938(4)	\$ —	\$ —	\$ 64,016	\$4,543,954
Daniel Sturman, Chief Technology Officer	2020	\$489,931	\$ —	\$ —	\$4,001,120	\$ —	\$ —	\$ 11,400	\$4,502,451
Barbara Messing, Chief Marketing and People Experience Officer(5)	2020	\$185,416	\$ —	\$ —	\$9,412,750	\$ —	\$ —	\$ 6,417	\$9,604,583

- (1) The amount reported represents the aggregate grant-date fair value of the stock options, calculated in accordance with ASU No. 2016-09 "Compensation—Stock Compensation (Topic 718)," or ASC 718. Such grant-date fair value does not take into account any estimated forfeitures related to vesting conditions. The assumptions used in calculating the grant-date fair value of the stock options reported in this column are set forth in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates." These amounts do not reflect the actual economic value that may be realized by the named executive officer.
- (2) For Mr. Baszucki, the amount includes office and computer supplies, non-capitalized software and licenses, non-capitalized computer equipment and materials, telephone, Internet, and email services, \$51,468 and \$18,583 for 2019 and 2020, respectively, in travel related expenses, and \$11,200 and \$9,875 for 2019 and 2020, respectively, in matching contributions to our 401(k) plan. For each of Mr. Sturman and Ms. Messing, the amount includes matching contributions to our 401(k) plan.
- (3) Mr. Baszucki is also the Chair of our board of directors but does not receive any additional compensation in his capacity as a director.
- (4) In 2019, as part of a general offer open to all holders of then-outstanding options, each option held by Mr. Baszucki was amended to extend the post-termination exercise period of the applicable option upon a termination of service. As amended, upon a termination of service, the then-vested portion of the amended option will remain exercisable for three years following Mr. Baszucki's termination of service, subject to earlier termination upon the original expiration date of the amended option or as provided in the 2004 Plan or 2017 Plan, as applicable. The amount reported includes the incremental fair value resulting from the modification of Mr. Baszucki's options in 2019.
- (5) Ms. Messing joined us in August 2020 at an annual salary rate of \$550,000 and therefore her salary set forth in the table above was prorated for the portion of 2020 in which she was employed with us.

**Founder and CEO Long-Term Performance Award**

In February 2021, our compensation committee granted the Founder and CEO Long-Term Performance Award, a restricted stock unit award under our 2017 Plan to Mr. Baszucki, which would provide him the opportunity to earn a maximum number of 11,500,000 shares of our Class A common stock. The Founder and CEO Long-Term Performance Award was approved and ratified by our board of directors and our stockholders, including a majority of our disinterested stockholders (consisting of a majority of the total

shares of Roblox preferred and common stock not owned, directly or indirectly, by David Baszucki and Gregory Baszucki). The Founder and CEO Long-Term Performance Award vests upon the satisfaction of a service condition and achievement of certain stock price goals, as described below.

In determining the terms and conditions of the Founder and CEO Long-Term Performance Award, our compensation committee, in consultation with an independent compensation consultant, considered many factors in determining whether to grant the Founder and CEO Long-Term Performance Award and the size and terms of the award. The compensation committee was intent on establishing an award that would align Mr. Baszucki's long-term interests with those of stockholders, would require significant and sustained company performance, and not incentivize short-term risk taking to achieve performance. The compensation committee considered Mr. Baszucki's significant ownership percentage in the company obtained primarily in connection with his founding of Roblox in 2004 and the amount of his ownership interests that were invested as of the date of the grant in its deliberations of this award. Upon review of market data for similarly situated executives at comparable companies with an emphasis on the ownership percentage and equity value of founder chief executive officers at the time of an initial public offering, our compensation committee believed that providing meaningful incentives for Mr. Baszucki to continue his leadership of Roblox as our Chief Executive Officer and to execute on his vision to further drive the growth of our business was of paramount importance.

Mr. Baszucki was particularly receptive to receiving the Founder and CEO Long-Term Performance Award as he believes that he should only be rewarded if we achieve significant long-term performance. The Founder and CEO Long-Term Performance Award was a welcome commitment from the compensation committee and a show of faith in his abilities to lead Roblox into the future. Mr. Baszucki had informed our compensation committee prior to the grant of the Founder and CEO Long-Term Performance Award that one of his many goals was to use the wealth that has been created through his ownership in Roblox as a means to promote many charitable causes in which he believes and wants to promote, and Mr. Baszucki had communicated his intent to donate the net proceeds of the Founder and CEO Long-Term Performance Award for philanthropic purposes. This philanthropic desire was an additional motivating factor for our compensation committee in awarding the Founder and CEO Long-Term Performance Award.

In awarding Mr. Baszucki the Founder and CEO Long-Term Performance Award, our compensation committee intends for it to be the exclusive cash and equity compensation that Mr. Baszucki will receive through 2027, unless there are unexpected changes in our business or other unforeseen factors that our compensation committee determines would merit providing additional cash or equity compensation opportunities to him.

The Founder and CEO Long-Term Performance Award is eligible to vest based on our stock price performance over performance periods with the first beginning two years after the effective date of the registration statement of which this prospectus forms a part (referred to as the Effective Date) and ending on the seventh anniversary of the Effective Date. In addition, and as described in greater detail below, Mr. Baszucki must remain employed as our Chief Executive Officer through the date a Company Stock Price Hurdle is achieved in order to earn the RSUs that relate to an applicable Company Stock Price Hurdle. The Founder and CEO Long-Term Performance Award is divided into seven tranches that are eligible to vest based on the achievement of stock price goals, each a Company Stock Price Hurdle, 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.

	<b>Company Stock Price Hurdle</b>	<b>Number of RSUs Eligible to Vest</b>	<b>Performance Period Commencement Dates as Measured from the Effective Date</b>
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 Founder and CEO Long-Term Performance Award will vest. Further, any 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. Mr. Baszucki must remain employed by us as our Chief Executive Officer from the Effective Date through the date a Company Stock Price Hurdle is achieved to earn the RSUs associated with an applicable Company Stock Price Hurdle. 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 Founder and 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 our Chief Executive Officer as of such date. Company quarterly settlement dates for this purpose are February 20, May 20, August 20, and November 20.

In the event of a change in control of Roblox following the Effective Date but before the seventh anniversary of the Effective Date, the Founder and CEO Long-Term Performance Award may be eligible to vest in additional tranche(s) of RSUs if the per share deal price in the change in control results in the achievement of an additional Company Stock Price Hurdle(s) that have not previously been achieved regardless of whether the performance period for a particular Company Stock Price Hurdle has commenced. In such case the tranche(s) of RSUs corresponding to that Company Stock Price Hurdle(s) will either vest immediately prior to the closing of the change in control to the extent the CEO employment requirement has been satisfied and the performance period with respect to a particular tranche had commenced prior to the date of the change in control, or if not, will become eligible to vest following the change of control subject to Mr. Baszucki's continuing services (in any capacity, not just that as Chief Executive Officer) through the date the performance period with respect to a performance period with respect to a particular tranche would have otherwise commenced, subject to any vesting acceleration provisions set forth in the 2017 Plan or the change in control severance

agreement described below under the section titled “—Potential Payments upon Termination or Change in Control.” Additionally, in the event the change in control price falls between a Company Stock Price Hurdle that has been achieved (either before the change in control or as a result of the change in control) and one that has not, then a portion of that tranche of RSUs will vest based on a linear interpolation between each of these Company Stock Price Hurdles and the service requirement that will apply to this interpolated amount will be the date of commencement of the performance period for the immediate next Company Stock Price Hurdle that was not achieved. The Founder and CEO Long-Term Performance Award will terminate and be cancelled upon a change in control for any tranche of the award for which the Company Stock Price Hurdle (or portion thereof) is not achieved.

We estimated the grant date fair value of the Founder and 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 Company Stock Price Hurdles may not be satisfied. The weighted-average grant date fair value of the Founder and CEO Long-Term Performance Award was estimated to be \$20.35 per share, and we estimate that we will recognize total stock-based compensation expense of approximately \$234 million over the requisite service period of each of the seven separate tranches. If the Company Stock Price Hurdles 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 as our Chief Executive Officer is provided by Mr. Baszucki over the requisite service period, regardless of whether the Company Stock Price Hurdles are achieved.

**Bonus**

In 2020, Mr. Baszucki received a patent bonus of \$8,042.

**Outstanding Equity Awards at 2020 Year-End**

The following table sets forth information regarding outstanding equity awards held by our named executive officers as of December 31, 2020:

Name	Grant Date	Options				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
David Baszucki	3/21/16(1)	5,284,730	—	0.0759	3/21/26		
	10/20/17(2)	1,196,909	444,567	0.53	10/19/27		
	1/23/19(3)	1,197,916	1,302,084	3.345	1/22/29		
	1/24/20(4)	572,916	1,927,084	3.405	1/24/30		
Daniel Sturman	1/19/20(5)	33,334	1,233,333	3.405	1/19/30		
Barbara Messing	8/31/20(6)	—	575,000	5.21	8/31/30		

(1) Amount reflects shares of our Class A common stock subject to a stock option granted pursuant to the terms and conditions of our 2004 Plan and a stock option agreement thereunder. The shares subject to the stock option vest in 48 monthly installments beginning on January 1, 2016, subject to continued service to us as of each vesting date. Amount reflects a 2-to-1 forward stock split effected following December 31, 2019.

(2) Amount reflects shares of our Class A common stock subject to a stock option granted pursuant to the terms and conditions of our 2017 Plan and a stock option agreement thereunder. The shares subject to the stock option vest in 48 monthly installments beginning on January 1, 2018, subject to continued service to us as of each vesting date. If a merger or change in control of the Company occurs before vesting, the unvested portion of the stock option shall become immediately exercisable. Please see the section below titled “Employee Benefit and Stock Plans—Amended and Restated 2017 Equity Incentive Plan” for additional information. Amount reflects a 2-to-1 forward stock split effected following December 31, 2019.

- (3) Amount reflects shares of our Class A common stock subject to a stock option granted pursuant to the terms and conditions of our 2017 Plan and a stock option agreement thereunder. The shares subject to the stock option vest in 48 monthly installments beginning on January 1, 2019, subject to continued service to us as of each vesting date. Amount reflects a 2-to-1 forward stock split effected following December 31, 2019.
- (4) Amount reflects shares of our Class A common stock subject to a stock option granted pursuant to the terms and conditions of our 2017 Plan and a stock option agreement thereunder. The shares subject to the stock option vest in 48 monthly installments beginning on January 1, 2020, subject to continued service to us as of each vesting date.
- (5) Amount reflects shares of our Class A common stock subject to a stock option granted pursuant to the terms and conditions of our 2017 Plan and a stock option agreement thereunder. The shares subject to the stock option vest in 48 monthly installments beginning on January 17, 2020, subject to continued service to us as of each vesting date.
- (6) Amount reflects shares of our Class A common stock subject to a stock option granted pursuant to the terms and conditions of our 2017 Plan and a stock option agreement thereunder. 1/4th of the shares subject to the stock option vest on August 31, 2021, and 1/48th of the shares vest in equal monthly installments thereafter, subject to continued service to us as of each vesting date.

### **Executive Employment Agreements**

In connection with the listing of our Class A Common stock on the NYSE, we have entered into an employment letter setting forth the terms and conditions of employment for each of our named executive officers as described below.

#### ***David Baszucki***

We have entered into a confirmatory employment letter agreement with Mr. Baszucki. The letter agreement does not have a specific term and provides that Mr. Baszucki is an at-will employee. Mr. Baszucki's current annual base salary is \$800,000. Effective as of our direct listing and, as noted above in the section titled "—Founder and CEO Long-Term Award," Mr. Baszucki's annual base salary will be \$0.

#### ***Daniel Sturman***

We have entered into a confirmatory employment letter agreement with Mr. Sturman. The letter agreement does not have a specific term and provides that Mr. Sturman is an at-will employee. Mr. Sturman's current annual base salary is \$550,000.

#### ***Barbara Messing***

We have entered into a confirmatory employment letter agreement with Ms. Messing. The letter agreement does not have a specific term and provides that Ms. Messing is an at-will employee. Ms. Messing's current annual base salary is \$550,000.

### **Potential Payments upon Termination or Change in Control**

We have entered into a change in control severance agreement with each of our named executive officers that provides for the severance and change in control benefits as described below. Each change in control severance agreement supersedes any prior agreement or arrangement the named executive officer may have had with us that provides for severance and/or change in control payments or benefits.

Each change in control severance agreement will terminate on the date that all of the obligations of the parties to the change in control severance agreement have been satisfied.

If a named executive officer's employment is terminated outside the period beginning three months before a change in control and ending 12 months following a change in control, or the change in control period, either (i) by us (or any of our subsidiaries) without "cause" (and other than by reason

of death or disability) or (ii) by the named executive officer for “good reason” (as such terms are defined in the named executive officer’s change in control severance agreement), the named executive officer will receive the following benefits if he or she timely signs and does not revoke a release of claims in our favor:

- a lump-sum payment equal to 12 months (or, in the case of Mr. Baszucki, 18 months) of the named executive officer’s annual base salary as in effect immediately prior to such termination (or if such termination is due to a resignation for good reason based on a material reduction in base salary, then as in effect immediately prior to the reduction); and
- payment of premiums for coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or COBRA, for the named executive officer and the named executive officer’s eligible dependents, if any, for up to 12 months (or, in the case of Mr. Baszucki, 18 months), or taxable monthly payments for the equivalent period in the event payment of the COBRA premiums would violate, or be subject to an excise tax under, applicable law.

If, within the change in control period, the named executive officer’s employment is terminated either (i) by us (or any of our subsidiaries) without cause (and other than by reason of death or disability) or (ii) by the named executive officer for good reason, the named executive officer will receive the following benefits if the named executive officer timely signs and does not revoke a release of claims in our favor:

- a lump-sum payment, less applicable withholdings, equal to the sum of (x) 18 months (or, in the case of Mr. Baszucki, 24 months) of the executive’s annual base salary as in effect immediately prior to such termination (or if such termination is due to a resignation for good reason based on a material reduction in base salary, then as in effect immediately prior to the reduction or if greater, at the level in effect immediately prior to the change in control) and (y) a pro-rated portion of 100% of the executive’s target annual bonus as in effect for the fiscal year in which the termination occurs, with such pro-ration based on the number of days that have elapsed from the start of the fiscal year in which the termination occurs and the termination date;
- payment of premiums for coverage under COBRA for the named executive officer and the named executive officer’s eligible dependents, if any, for up to 12 months (or, in the case of Mr. Baszucki, 18 months), or taxable monthly payments for the equivalent period in the event payment of the COBRA premiums would violate, or be subject to an excise tax under, applicable law; and
- 100% accelerated vesting and exercisability (as applicable) of all outstanding equity awards and, in the case of an equity award with performance-based vesting unless otherwise specified in the applicable equity award agreement governing such award, all performance goals and other vesting criteria generally will be deemed achieved at 100% of target levels.

Additionally, Ms. Messing’s change in control severance agreement provides that if Ms. Messing terminates her employment without good reason, Ms. Messing will receive a lump-sum payment, less applicable withholdings, equal to 12 months of Ms. Messing’s annual base salary as in effect immediately prior to such termination, provided Ms. Messing timely signs and does not revoke a release of claims in our favor.

If any of the amounts provided for under these change in control severance agreements or otherwise payable to our named executive officers would constitute “parachute payments” within the meaning of Section 280G of the Code and could be subject to the related excise tax, the named executive officer would be entitled to receive either full payment of benefits under his or her change in

control severance agreement or such lesser amount which would result in no portion of the benefits being subject to the excise tax, whichever results in the greater amount of after-tax benefits to the named executive officer. The change in control severance agreements do not require us to provide any tax gross-up payments.

## **Employee Benefit and Stock Plans**

### ***2020 Equity Incentive Plan***

Our board of directors has adopted and our stockholders have approved our 2020 Plan. Our 2020 Plan will become effective on the business day immediately prior to the effective date of the registration statement of which this prospectus forms a part. Our 2020 Plan provides for the grant of incentive stock options, within the meaning of Section 422 of the Code, to our employees and any parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, stock appreciation rights, restricted stock, RSUs, performance units and performance shares to our employees, directors and consultants and our parent and subsidiary corporations' employees and consultants. We expect that our 2017 Plan will terminate immediately prior to the effectiveness of our 2020 Plan with respect to the grant of future awards.

### ***Authorized Shares***

Subject to the adjustment provisions of and the automatic increase described in our 2020 Plan, a total of 60,000,000 shares of our Class A common stock have been reserved for issuance pursuant to our 2020 Plan. In addition, subject to the adjustment provisions of our 2020 Plan, the shares reserved for issuance under our 2020 Plan also includes (i) any shares that, as of the day immediately prior to the effective date of the registration statement of which this prospectus forms a part, have been reserved but not issued pursuant to any awards granted under our 2017 Plan and are not subject to any awards there under and (ii) any shares subject to stock options, RSUs or similar awards granted under our 2017 Plan and 2004 Plan that, on or after the effective date of the registration statement of which this prospectus forms a part, expire or otherwise terminate without having been exercised or issued in full, are tendered to or withheld by us for payment of an exercise price or for tax withholding obligations, or are forfeited to or repurchased by us due to failure to vest (provided that the maximum number of shares that may be added to our 2020 Plan pursuant to (i) and (ii) is 118,253,836 shares). Subject to the adjustment provisions of the 2020 Plan, and except as otherwise provided in the 2020 Plan the number of shares available for issuance under our 2020 Plan also includes an annual increase on the first day of each fiscal year beginning with the 2022 fiscal year, in an amount equal to the least of:

- 75,000,000 shares of Class A common stock;
- five percent of the outstanding shares of our Class A common stock and Class B common stock on the last day of our immediately preceding fiscal year; and
- such number of shares of our Class A common stock as the administrator may determine.

If an award granted under the 2020 Plan expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an exchange program or, with respect to restricted stock, RSUs, performance units or performance shares, is forfeited to or repurchased by, us due to failure to vest, then the unpurchased shares (or for awards other than stock options or stock appreciation rights, the forfeited or repurchased shares) which were subject thereto will become available for future grant or sale under the 2020 Plan (unless the 2020 Plan has terminated). With respect to stock appreciation rights, only the net shares actually issued will cease to be available under the 2020 Plan and all remaining shares under stock appreciation rights will remain available for future grant or sale under the



2020 Plan (unless the 2020 Plan has terminated). Shares that have actually been issued under the 2020 Plan under any award will not be returned to the 2020 Plan, however, shares issued pursuant to awards of restricted stock, RSUs, performance shares or performance units that are repurchased or forfeited to us due to failure to vest will become available for future grant under the 2020 Plan. Shares used to pay the exercise price of an award or to satisfy the tax withholding obligations related to an award will become available for future grant or sale under the 2020 Plan. To the extent an award is paid out in cash rather than shares, the cash payment will not result in a reduction in the number of shares available for issuance under the 2020 Plan.

### ***Plan Administration***

Our board of directors or one or more committees appointed by our board of directors will administer our 2020 Plan. The compensation committee of our board of directors is expected to administer our 2020 Plan. In addition, if we determine it is desirable to qualify transactions under our 2020 Plan as exempt under Rule 16b-3 of the Exchange Act, such transactions will be structured with the intent that they satisfy the requirements for exemption under Rule 16b-3. Subject to the provisions of our 2020 Plan, the administrator has the power to administer our 2020 Plan and make all determinations deemed necessary or advisable for administering the 2020 Plan, including, but not limited to, the power to determine the fair market value of our Class A common stock, select the service providers to whom awards may be granted, determine the number of shares covered by each award, approve forms of award agreement for use under the 2020 Plan, determine the terms and conditions of awards (including, but not limited to, the exercise price, the time or times at which the awards may be exercised, any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any award or the shares relating thereto), construe and interpret the terms of our 2020 Plan and awards granted under it, prescribe, amend and rescind rules and regulations relating to our 2020 Plan, including creating sub-plans, and modify or amend each award, including, but not limited to, the discretionary authority to extend the post-termination exercisability period of awards (provided that no option or stock appreciation right will be extended past its original maximum term), temporarily suspend the exercisability of an award if the administrator deems such suspension to be necessary or appropriate for administrative purposes and to allow a participant to defer the receipt of payment of cash or the delivery of shares that would otherwise be due to such participant under an award. The administrator may institute and determine the terms of an exchange program under which (i) outstanding awards are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type, and/or cash, (ii) participants would have the opportunity to transfer any outstanding awards to a financial institution or other person or entity selected by the administrator, or (iii) the exercise price of an outstanding award is increased or reduced. The administrator's decisions, determinations, and interpretations are final and binding on all participants.

### ***Stock Options***

Stock options may be granted under our 2020 Plan in such amounts as the administrator will determine in accordance with the terms of the 2020 Plan. The exercise price of options granted under our 2020 Plan must at least be equal to the fair market value of our Class A common stock on the date of grant. The term of an option will be stated in the award agreement, and in the case of an incentive stock option, may not exceed 10 years. With respect to any participant who owns stock representing more than 10% of the total combined voting power of all classes of our outstanding stock, the term of an incentive stock option granted to such participant must not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date. The administrator will determine the methods of payment of the exercise price of an option, which may include cash, shares or other property acceptable to the administrator, as well as other types of consideration permitted by applicable law. After a participant ceases to provide service as an employee, director or consultant, he

or she may exercise his or her option for the period of time stated in his or her award agreement. In the absence of a specified time in an award agreement, if the cessation of service is due to death or disability, the option will remain exercisable for 12 months. In all other cases, in the absence of a specified time in an award agreement, the option will remain exercisable for three months following the cessation of service. An option may not be exercised later than the expiration of its term. Subject to the provisions of our 2020 Plan, the administrator determines the other terms of options.

### ***Stock Appreciation Rights***

Stock appreciation rights may be granted under our 2020 Plan. Stock appreciation rights allow the recipient to receive the appreciation in the fair market value of our Class A common stock between the exercise date and the date of grant. Stock appreciation rights will expire upon the date determined by the administrator and set forth in the award agreement. After a participant ceases to provide service as an employee, director or consultant, he or she may exercise his or her stock appreciation right for the period of time stated in his or her award agreement. In the absence of a specified time in an award agreement, if the cessation of service is due to death or disability, the stock appreciation rights will remain exercisable for 12 months. In all other cases, in the absence of a specified time in an award agreement, the stock appreciation rights will remain exercisable for three months following the cessation of service. However, in no event may a stock appreciation right be exercised later than the expiration of its term. Subject to the provisions of our 2020 Plan, the administrator determines the other terms of stock appreciation rights, including when such rights become exercisable and whether to pay any increased appreciation in cash, shares of our Class A common stock, or a combination thereof, except that the per share exercise price for the shares to be issued pursuant to the exercise of a stock appreciation right will be no less than 100% of the fair market value per share on the date of grant.

### ***Restricted Stock***

Restricted stock may be granted under our 2020 Plan. Restricted stock awards are grants of shares of our Class A common stock that vest in accordance with terms and conditions established by the administrator (if any). The administrator will determine the number of shares of restricted stock granted to any employee, director or consultant and, subject to the provisions of our 2020 Plan, will determine any terms and conditions of such awards. The administrator may impose whatever conditions to vesting it determines to be appropriate (for example, the administrator may set restrictions based on the achievement of specific performance goals or continued service to us); provided, however, that the administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed. Recipients of restricted stock awards generally will have voting and dividend rights with respect to such shares upon grant without regard to vesting, unless the administrator provides otherwise. Shares of restricted stock that do not vest are subject to our right of repurchase or forfeiture.

### ***Restricted Stock Units***

RSUs may be granted under our 2020 Plan. RSUs are bookkeeping entries representing an amount equal to the fair market value of one share of our Class A common stock. Subject to the provisions of our 2020 Plan, the administrator determines the terms and conditions of RSUs, including the vesting criteria and the form and timing of payment. The administrator may set vesting criteria based upon the achievement of company-wide, divisional, business unit or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws or any other basis determined by the administrator in its discretion. The administrator, in its sole discretion, may pay earned RSUs in the form of cash, in shares or in some combination thereof. Notwithstanding the foregoing, the administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

### ***Performance Units and Performance Shares***

Performance units and performance shares may be granted under our 2020 Plan. Performance units and performance shares are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. The administrator will establish performance objectives or other vesting provisions in its discretion, which, depending on the extent to which they are met, will determine the number and/or the value of performance units and performance shares to be paid out to participants. The administrator may set performance objectives based upon the achievement of company-wide, divisional, business unit or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws or any other basis determined by the administrator in its discretion. After the grant of a performance unit or performance share, the administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such performance units or performance shares. Performance units shall have an initial dollar value established by the administrator on or prior to the grant date. Performance shares shall have an initial value equal to the fair market value of our Class A common stock on the grant date. The administrator, in its sole discretion, may pay earned performance units or performance shares in the form of cash, in shares or in some combination thereof.

### ***Non-Employee Directors***

Our 2020 Plan provides that all non-employee directors will be eligible to receive all types of awards (except for incentive stock options) under our 2020 Plan. In order to provide a maximum limit on the awards that can be made to our non-employee directors, our 2020 Plan provides that in any given fiscal year, a non-employee director may not be paid, issued, or granted equity awards (including awards issued under the 2020 Plan) with an aggregate value (the value of which will be based on their grant-date fair value determined in accordance with GAAP) and any other compensation (including without limitation any cash retainers or fees) that, in the aggregate, exceed \$750,000, excluding awards or other compensation paid or provided to him or her as a consultant or employee). The maximum limits do not reflect the intended size of any potential grants or a commitment to make grants to our non-employee directors under our 2020 Plan in the future.

### ***Non-Transferability of Awards***

Unless the administrator provides otherwise, our 2020 Plan generally does not allow for the transfer of awards and only the recipient of an award may exercise an award during his or her lifetime. If the administrator makes an award transferrable, such award will contain such additional terms and conditions as the administrator deems appropriate.

### ***Certain Adjustments***

In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under our 2020 Plan, the administrator will adjust the number and class of shares that may be delivered under our 2020 Plan and/or the number, class and price of shares covered by each outstanding award and the numerical share limits set forth in our 2020 Plan.

### ***Dissolution or Liquidation***

In the event of our proposed dissolution or liquidation, the administrator will notify participants as soon as practicable prior to the effective date of such proposed transaction and all awards will terminate immediately prior to the consummation of such proposed transaction.

### ***Merger or Change in Control***

Our 2020 Plan provides that in the event of our merger with or into another corporation or other entity or a change in control (as defined in our 2020 Plan), each outstanding award will be treated as the administrator determines, including, without limitation, that (i) awards will be assumed, or substantially equivalent awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices; (ii) upon written notice to a participant, that the participant's awards will terminate upon or immediately prior to the consummation of such merger or change in control; (iii) outstanding awards will vest and become exercisable, realizable or payable, or restrictions applicable to an award will lapse, in whole or in part, prior to or upon consummation of such merger or change in control and, to the extent the administrator determines, terminate upon or immediately prior to the effectiveness of such merger or change in control; (iv) (A) the termination of an award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise of such award or realization of the participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the administrator determines in good faith that no amount would have been attained upon the exercise of such award or realization of the participant's rights, then such award may be terminated by us without payment), or (B) the replacement of such award with other rights or property selected by the administrator in its sole discretion; or (v) any combination of the foregoing. The administrator will not be obligated to treat similarly all awards, all awards a participant holds, all awards of the same type or all portions of awards.

In the event that the successor corporation does not assume or substitute for the award (or portions thereof), the participant will fully vest in and have the right to exercise all of his or her outstanding options and stock appreciation rights (or portions thereof) that is not assumed or substituted for, all restrictions on restricted stock, RSUs, performance shares and performance units (or portions thereof) not assumed or substituted for will lapse, and, with respect to such awards with performance-based vesting (or portions thereof) not assumed or substituted for, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions met, in all cases, unless specifically provided otherwise under the applicable award agreement or other written agreement between participant and us or any parent or subsidiary. Additionally, in the event an option or stock appreciation right (or portions thereof) is not assumed or substituted in the event of a merger or change in control, the administrator will notify the participant in writing or electronically that the option or stock appreciation right (or its applicable portion), as applicable, will be exercisable for a period of time determined by the administrator in its sole discretion, and the option or stock appreciation right (or its applicable portion), as applicable, will terminate upon the expiration of such period.

With respect to awards granted to an outside director, in the event of a change in control, the outside director's options and stock appreciation rights, if any, will vest fully and become immediately exercisable, all restrictions on his or her restricted stock and RSUs will lapse and, with respect to awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions met, in all cases, unless specifically provided otherwise under the applicable award agreement or other written agreement between participant and us or any parent or subsidiary.

### ***Clawback***

Awards will be subject to any clawback policy of ours, and the administrator also may specify in an award agreement that the participant's rights, payments and benefits with respect to an award will be subject to reduction, cancellation, forfeiture, recoupment, reimbursement or reacquisition upon the occurrence of certain specified events. The administrator may require a participant to forfeit, return or

reimburse us all or a portion of the award and any amounts paid under the award pursuant to the terms of the clawback policy or applicable laws.

### ***Amendment and Termination***

The administrator has the authority to amend, alter, suspend or terminate our 2020 Plan provided such action does not materially impair the existing rights of any participant. Our 2020 Plan will continue in effect until we terminate it, but no options that qualify as incentive stock options may be granted after 10 years from the date the 2020 Plan was adopted by our board of directors, and the terms of the 2020 Plan relating to automatic share reserve increases will operate only until the 10-year anniversary of the date the 2020 Plan was adopted by our board of directors.

### ***Amended and Restated 2017 Equity Incentive Plan***

In January 2017, our board of directors adopted, and our stockholders approved, our 2017 Plan. Our 2017 Plan permits the grant of incentive stock options, within the meaning of Section 422 of the Code, to our employees and any parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, stock appreciation rights, restricted stock, and RSUs to our employees, directors and consultants and our parent and subsidiary corporations' employees and consultants.

Our 2017 Plan will be terminated on the business day immediately prior to the effective date of the registration statement of which this prospectus forms a part, and accordingly, no shares will be available for issuance under the 2017 Plan following such date. Our 2017 Plan will continue to govern outstanding awards granted thereunder.

As of December 31, 2020, options to purchase 80,913,431 shares of our Class A common stock and RSUs covering 3,061,237 shares of our Class A common stock remained outstanding. The options outstanding as of December 31, 2020, had a weighted-average exercise price of \$3.08 per share.

### ***Plan Administration***

Our board of directors or one or more committees of directors or of other individuals appointed by our board of directors (the administrator) administers our 2017 Plan. Subject to the provisions of our 2017 Plan, our administrator has the power to administer the plan, including but not limited to, the power to construe and interpret the terms of our 2017 Plan and awards granted under it, to prescribe, amend and rescind rules and regulations relating to our 2017 Plan, including creating sub-plans, and to determine the terms and conditions of the awards, including the exercise price, the number of shares of our Class A common stock subject to each such award, the exercisability of the awards and the form of consideration, if any, payable upon exercise. Our administrator also has the authority to amend existing awards, including the power to extend the post-termination exercisability period of awards and to extend the maximum term of an option and to allow participants to defer the receipt of the payment of cash or the delivery of shares that otherwise would be due to such participant under an award. The administrator also has the authority to institute and determine the terms and conditions of an exchange program under which outstanding awards are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type and/or cash, participants would have the opportunity to transfer any outstanding awards to a financial institution or other person or entity selected by the administrator and/or the exercise price of an outstanding award is reduced or increased. The administrator will make all other determinations our administrator deems necessary or advisable for administering the 2017 Plan. The administrator's decisions, determinations and interpretations will be final and binding on all participants and any other holders of awards and will be given the maximum deference permitted by applicable law.

### ***Options***

Stock options may be granted under our 2017 Plan. The exercise price of options granted under our 2017 Plan must at least be equal to the fair market value of our Class A common stock on the date of grant. The term of an option may not exceed 10 years, except that with respect to incentive stock options granted to any participant who, at the time of grant, owns stock representing more than 10% of the total combined voting power of all classes of our outstanding stock or the stock of any parent or subsidiary, the term must not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date. The administrator will determine the methods of payment of the exercise price of an option, which may include cash, shares or other property acceptable to the administrator, as well as other types of consideration permitted by applicable law. If a participant ceases to be a service provider, the participant may exercise his or her option for the period of time as specified in the applicable option agreement. If termination is due to death or disability, the option generally will remain exercisable for at least six months. In all other cases, the option will generally remain exercisable for at least 30 days. However, in no event may an option be exercised later than the expiration of its term. Subject to the provisions of our 2017 Plan, the administrator determines the other terms of options. Beginning in August 2019, the administrator has provided that options granted under the 2017 Plan will remain exercisable for three years after a participant ceases to be a service provider (subject to the earlier termination of the option on its original expiration date).

### ***Stock Appreciation Rights***

Stock appreciation rights may be granted under our 2017 Plan. Stock appreciation rights allow the recipient to receive the appreciation in the fair market value of our Class A common stock between the exercise date and the date of grant. Stock appreciation rights may not have a term exceeding 10 years. If a participant ceases to be a service provider he or she may exercise his or her stock appreciation right for the period of time stated in his or her award agreement. However, in no event may a stock appreciation right be exercised later than the expiration of its term. Subject to the provisions of our 2017 Plan, the administrator determines the other terms of stock appreciation rights, including when such rights become exercisable and whether to pay any increased appreciation in cash or with shares of our Class A common stock, or a combination thereof, except that the per share exercise price for the shares of our Class A common stock to be issued pursuant to the exercise of a stock appreciation right will be no less than 100% of the fair market value per share on the date of grant.

### ***Restricted Stock***

Restricted stock may be granted under our 2017 Plan. Restricted stock awards are grants of shares of our Class A common stock that vest in accordance with terms and conditions established by the administrator. The administrator will determine the number of shares of restricted stock granted to any participant and, subject to the provisions of our 2017 Plan, will determine the terms and conditions of such awards. The administrator may impose whatever conditions for lapse of the restriction on the shares it determines to be appropriate (for example, the administrator may set restrictions based on the achievement of specific performance goals or continued service to us); provided, however, that the administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed. Recipients of restricted stock awards generally will have voting and dividend rights with respect to such shares upon grant without regard to the restriction, unless the administrator provides otherwise. Shares of restricted stock as to which the restrictions have not lapsed are subject to our right of repurchase or forfeiture.

### ***Restricted Stock Units***

RSUs may be granted under our 2017 Plan. RSUs are bookkeeping entries representing an amount equal to the fair market value of one share of our Class A common stock. Subject to the

provisions of our 2017 Plan and the individual award agreement, the administrator determines the terms, conditions and restrictions related to the RSUs, including the vesting criteria, which, depending on the extent to which the criteria are met, will determine the number of RSUs that will be paid to a participant. The administrator may set vesting criteria based upon the achievement of company-wide, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the administrator in its discretion.

Upon meeting the applicable vesting criteria, a participant holding an award of RSUs is entitled to receive a payout as determined by the administrator. At any time after the grant of RSUs, the administrator may, in its sole discretion, reduce or waive any vesting criteria that must be met to receive a payout. Payment of earned RSUs will be made as soon as practicable after the date(s) determined by the administrator and set forth in the award agreement. Earned RSUs generally will be settled in shares unless otherwise determined by the administrator in accordance with our 2017 Plan. On the date set forth in the award agreement, all unearned RSUs will be forfeited to us.

#### ***Non-Transferability of Awards***

Unless determined otherwise by the administrator, awards may not be sold, pledged, assigned, hypothecated, or otherwise transferred in any manner other than by will or by the laws of descent and distribution, and may be exercised, during the lifetime of the participant, only by the participant.

#### ***Certain 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, repurchase, or exchange of shares or our other securities, or other change in our corporate structure 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 the 2017 Plan, will adjust the number and class of shares that may be delivered under our 2017 Plan and/or the number, class and price of shares covered by each outstanding award.

#### ***Dissolution of Liquidation***

In the event of our proposed liquidation or dissolution, the administrator will notify participants as soon as practicable prior to the effective date of such proposed transaction and, to the extent not previously exercised, all awards will terminate immediately prior to the consummation of such proposed transaction.

#### ***Merger or Change in Control***

Our 2017 Plan provides that in the event of a merger or change in control, as defined under the 2017 Plan, each outstanding award will be treated as the administrator determines, including, without limitation, that (i) awards will be assumed, or substantially equivalent awards will be substituted, by the acquiring or succeeding corporation with appropriate adjustments as to the number and kind of shares and prices; (ii) upon written notice, awards will be terminated upon or immediately prior to the consummation of such merger or change in control; (iii) outstanding awards will vest and become exercisable, realizable, or payable, or restrictions applicable to an award will lapse, in whole or in part prior to or upon consummation of such merger or change in control, and, to the extent the administrator determines, terminate upon or immediately prior to the effectiveness of such merger or change in control; (iv) awards will be terminated in exchange for an amount of cash and/or property or awards will be replaced with other rights or property selected by the administrator in its sole discretion; or (v) any combination of the foregoing. In taking any of the actions permitted by the 2017 Plan, the



administrator will not be obligated to treat all awards, all awards held by a participant or all awards of the same type, similarly. If a successor corporation does not assume or substitute an equivalent award for any outstanding award (or portion thereof), then such award will fully vest, all restrictions on the shares subject to such award will lapse, all performance goals or other vesting criteria applicable to the shares subject to such award will be deemed achieved at 100% of target levels and all of the shares subject to such award will become fully exercisable, if applicable, for a specified period prior to the transaction. The award will then terminate upon the expiration of the specified period of time. If an option or stock appreciation right becomes fully vested and exercisable in connection with a change in control due to the successor corporation's refusal to assume or substitute for the award, the administrator will notify the applicable participant in writing or electronically that the award will be exercisable for a period of time determined by the administrator and the option or stock appreciation right will terminate upon the expiration of such period.

#### ***Amendment; Termination***

Our board of directors has the authority to amend, alter, suspend or terminate the 2017 Plan, provided such action will not impair the existing rights of any participant, unless mutually agreed to in writing between the participant and the administrator. As noted above, upon completion of this listing, our 2017 Plan will be terminated and no further awards will be granted thereunder. All outstanding awards will continue to be governed by their existing terms.

#### ***2004 Incentive Stock Plan***

Our board of directors adopted, and our stockholders approved, our 2004 Plan in April 2004. Our 2004 Plan allowed for the grant of incentive stock options, within the meaning of Section 422 of the Code, to our employees and our parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options and Class A common stock purchase rights to our employees, directors and consultants and our parent and subsidiary corporations' employees and consultants.

Our 2004 Plan was terminated in connection with the adoption of the 2017 Plan, and accordingly, no shares are available for issuance under the 2004 Plan except with respect to awards that had been granted prior to its termination. Our 2004 Plan will continue to govern outstanding awards granted thereunder. As of December 31, 2020, options to purchase 17,587,953 shares of our Class A common stock remained outstanding under our 2004 Plan. The options outstanding as of December 31, 2020 had a weighted-average exercise price of \$0.09 per share.

#### ***Plan Administration***

Our board of directors or a committee of directors or of other individuals appointed by the board of directors (the administrator) administers our 2004 Plan. The administrator has the power to construe and interpret the terms of our 2004 Plan and awards granted under it, to prescribe, amend and rescind rules and regulations relating to our 2004 Plan, including rules and regulations relating to sub-plans, and to determine the terms and conditions of the awards, including the exercise price, the number of shares of our Class A common stock subject to each such award, any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding awards or the shares relating thereto. The administrator also has the authority to determine the terms and conditions of an exchange program under which (i) outstanding options are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type, and/or cash; (ii) option holders would have the opportunity to transfer any outstanding options to a financial institution or other person or entity selected by the administrator; and/or (iii) the exercise price of an outstanding option is reduced or increased. The administrator will determine the terms and conditions of any exchange program in its sole discretion. All decisions, interpretations and other actions of the administrator are final and binding on all participants in the 2004 Plan.

### ***Options***

Prior to its termination, stock options could be granted under our 2004 Plan. The exercise price per share of all incentive stock options must have equaled at least 100% of the fair market value per share of our Class A common stock on the date of grant, as determined by the administrator and the exercise price per share of all nonstatutory stock options must have equaled at least 85% of the fair market value per share of our Class A common stock on the date of grant, as determined by the administrator. The term of a stock option may not exceed 10 years. With respect to any participant who owned stock representing more than 10% of the voting power of all classes of our outstanding stock or the stock of any parent or subsidiary on the grant date, the term of an incentive stock option granted to such participant must not exceed five years and the exercise price per share of such incentive stock option or nonstatutory stock option must have equaled at least 110% of the fair market value per share of our Class A common stock on the date of grant, as determined by the administrator. Except in the case of options granted to officers, directors and consultants, options will become exercisable at a rate of no less than 20% per year over five years from the date the options are granted. The administrator determines the terms and conditions of options.

If a participant ceases to be a service provider, he or she may exercise his or her option for the period of time as specified in the applicable option agreement. If termination is due to death or disability, the option generally will remain exercisable for at least six months. In all other cases, the option will generally remain exercisable for at least 30 days. However, an option generally may not be exercised later than the expiration of its term.

### ***Stock Purchase Rights***

Prior to its termination, shares of our Class A common stock could be granted under our 2004 Plan as a purchasable award. The shares may be subject to a repurchase option, whereby we may repurchase any shares that remain unvested at the time of a participant's termination. The repurchase option will lapse at such rate as the administrator may determine. The administrator determines the terms and conditions of stock purchase rights.

### ***Transferability of Awards***

Unless determined otherwise by the administrator, awards may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or the laws of descent and distribution, and may be exercised during the lifetime of the participant, only by the participant.

### ***Certain Adjustments***

In the event that any dividend or other distributions (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, repurchase or exchange of shares or other of our securities, or other change in our corporate structure occurs, the administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the 2004 Plan, will adjust the number and class of shares that may be delivered under our 2004 Plan and/or the number, class and price of shares covered by each outstanding award.

### ***Dissolution or Liquidation***

In the event of our proposed dissolution or liquidation, the administrator will notify each participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, outstanding awards will terminate immediately prior to the consummation of such proposed action.

### ***Merger or Change in Control***

Our 2004 Plan provides that, in the event that we are a party to a merger or change in control, outstanding options and stock purchase rights will be assumed or substituted by the successor corporation or a parent or subsidiary thereof. In the event the successor corporation refuses to assume or substitute for the option or stock purchase right, then the participant will fully vest in and have the right to exercise the option or stock purchase right as to all of the shares subject to the award. If an option or stock purchase right becomes fully vested and exercisable in connection with a change in control due to the successor corporation's refusal to assume or substitute for the award, the administrator will notify the participant in writing or electronically that the option or stock purchase right will be fully vested and exercisable for a period of 15 days from the date of the notice, and the award will terminate upon expiration of such period.

### ***Amendment; Termination***

Our board of directors may amend, alter, suspend or terminate our 2004 Plan at any time, provided that such action does not impair a participant's rights under outstanding awards without such participant's written consent. As noted above, our 2004 Plan has been terminated and no further awards will be granted thereunder. All outstanding awards will continue to be governed by their existing terms.

### ***2020 Employee Stock Purchase Plan***

In connection with the listing of our Class A common stock on the NYSE, our board of directors has adopted, and our stockholders have approved our ESPP. Our ESPP became effective upon its adoption by our board of directors.

### ***Authorized Shares***

Subject to the adjustment provisions of our ESPP, a total of 6,000,000 shares of our Class A common stock has been made available for sale under our ESPP. In addition, subject to the adjustment provisions of our ESPP, our ESPP also provides for annual increases in the number of shares of our Class A common stock that will be available for sale under our ESPP on the first day of each fiscal year beginning with the 2022 fiscal year, equal to the least of:

- 15,000,000 shares of our Class A common stock;
- one percent of the outstanding shares of our Class A common stock and Class B common stock as of the last day of the immediately preceding fiscal year; or
- such other amount as the administrator may determine.

### ***Plan Administration***

Our compensation committee administers our ESPP, and has full but non-exclusive authority to interpret the terms of our ESPP and determine eligibility to participate, subject to the conditions of our ESPP, as described below. The administrator has full and exclusive discretionary authority to construe, interpret and apply the terms of the ESPP, to delegate ministerial duties to any of our employees, to designate separate offerings under the ESPP, to designate our subsidiaries and affiliates as participating in the ESPP, to determine eligibility, to adjudicate all disputed claims filed under the ESPP and to establish such procedures that it deems necessary or advisable for the administration of the ESPP, including, but not limited to, adopting such procedures, sub-plans and appendices as are necessary or appropriate to permit participation in the ESPP by employees who are foreign nationals or employed outside the U.S. The administrator's findings, decisions and determinations are final and binding on all participants to the full extent permitted by law.

### ***Eligibility***

Generally, all of our employees are eligible to participate if they are employed by us, or any participating subsidiary, for at least 20 hours per week and more than five months in any calendar year.

However, an employee may not be granted rights to purchase shares of our Class A common stock under our ESPP if such employee:

- immediately after the grant would own capital stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock; or
- holds rights to purchase shares of our Class A common stock under all of our employee stock purchase plans that accrue at a rate that exceeds \$25,000 worth of shares of our Class A common stock for each calendar year in which such option is outstanding at any time.

### ***Offering Periods and Purchase Periods***

Our ESPP includes a component that allows us to make offerings intended to qualify under Section 423 of the Code and a component that allows us to make offerings not intended to qualify under Section 423 of the Code to designated companies, as described in our ESPP. Our ESPP provides for consecutive, overlapping 24-month offering periods. The offering periods will be scheduled to start on the first trading day on or after February 25 and August 25 of each year, except for the first offering period which will commence on the date that our Class A common stock is first traded on the NYSE and will end on the first trading day on or after February 25, 2023, and the second offering period will commence on the first trading day on or after August 25, 2021. Each offering period will include purchase periods, which, unless the administrator provides otherwise, will be a period of approximately six months commencing with one exercise date and ending with the next exercise date.

### ***Contributions***

Our ESPP permits participants to purchase shares of our Class A common stock through contributions (in the form of payroll deductions or otherwise to the extent permitted by the administrator) of up to 20% of their eligible compensation. Subject to the adjustment provisions of our ESPP, a participant may purchase a maximum of 2,500 shares of our Class A common stock during a purchase period.

### ***Exercise of Purchase Right***

Amounts contributed and accumulated by the participant will be used to purchase shares of our Class A common stock at the end of each six month purchase period. The purchase price of the shares will be 85% of the lower of the fair market value of our Class A common stock on the first trading day of each offering period or on the exercise date. If the fair market value of our Class A common stock on the exercise date is less than the fair market value on the first trading day of the offering period, participants will be withdrawn from the current offering period following their purchase of shares of our Class A common stock on the purchase date and will be automatically re-enrolled in a new offering period. Participants may end their participation at any time during an offering period and will be paid their accrued contributions that have not yet been used to purchase shares of our Class A common stock. Participation ends automatically upon termination of employment with us.

### ***Non-Transferability***

A participant may not transfer rights granted under our ESPP. If the compensation committee permits the transfer of rights, it may only be done by will, the laws of descent and distribution or as otherwise provided under our ESPP.

***Dissolution or Liquidation***

Our ESPP provides that in the event of our proposed dissolution or liquidation, any offering period then in progress will be shortened by setting a new exercise date, and will terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless otherwise provided by the administrator. The administrator will notify each participant that the exercise date has been changed and that the participant's option will be exercised automatically on the new exercise date unless prior to such date the participant has withdrawn from the offering period.

***Merger or Change in Control***

Our ESPP provides that in the event of a merger or change in control, as defined under our ESPP, a successor corporation may assume or substitute each outstanding purchase right. If the successor corporation refuses to assume or substitute for the outstanding purchase right, the offering period then in progress will be shortened, and a new exercise date will be set that will be before the date of the proposed merger or change in control. The administrator will notify each participant that the exercise date has been changed and that the participant's option will be exercised automatically on the new exercise date unless prior to such date the participant has withdrawn from the offering period.

***Amendment; Termination***

The administrator will have the authority to amend, suspend or terminate our ESPP, except that, subject to certain exceptions described in our ESPP, no such action may adversely affect any outstanding rights to purchase shares of our Class A common stock under our ESPP. Our ESPP automatically will terminate in 2040, unless we terminate it sooner.

***401(k) Plan***

We maintain a tax-qualified retirement plan that provides eligible employees with an opportunity to save for retirement on a tax advantaged basis. All participants' interests in their deferrals are 100% vested when contributed. In 2020, we made matching contributions into the 401(k) plan of 100% of the first 3% and 50% of the next 2% of compensation contributed by the participant with a true-up at the end of the year such that if the participant contributes 5% of his or her compensation, we will match 4%. Our matching contributions are 100% vested at the time of the match. Contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participants' directions. The 401(k) plan is intended to qualify under Sections 401(a) and 501(a) of the Code. As a tax-qualified retirement plan, pre-tax contributions to the 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of certain relationships and transactions since January 2018 involving our directors, executive officers or beneficial holders of more than 5% of our capital stock. Compensation arrangements with our directors and officers are described in “Management—Director Compensation,” “Executive Compensation,” and “Management.”

### Series H Convertible Preferred Stock Financing

In January 2021, we issued and sold an aggregate of 11,888,886 shares of our Series H convertible preferred stock at a purchase price of \$45.00 per share for aggregate gross proceeds of approximately \$535.0 million. Purchasers of our Series H convertible preferred stock include venture capital funds that beneficially own more than 5% of our outstanding capital stock and/or are represented on our board of directors. The following table presents the number of shares and total purchase price paid by these entities.

<u>Investor</u>	<u>Shares of Series H Convertible Preferred Stock</u>	<u>Total Purchase Price</u>
Entities affiliated with Altos Ventures Management, Inc.(1)	2,000,000	\$ 90,000,000
Tiger Global Investments L.P.	1,111,111	49,999,995

- (1) Entities affiliated with Altos Ventures which purchased shares of our Series H convertible preferred stock whose shares are aggregated for purposes of reporting ownership include Altos Hybrid 4 GS, LLC, Altos Hybrid HG, LLC, Altos Hybrid 2 V, LLC, Altos Hybrid 2 P-FIO, LLC, Altos Hybrid 3 B, LLC, Altos Hybrid UP, LLC, Altos Hybrid 3 W, LLC, Altos Hybrid 3 M, LLC, Altos Hybrid CC, LLC, Altos Hybrid 4, L.P. and Altos Ventures IV Reserve Fund, L.P. Anthony P. Lee, a member of our board of directors, is the Vice President of Altos Ventures Management, Inc.

### Series G Convertible Preferred Stock Financing

In February 2020, we issued and sold an aggregate of 23,645,092 shares of our Series G convertible preferred stock at a purchase price of \$6.34381 per share for aggregate gross proceeds of approximately \$150 million. Purchasers of our Series G convertible preferred stock include venture capital funds that beneficially own more than 5% of our outstanding capital stock and/or are represented on our board of directors. The following table presents the number of shares and total purchase price paid by these entities.

<u>Investor</u>	<u>Shares of Series G Convertible Preferred Stock</u>	<u>Total Purchase Price</u>
Entities affiliated with Altos Ventures Management, Inc.(1)	5,816,753	\$ 36,900,376
Tiger Global Private Investment Partners X, L.P.	1,167,261	7,404,882
Entities affiliated with Meritech Capital(2)	234,040	1,484,705

- (1) Entities affiliated with Altos Ventures which purchased shares of our Series G convertible preferred stock whose shares are aggregated for purposes of reporting ownership include Altos Roblox SPV 2020, LLC and Altos Ventures IV Reserve Fund, L.P. Anthony P. Lee, a member of our board of directors, is the Vice President of Altos Ventures Management, Inc.
- (2) Entities affiliated with Meritech Capital which purchased shares of our Series G convertible preferred stock whose shares are aggregated for purposes of reporting ownership include Meritech Capital Partners V L.P. and Meritech Capital Affiliates V L.P.

### Series F Convertible Preferred Stock Financing

In June and July 2018, we issued and sold an aggregate of 33,149,168 shares of our Series F convertible preferred stock at a purchase price of \$4.525 per share for aggregate gross proceeds of

approximately \$150 million. Purchasers of our Series F convertible preferred stock include venture capital funds that beneficially own more than 5% of our outstanding capital stock and/or are represented on our board of directors. The following table presents the number of shares and total purchase price paid by these entities.

<b>Investor</b>	<b>Shares of Series F Convertible</b>	
	<b>Preferred Stock</b>	<b>Total Purchase Price</b>
Altos Roblox SPV 1, LLC(1)	3,107,734	\$ 14,062,496
Tiger Global Private Investment Partners X, L.P.	16,729,972	75,703,123
Entities affiliated with Meritech Capital(2)	3,625,690	16,406,247
Entities affiliated with Index Ventures(3)	3,625,690	16,406,247

- (1) Altos Roblox SPV 1, LLC is one of the entities affiliated with Altos Ventures Management, Inc. Anthony P. Lee, a member of our board of directors, is the Vice President of Altos Ventures Management, Inc.
- (2) Entities affiliated with Meritech Capital which purchased shares of our Series F convertible preferred stock whose shares are aggregated for purposes of reporting ownership include Meritech Capital Partners V L.P. and Meritech Capital Affiliates V L.P.
- (3) Entities affiliated with Index Ventures which purchased shares of our Series E convertible preferred stock whose shares are aggregated for purposes of reporting ownership include Index Ventures Growth III (Jersey), L.P. and Yucca (Jersey) SLP.

### Right of First Refusal

Pursuant to our equity compensation plans and the stockholders agreement, certain holders of our capital stock and we or our assignees have a right of first refusal to purchase shares of our Class A common stock proposed to be sold by certain of our stockholders to other parties. These rights will terminate upon completion of this listing.

In February 2017, shares of our Class A common stock were purchased pursuant to a third-party tender offer for aggregate proceeds of \$27.9 million from certain of our employees and directors, including from certain entities affiliated with Gregory Baszucki, a member of our board of directors, for aggregate proceeds of \$2.0 million. The purchasers included certain of our stockholders, including \$13.9 million in shares purchased by entities affiliated with Index Ventures and \$13.9 million in shares purchased by entities affiliated with Meritech Capital.

In July 2018, shares of our Class A common stock were purchased pursuant to a third-party tender offer for aggregate proceeds of \$164.4 million from certain of our employees and directors, including sales by David Baszucki, our Founder, President, Chief Executive Officer and Chair of our board of directors, Craig Donato, our Chief Business Officer, and entities affiliated with Gregory Baszucki, a member of our board of directors for aggregate proceeds of \$45.1 million. The purchasers included certain of our stockholders, including \$15.4 million in shares purchased by entities affiliated with Altos Ventures Management, Inc., \$18.0 million in shares purchased by entities affiliated with Index Ventures, \$83.0 million in shares purchased by entities affiliated with Tiger Global Private Investment Partners X, L.P., and \$18.0 million in shares purchased by entities affiliated with Meritech Capital. We waived our right of first refusal in connection with these sales.

In April 2020, shares of our Class A common stock were purchased pursuant to a third-party tender offer for aggregate proceeds of \$349.3 million from certain of our employees and directors, including sales by David Baszucki, our Founder, President, Chief Executive Officer and Chair of our board of directors, Craig Donato, our Chief Business Officer, Michael Guthrie, our Chief Financial Officer, and entities affiliated with members of our board of directors, Christopher Carvalho and Gregory Baszucki, for aggregate proceeds of \$46.8 million. The purchasers included certain of our stockholders, including \$86.1 million in shares purchased by entities affiliated with Altos Ventures Management, Inc., \$17.2 million in shares purchased by entities affiliated with Tiger Global Private



Investment Partners X, L.P., and \$3.4 million in shares purchased by entities affiliated with Meritech Capital. We waived our right of first refusal in connection with these sales.

See the section titled “Principal and Registered Stockholders” for additional information regarding beneficial ownership of our capital stock.

### **Investors’ Rights Agreement**

We are party to our investors’ rights agreement, dated as of January 6, 2021, or IRA, which provides, among other things, that certain holders of our capital stock, including entities affiliated with Altos Ventures, First Round Capital II, L.P., as nominee, Index Ventures, Meritech Capital Partners and Tiger Global Private Investment Partners X, L.P., who each hold more than 5% of our outstanding capital stock, have the right to demand that we file a registration statement or request that their shares of our capital stock be covered by a registration statement that we are otherwise filing. Entities affiliated with David Baszucki, our Founder, President, Chief Executive Officer and Chair of our board of directors, are also party to our IRA. Anthony P. Lee, a member of our board of directors, is affiliated with Altos Ventures Management, Inc. See the section titled “Description of Capital Stock—Registration Rights” for additional information regarding these registration rights.

### **Voting Agreement**

We are party to our voting agreement, dated as of January 6, 2021, which provides, among other things, that certain holders of our capital stock, including entities affiliated with Altos Ventures, First Round Capital II, L.P., as nominee, Index Ventures, Meritech Capital Partners and Tiger Global Private Investment Partners X, L.P., who each hold more than 5% of our outstanding capital stock, have agreed to vote their shares of our capital stock on certain matters, including, with respect to the election of directors, to elect one individual designated by the holders of a majority of the outstanding shares of our Class A common stock, currently David Baszucki, one individual designated by the holders of a majority of the outstanding shares of our Series A and Series B convertible preferred stock, currently Gregory Baszucki, one director designated by Altos Ventures IV, L.P., currently Anthony P. Lee, and one individual designated by First Round Capital II, L.P., currently Christopher Carvalho. David Baszucki, our Founder, President, Chief Executive Officer and Chair of our board of directors, and entities affiliated with Mr. Baszucki, are also party to our voting agreement. Anthony P. Lee, a member of our board of directors, is affiliated with Altos Ventures Management, Inc.

The obligations of the parties to the voting agreement to vote their shares so as to elect these nominees, as well as the other rights and obligations under the agreement, will terminate immediately prior to the effectiveness of the registration statement of which this prospectus forms a part and none of our stockholders will have any special rights regarding the nomination, election or designation of members of our board of directors, although Messrs. David and Gregory Baszucki, Lee and Carvalho will continue to serve as members of our board of directors until the election and qualification of their successor, or until their earlier death, resignation or removal. Our existing certificate of incorporation contains provisions regarding election of members of the board of directors that correspond to the voting agreement; however, such provisions will be removed in the amended and restated certificate of incorporation that will be effective shortly before the effectiveness of the registration statement of which this prospectus forms a part. See the section titled “Management—Board of Directors” for additional information regarding our board of directors.

### **Right of First Refusal and Co-Sale Agreement**

We are party to our right of first refusal and co-sale agreement, dated as of January 6, 2021, which provides, among other things, that certain holders of our capital stock, including entities affiliated with

Altos Ventures, First Round Capital II, L.P., as nominee, Index Ventures, Meritech Capital Partners and Tiger Global Private Investment Partners X, L.P., who each hold more than 5% of our outstanding capital stock, have rights of first refusal and co-sale with respect to certain sales of securities by certain holders of our capital stock. David Baszucki, our Founder, President, Chief Executive Officer and Chair of our board of directors, and entities affiliated with Mr. Baszucki, are also party to our right of first refusal and co-sale agreement. Anthony P. Lee, a member of our board of directors, is affiliated with Altos Ventures Management, Inc. The right of first refusal and co-sale agreement will terminate immediately prior to the effectiveness of the registration statement of which this prospectus forms a part.

### **Class B Exchange Agreement**

In November 2020, pursuant to a conversion notice and an exchange agreement with entities affiliated with David Baszucki, our Founder, President, Chief Executive Officer and Chair of our board of directors, all outstanding convertible preferred stock held by those entities were converted into our Class A common stock and thereafter all 57,287,302 outstanding shares of Class A common stock held by him and entities affiliated with him were exchanged for 57,287,302 shares of Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion. See the section titled “Description of Capital Stock.”

### **Other Transactions**

We have granted stock options and RSUs to our executive officers and certain of our directors. See the sections titled “Executive Compensation—Outstanding Equity Awards at 2020 Year-End,” “Equity Compensation—Founder and CEO Long-Term Performance Award,” and “Management—Non-Employee Director Compensation” for a description of these options and RSUs.

We have entered into offer letters, employment agreements, and change in control arrangements with certain of our executive officers that, among other things, provide for certain compensation, termination, severance, and change in control benefits. See the section titled “Executive Compensation—Executive Employment Agreements” for more information regarding these agreements.

Other than as described above under this section titled “Certain Relationships and Related Party Transactions,” since January 1, 2018, we have not entered into any transactions, nor are there any currently proposed transactions, between us and a related party where the amount involved exceeds, or would exceed, \$120,000, and in which any related person had or will have a direct or indirect material interest.

### **Limitation of Liability and Indemnification of Officers and Directors**

We expect to adopt an amended and restated certificate of incorporation, which will become effective shortly before the effectiveness of the registration statement of which this prospectus forms a part, and which will contain provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by the Delaware General Corporation Law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for the following:

- any breach of their duty of loyalty to our company or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which they derived an improper personal benefit.

Any amendment to, or repeal of, these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to that amendment or repeal. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law.

In addition, we expect to adopt amended and restated bylaws, which will become effective shortly before the effectiveness of the registration statement of which this prospectus forms a part, and which will provide that we will indemnify, to the fullest extent permitted by law, any person who is or was a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that they are or were one of our directors or officers or is or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust or other enterprise. Our amended and restated bylaws are expected to provide that we may indemnify to the fullest extent permitted by law any person who is or was a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that they are or were one of our employees or agents or is or was serving at our request as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Our amended and restated bylaws will also provide that we must advance expenses incurred by or on behalf of a director or officer in advance of the final disposition of any action or proceeding, subject to limited exceptions.

Further, we have entered into indemnification agreements with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnification agreements also require us to advance all expenses incurred by the directors and executive officers in investigating or defending any such action, suit or proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers.

The limitation of liability and indemnification provisions that are expected to be included in our amended and restated certificate of incorporation, amended and restated bylaws and in indemnification agreements that we have entered into or will enter into with our directors and executive officers may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and executive officers as required by these indemnification provisions. At present, we are not aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees or other agents or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Certain of our non-employee directors may, through their relationships with their employers, be insured or indemnified against certain liabilities incurred in their capacity as members of our board of directors.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling our company pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

#### **Policies and Procedures for Related Party Transactions**

In connection with the effectiveness of the registration statement of which this prospectus forms a part, our audit committee will have the primary responsibility for reviewing and approving or disapproving “related party transactions,” which are transactions between us and related persons in which the aggregate amount involved exceeds or may be expected to exceed \$120,000 and in which a related person has or will have a direct or indirect material interest. Our policy regarding transactions between us and related persons will provide that a related person is defined as a director, executive officer, nominee for director or greater than 5% beneficial owner of our Class A common stock, in each case since the beginning of the most recently completed year, and any of their immediate family members. Our audit committee charter will provide that our audit committee shall review and approve or disapprove any related party transactions.

## PRINCIPAL AND REGISTERED STOCKHOLDERS

The following table sets forth:

- certain information with respect to the beneficial ownership of our capital stock as of January 15, 2021:
  - each of our named executive officers;
  - each of our directors;
  - all of our directors and executive officers as a group; and
  - each person known by us to be the beneficial owner of more than five percent of any class of our voting securities.
- the number of shares of Class A common stock held by and registered for resale by means of this prospectus for the registered stockholders.

The registered stockholders, which as used herein includes donees, pledgees, transferees or other successors-in-interest selling Class A common stock or interests in stock received after the date of this prospectus from a registered stockholder as a gift, pledge, partnership distribution or other transfer, may, or may not, elect to sell their shares of Class A common stock or interests in stock covered by this prospectus, as and to the extent they may determine. Such sales, if any, will be made through brokerage transactions on the NYSE at prevailing market prices. As such, we will have no input if and when any registered stockholder may, or may not, elect to sell their shares of Class A common stock or the prices at which any such sales may occur. See the section titled “Plan of Distribution.”

This prospectus registers for resale shares of Class A common stock that are held by certain registered stockholders that include (i) our affiliates and certain other stockholders with “restricted” securities under the applicable securities laws and regulations who, because of their status as affiliates of us or because they acquired their capital stock from an affiliate or from us within 12 months from the date of any proposed sale, would otherwise be unable to sell their securities pursuant to Rule 144 until we have been subject to the reporting requirements of Section 13 or Section 15(d) the Exchange Act for a period of at least 90 days, and (ii) our current and former non-executive officer and non-director service providers who acquired shares from us within 12 months from the date of any proposed sale under Rule 701 and hold “restricted” securities under the applicable securities laws and regulations. See “Shares Eligible for Future Sale” for further information regarding sales of such “restricted” securities if not sold pursuant to this prospectus.

Information concerning the registered stockholders may change from time to time and any changed information will be set forth in supplements to this prospectus, if and when necessary. Because the registered stockholders may sell all, some, or none of the shares of Class A common stock covered by this prospectus, we cannot determine the number of such shares of Class A common stock that will be sold by the registered stockholders, or the amount or percentage of Class A common stock that will be held by the registered stockholders upon consummation of any particular sale. In addition, the registered stockholders listed in the table below may have sold, transferred, or otherwise disposed of, or may sell, transfer, or otherwise dispose of, at any time and from time to time, our Class A common stock in transactions exempt from the registration requirements of the Securities Act, after the date on which they provided the information set forth in the table below. See the sections titled “Management” and “Certain Relationships and Related Party Transactions” for further information regarding the registered stockholders.

We are obligated to register for resale certain shares of Class A common stock for which Rule 144 or another similar exemption under the Securities Act is not available at the time of

effectiveness of the registration statement of which this prospectus forms a part, and have included such shares in this prospectus. In addition, after the listing of our Class A common stock on the NYSE, certain of the registered stockholders are entitled to registration rights with respect to their shares of Class A common stock and Class B common stock, as described in the section titled “Description of Capital Stock—Registration Rights”.

We have agreed to use our commercially reasonable efforts to, and we currently intend to, keep the Registration Statement effective for a period of 180 days after the effectiveness of the Registration Statement. We are not party to any arrangement with any registered stockholder or any broker-dealer with respect to sales of shares of Class A common stock by the registered stockholders. However, we have engaged financial advisors with respect to certain other matters relating to our listing. See the section titled “Plan of Distribution.”

We have determined beneficial ownership in accordance with the rules of the SEC, and thus it represents sole or shared voting or investment power with respect to our securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares that they beneficially owned, subject to community property laws where applicable. The information does not necessarily indicate beneficial ownership for any other purpose, including for purposes of Sections 13(d) and 13(g) of the Securities Act.

We have based percentage ownership of our common stock on 493,253,146 shares of our Class A common stock and 57,287,302 shares of our Class B common stock outstanding as of January 15, 2021, which includes 349,123,976 shares of Class A common stock resulting from the conversion of all outstanding shares of our convertible preferred stock, including our Series H convertible preferred stock, which we expect will occur shortly before the effectiveness of the registration statement of which this prospectus forms a part. We have deemed shares of our common stock subject to stock options that are currently exercisable or exercisable within 60 days of January 15, 2021 to be outstanding and to be beneficially owned by the person holding the stock option for the purpose of computing the percentage ownership of that person. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each beneficial owner is c/o Roblox Corporation, 970 Park Place, San Mateo, California 94403.

	Shares beneficially owned					Shares of Class A Common Stock being Registered
	Class A		Class B†		Total Voting %+	
	Shares	%	Shares	%		
<b>Executive Officers and Directors:</b>						
David Baszucki(1)	8,667,563	1.7	57,287,302	100.0	70.1	13,190,973
Daniel Sturman(2)	433,333	*	—	—	*	433,333
Barbara Messing	—	—	—	—	—	—
Craig Donato(3)	3,069,826	*	—	—	*	3,069,826
Michael Guthrie(4)	2,520,636	*	—	—	*	2,520,636
Mark Reinstra(5)	532,410	*	—	—	*	532,410
Gregory Baszucki(6)	15,612,556	3.2	—	—	1.0	15,612,556
Christopher Carvalho(7)	2,137,310	*	—	—	*	2,137,310
Anthony P. Lee(8)	116,261,961	23.6	—	—	7.1	—
Andrea Wong	5,000	*	—	—	*	5,000
All executive officers and directors as group (10 persons)(9)	149,240,595	29.5	57,287,302	100.0	78.4	37,502,044
<b>Greater than 5% Stockholders:</b>						
Entities affiliated with Altos Ventures(8)	116,261,961	23.6	—	—	7.1	11,626,196
First Round Capital II, L.P., as nominee(10)	33,598,521	6.8	—	—	2.0	—
Entities affiliated with Index Ventures(11)	53,106,138	10.8	—	—	3.2	53,106,138
Entities affiliated with Meritech Capital(12)	55,328,196	11.2	—	—	3.4	55,328,196
Entities affiliated with Tiger Global Investments(13)	40,436,616	8.2	—	—	2.5	2,615,792
<b>Other Registered Stockholders:</b>						
Non-Executive Officers and Non-Director Service Providers Holding Common Stock(14)	75,061,207	14.1	—	—	4.5	7,650,833
All Other Registered Stockholders(15)	138,665,273	28.1	—	—	8.5	31,088,081

\* Represents beneficial ownership of less than 1% of the outstanding shares of our common stock.

† The Class B common stock is convertible at any time by the holder into shares of Class A common stock on a share-for-share basis, such that each holder of Class B common stock beneficially owns an equivalent number of Class A common stock.

+ Percentage of total voting power represents voting power with respect to all shares of Class A common stock and Class B common stock as one class. Each holder of our Class A common stock is entitled to one vote per share, each holder of our Class B common stock is entitled to 20 votes per share. Holders of our Class A common stock and Class B common stock will vote together as one class on all matters submitted to a vote of our stockholders, except as expressly provided in our amended and restated certificate of incorporation or required by applicable law. See the section the section titled "Description of Capital Stock—Voting Rights" for additional information.

(1) Includes 13,533,474 shares of Class B common stock held of record by the 2020 David Baszucki Gift Trust for which Mr. Baszucki serves as trustee and exercises voting and investment control, 30,220,354 shares of Class B common stock held of record by The Freedom Revocable Trust dated February 28, 2017, as amended for which Mr. Baszucki serves as trustee and exercises voting and investment control, 13,533,474 shares of Class B common stock held of record by the 2020 Jan Baszucki Gift Trust for which the spouse of Mr. Baszucki serves as trustee and exercises voting and investment control, and 8,667,563 shares of Class A common stock subject to outstanding options which are exercisable within 60 days of January 15, 2021. Does not include 5,120,000 shares of Class A common stock held in trusts for the benefit of the minor children of Mr. Baszucki for which shares Mr. Baszucki disclaims beneficial ownership and exercises no voting or investment control.

(2) Includes 29,368 shares of Class A common stock held directly by Mr. Sturman, 151,982 shares of Class A common stock held of record by Lucy Simon LLC for which the spouse of Mr. Sturman serves as manager and exercises voting and investment control and 151,983 shares of Class A common stock held of record Mo Red LLC for which Mr. Sturman serves as manager and exercises voting and investment control. Also includes 100,000 shares of Class A common stock subject to outstanding options which are exercisable within 60 days of January 15, 2021.

(3) Includes 1,865,561 shares of Class A common stock held directly by Mr. Donato and 700,000 shares of Class A common stock held by the Donato Generation Skipping Trust for which Mr. Donato serves as a co-trustee and exercises voting and investment control and 504,265 shares of Class A common stock subject to outstanding options which are exercisable within 60 days of January 15, 2021.



[Table of Contents](#)

[Index to Financial Statements](#)

- (4) Includes 2,520,636 shares of Class A common stock subject to outstanding options which are exercisable within 60 days of January 15, 2021.
- (5) Includes 202,410 shares of Class A common stock held of record by The San Domenico Trust dated August 12, 1989 for which Mr. Reinstra serves as trustee, 40,000 shares held by the Mark L. Reinstra, Trustee of the Mark L. Reinstra Annuity Trust for which Mr. Reinstra serves as trustee and 40,000 shares held by the Mark L. Reinstra, Trustee of the Susan P. Reinstra Annuity Trust for which Mr. Reinstra serves as trustee. Also includes 250,000 shares of Class A common stock subject to outstanding options which are exercisable within 60 days of January 15, 2021. Mr. Reinstra may be deemed to exercise voting and investment control over all of the shares.
- (6) Includes 2,030,000 shares of Class A common stock held of record by PENSCO Trust Company as custodian for the Greg Baszucki IRA, 10,681,294 shares of Class A common stock held of record by the Greg and Christina Baszucki Living Trust Agreement dated August 18, 2006, for which Mr. Baszucki serves as trustee, 915,000 shares of Class A common stock held of record by Bessemer Trust Company of Delaware, N.A., as trustee of the Crossbow Dynasty Trust, dated November 13, 2020 and 915,000 shares of Class A common stock held of record by Bessemer Trust Company of Delaware, N.A., as trustee of the Morningstar Dynasty Trust, dated November 13, 2020. Mr. Baszucki exercises voting and investment control over all of these shares, and includes 1,071,262 shares of Class A common stock subject to outstanding options which are exercisable within 60 days of January 15, 2021. Does not include 600,000 shares of Class A common stock held in trusts for the benefit of the children of Mr. Baszucki for which shares Mr. Baszucki disclaims beneficial ownership and exercises no voting or investment control.
- (7) Includes 695,968 shares of Class A common stock held by the Christopher P. Carvalho Revocable Trust UTD 10/11/2017 for which Mr. Carvalho is the trustee and exercises voting and investment control, 1,324,476 shares held directly by Mr. Carvalho and 116,866 shares of Class A common stock subject to outstanding options which are exercisable within 60 days of January 15, 2021. Excludes the shares held by First Round Capital II, L.P., as nominee as set forth in footnote 10 below for which Mr. Carvalho exercises no voting or investment control.
- (8) Includes 475,582 shares of Class A common stock held of record by Altos Hybrid 2, L.P., 27,281,228 shares of Class A common stock held of record by Altos Roblox SPV 1, LLC, 3,796,276 shares of Class A common stock held of record by Altos Roblox SPV 2, LLC, 18,918,191 shares of Class A common stock held of record by Altos Roblox SPV 2020, LLC, 40,563,924 shares of Class A common stock held of record by Altos Ventures IV Liquidity Fund, L.P., 848,844 shares of Class A common stock held of record by Altos Ventures IV Reserve Fund, L.P., 22,600,140 shares of Class A common stock held of record by Altos Ventures IV, L.P., 466,666 shares of Class A common stock held of record by Altos Hybrid 4 GS, LLC, 344,444 shares of Class A common stock held of record by Altos Hybrid HG, LLC, 111,111 shares of Class A common stock held of record by Altos Hybrid 2 V, LLC, 222,222 shares of Class A common stock held of record by Altos Hybrid 2 P-FIO, LLC, 222,222 shares of Class A common stock held of record by Altos Hybrid 3 B, LLC, 111,111 shares of Class A common stock held of record by Altos Hybrid UP, LLC, 111,111 shares of Class A common stock held of record by Altos Hybrid 3 W, LLC, 22,222 shares of Class A common stock held of record by Altos Hybrid 3 M, LLC and 55,555 shares of Class A common stock held of record by Altos Hybrid CC, LLC, 111,112 shares of Class A common stock held of record by Altos Hybrid 4, L.P. (collectively, the Altos Funds). The general partner of Altos Hybrid 2, L.P. is Altos Hybrid 2, GP, LLC; the general partner of Altos Hybrid 4, L.P. is Altos Hybrid 4 GP, LLC; and the general partner of Altos Ventures IV Liquidity Fund, L.P., Altos Ventures IV Reserve Fund, L.P. and Altos Ventures IV, L.P. is Altos Management Partners IV, LLC (collectively, the General Partners). The manager of Altos Roblox SPV 1, LLC, and Altos Roblox SPV 2, LLC is Altos Roblox Management Partners, LLC; the manager of Altos Roblox SPV 2020, LLC is Altos Roblox 2020 Management Partners, LLC; the manager of Altos Hybrid 4 GS, LLC and Altos Hybrid HG, LLC is Altos Hybrid 4 GP, LLC; the manager of Altos Hybrid 2 V, LLC and Altos Hybrid 2 P-FIO, LLC is Altos Hybrid 2 GP, LLC; the manager of Altos Hybrid 3 B, LLC, Altos Hybrid 3 W, LLC and Altos Hybrid 3 M, LLC is Altos Hybrid 3 GP, LLC and the manager of Altos Hybrid UP, LLC, and Altos Hybrid CC, LLC is Altos Hybrid 4 GP, LLC (collectively, the Managers). The Managing Directors or Managing Members of the General Partners and the Managers of the Altos Funds are Mr. Anthony P. Lee, Han J. Kim and Hodong Nam, who collectively exercise investment and voting control over the shares held by the Altos Funds. Mr. Lee is a member of our board of directors. The address of the Altos Funds is 2882 Sand Hill Road, Suite 100, Menlo Park, CA 94025.
- (9) Includes 13,235,592 shares of Class A common stock subject to outstanding options which are exercisable within 60 days of January 15, 2021.
- (10) Includes 33,598,521 shares of Class A common stock held of record by First Round Capital II, L.P. as nominee for First Round Capital II, L.P., First Round Capital II-A, L.P. and First Round Capital II Partners Fund, LP. The general partner of each of the First Round Capital funds is First Round Capital Management II, L.P. The general partner of First Round Capital Management II, L.P. is First Round Capital Management LLC. Joshua Kopelman is the managing member of First Round Capital Management LLC and may deem to exercise voting and investment control over the shares. The address is 2400 Market Street, Suite 237, Philadelphia, PA 19103.
- (11) Includes 52,309,516 shares of Class A Common Stock held by Index Ventures Growth III (Jersey), L.P., or Index Growth III, and 796,622 shares of Class A Common Stock held by Yucca (Jersey) SLP, or Yucca. Index Venture Growth Associates III Limited, or IVGA III, is the managing general partner of Index Growth III, and may be deemed to have voting and dispositive power over the shares held by those funds. Yucca is the administrator of the Index co-investment vehicles that are contractually required to mirror the relevant Funds' investment, and IVGA III may be deemed to have voting and dispositive power over the allocation of shares held by Yucca. David Hall, Phil Balderson, Nigel Greenwood and Sinéad Meehan are the members of the board of directors of IVGA III, and investment and voting decisions with respect to the shares over which IVGA III may be deemed to have voting and dispositive power are made by such directors collectively. The address of each of these entities is 5th Floor, 44 Esplanade, St Helier, Jersey JE1 3FG, Channel Islands.

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[Table of Contents](#)

[Index to Financial Statements](#)

- (12) Includes 1,525,327 shares of Class A common stock held of record by Meritech Capital Associates V L.P., 34,728,525 shares of Class A common stock held of record by Meritech Capital Partners V L.P., 17,627,654 shares of Class A common stock held of record by Meritech Capital Partners V Sidecar L.P. (collectively, the Meritech Funds). Meritech Capital Associates V L.L.C. is the general partner of each of the Meritech Funds, and exercises voting and investment control over the shares held by the Meritech Funds. Paul Madera, Robert D. Ward, George Bishoff, Michael Gordon are the Managing Members of Meritech Capital Associates V L.L.C. and exercise voting and investment control over the shares held by the Meritech Funds. Also includes 1,306,690 shares held by the Craig Douglas Sherman Trust and 140,000 shares of Class A common stock held by the Shin-Sherman 2020 GRAT II dated January 4, 2020 for which Craig Sherman exercises voting and investment control. The address is 245 Lytton Ave., Suite 125, Palo Alto, CA 94301.
- (13) Includes 39,325,505 shares of Class A common stock held of record by Tiger Global Private Investment Partners X, L.P. and 1,111,111 shares of Class A common stock held of record by Tiger Global Investments, L.P. Tiger Global Management, LLC is the investment advisor to Tiger Global Private Investment Partners X, L.P. and Tiger Global Investments, L.P. and each are controlled by Chase Coleman and Scott Shleifer. The address for each of these entities is c/o Tiger Global Management, LLC, 9 West 57<sup>th</sup> Street, 35<sup>th</sup> Floor, New York, NY 10019.
- (14) Includes 38,887,808 shares of Class A common stock subject to outstanding options which are exercisable within 60 days of January 15, 2021 and 264,000 shares of Class A common stock subject to outstanding warrants which are exercisable within 60 days of January 15, 2021.
- (15) Includes 60,000 shares of Class A common stock subject to an outstanding warrant which is exercisable within 60 days of January 15, 2021.

## DESCRIPTION OF CAPITAL STOCK

### General

The following description summarizes certain important terms of our capital stock, as they are expected to be effective shortly before the effectiveness of the registration statement of which this prospectus forms a part. We expect to adopt an amended and restated certificate of incorporation and amended and restated bylaws that will become effective shortly before the effectiveness of the registration statement of which this prospectus forms a part, and this description summarizes the provisions that are expected to be included in such documents. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description of the matters set forth in this section titled “Description of Capital Stock,” you should refer to our amended and restated certificate of incorporation, amended and restated bylaws and amended and restated investors’ rights agreement, which are included as exhibits to the registration statement of which this prospectus forms a part, and to the applicable provisions of Delaware law. Shortly before the effectiveness of the registration statement of which this prospectus forms a part, our authorized capital stock will consist of 5,100,000,000 shares of capital stock, \$0.0001 par value per share, of which:

- 4,935,000,000 shares of Class A common stock, \$0.0001 par value per share;
- 65,000,000 shares of Class B common stock, \$0.0001 par value per share; and
- 100,000,000 shares designated as preferred stock, \$0.0001 par value per share.

Assuming the conversion of all outstanding shares of our convertible preferred stock into shares of our Class A common stock, which will occur shortly before the effectiveness of the registration statement of which this prospectus forms a part, as of December 31, 2020, there were 481,274,578 shares of our Class A common stock outstanding, held by 642 stockholders of record, 57,287,302 shares of our Class B common stock outstanding, held by three stockholders of record, and no shares of our preferred stock outstanding. Pursuant to our amended and restated certificate of incorporation, our board of directors will have the authority, without stockholder approval except as required by the listing standards of the NYSE, to issue additional shares of our capital stock.

### Class A Common Stock and Class B Common Stock

We have two classes of authorized common stock, Class A common stock and Class B common stock. Upon the effectiveness of the registration statement of which this prospectus forms a part, all outstanding shares of our convertible preferred stock will be converted into shares of our Class A common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion.

#### ***Dividend Rights***

Subject to preferences that may apply to any shares of convertible preferred stock outstanding at the time, the holders of our Class A common stock and Class B common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that our board of directors may determine. See the section titled “Dividend Policy” for additional information.

#### ***Voting Rights***

Holders of our Class A common stock are entitled to one vote per share, and holders of our Class B common stock are entitled to 20 votes per share, on all matters submitted to a vote of

stockholders except as otherwise required by law. The holders of our Class A common stock and Class B common stock will generally vote together as a single class on all matters submitted to a vote of our stockholders, unless otherwise required by Delaware law or our amended and restated certificate of incorporation. Delaware law could require either holders of our Class A common stock or Class B common stock to vote separately as a single class in the following circumstances:

- if we were to seek to amend our amended and restated certificate of incorporation to increase or decrease the par value of a class of our capital stock, then that class would be required to vote separately to approve the proposed amendment;
- if we were to propose to treat a class of our capital stock in a manner different from the other classes with respect to (i) any dividend or distribution of cash, property or shares, (ii) any subdivision or combination of the shares of a class or (iii) any consideration into which the shares are converted or any consideration paid or otherwise distributed to holders of capital stock upon our change of control, then that class would be required to vote separately to approve the proposed amendment; and
- if we were to seek to amend our amended and restated certificate of incorporation in a manner that alters or changes the powers, preferences, or special rights of a class of our capital stock in a manner that affected its holders adversely, then that class would be required to vote separately to approve the proposed amendment.

Our amended and restated certificate of incorporation and amended and restated bylaws will establish a classified board of directors that is divided into three classes with staggered three-year terms. Only the directors in one class will be subject to election by a plurality of the votes cast at each annual meeting of our stockholders, with the directors in the other classes continuing for the remainder of their respective three-year terms. We have not provided for cumulative voting for the election of directors in our amended and restated certificate of incorporation.

### **Conversion**

Each outstanding share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon any transfer, whether or not for value, which occurs after the effectiveness of the registration statement of which this prospectus forms a part, except for certain permitted transfers to trusts or similar entities where the transferor retains sole voting and dispositive control over the shares of Class B common stock so transferred, as further described in our amended and restated certificate of incorporation. Once converted into Class A common stock, the Class B common stock will not be reissued. In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon 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 the date of effectiveness of the registration statement of which this prospectus forms a part continues to remain outstanding, (iii) the date that is 15 years from the first day of trading shares of capital stock of the Company on the NYSE, (iv) nine months after the death or permanent disability of Mr. Baszucki, or (v) nine months after the date that Mr. Baszucki no longer serves as our Chief Executive Officer or as a member of our board of directors.

### **No Preemptive or Similar Rights**

Our Class A common stock and Class B common stock is not entitled to preemptive rights, and is not subject to conversion (except as noted above), redemption or sinking fund provisions.

### ***Right to Receive Liquidation Distributions***

If we become subject to a liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our Class A common stock and Class B common stock and any participating preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

### ***Fully Paid and Non-Assessable***

In connection with the listing of our Class A common stock on the NYSE, our legal counsel will opine that the shares of our Class A common stock to be registered will be fully paid and non-assessable.

## **Preferred Stock**

Shortly after the listing of our Class A common stock on the NYSE, no shares of our convertible preferred stock will be outstanding. Pursuant to our amended and restated certificate of incorporation that will become effective shortly before the effectiveness of the registration statement of which this prospectus forms a part, our board of directors will have the authority, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further vote or action by our stockholders. Our board of directors can also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our company and might adversely affect the market price of our Class A common stock and the voting and other rights of the holders of our Class A common stock and Class B common stock. We have no current plan to issue any shares of preferred stock.

## **Options**

As of December 31, 2020, we had outstanding options to purchase an aggregate of 98,501,384 shares of our Class A common stock, with a weighted-average exercise price of approximately \$2.55 per share, under our 2017 Plan and 2004 Plan.

## **Restricted Stock Units**

As of December 31, 2020, we had outstanding RSUs representing an aggregate of 3,061,237 shares of our Class A common stock, issued pursuant to our 2017 Plan. In addition, in February 2021, our compensation committee granted the Founder and CEO Long-Term Performance Award to Mr. Baszucki covering up to a maximum of 11,500,000 shares of our Class A common stock, which shares may be exchanged, upon vesting and settlement of the Founder and CEO Long-Term Performance Award, for an equivalent number of shares of our Class B common stock following this offering. The Founder and CEO Long-Term Performance Award vests upon the satisfaction of a service condition and achievement of certain stock price goals. See the section titled “Executive Compensation—Founder and CEO Long-Term Performance Award” for additional information.

## Warrants

As of December 31, 2020, we had outstanding warrants to purchase 324,000 shares of our Class A common stock, with a weighted-average exercise price of \$3.41 per share.

## Registration Rights

Following the effectiveness of the registration statement of which this prospectus forms a part, certain holders of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act. These registration rights are contained in our IRA. We and certain holders of our convertible preferred stock are parties to the IRA. The registration rights set forth in the IRA will expire (i) with respect to any particular stockholder, when such stockholder is able to sell all of its shares pursuant to Rule 144 of the Securities Act during any 90-day period or (ii) after the consummation of a liquidation event (as defined in our current certificate of incorporation). We will pay the registration expenses (other than underwriting discounts and commissions) of the holders of the shares registered pursuant to the registrations described below. In an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of shares such holders may include.

### ***Demand Registration Rights***

We are obligated to register for resale certain shares of Class A common stock for which Rule 144 or another similar exemption under the Securities Act is not available at the time of effectiveness of the registration statement of which this prospectus forms a part, and have included such shares in this prospectus. See the section titled "Principal and Registered Stockholders." We have agreed to use our commercially reasonable efforts to keep such registration statement effective for 180 days or such lesser period of time until Rule 144 or another similar exemption under the Securities Act is available for such shares. In addition, based on the number of shares of our capital stock outstanding as of January 15, 2021, and following the effectiveness of the registration statement of which this prospectus forms a part, the holders of up to 498,771,845 shares of our Class A common stock issued or issuable upon conversion of our Class B common stock, will be entitled to certain demand registration rights. At any time beginning five years after the effectiveness of the registration statement of which this prospectus forms a part, the holders of at least 50% of the shares registrable under the IRA can request that we register the offer and sale of their shares. Such request for registration must cover securities, the anticipated aggregate offering price of which is at least \$20.0 million. We are obligated to effect only two such registrations. If we determine that it would be seriously detrimental to us and our stockholders to effect such a demand registration, we have the right to defer such registration, not more than twice in any 12-month period, for a period of up to 190 days.

### ***Piggyback Registration Rights***

Following the effectiveness of the registration statement of which this prospectus forms a part, if we propose to register the offer and sale of our Class A common stock under the Securities Act, in connection with a public offering of such Class A common stock and based on the number of shares of our capital stock outstanding as of January 15, 2021, the holders of up to 498,771,845 shares of our Class A common stock issued or issuable upon conversion of our Class B common stock, will be entitled to certain "piggyback" registration rights allowing the holders to include their shares in such registration, subject to certain marketing and other limitations. As a result, whenever we propose to file a registration statement under the Securities Act, other than with respect to (i) a demand registration, (ii) a registration related to any employee benefit plan or a corporate reorganization or other transaction covered by Rule 145 promulgated under the Securities Act, (iii) a registration on any registration form

which does not include substantially the same information as would be required to be included in a registration statement covering the sale of the shares or (iv) a registration in which the only common stock being registered is common stock issuable upon conversion of debt securities that are also being registered, the holders of these shares are entitled to notice of the registration and have the right, subject to certain limitations, to include their shares in the registration.

### **S-3 Registration Rights**

Based on the number of shares of our capital stock outstanding as of January 15, 2021, and following the effectiveness of the registration statement of which this prospectus forms a part, the holders of up to 498,771,845 shares of our Class A common stock issued or issuable upon conversion of our Class B common stock, will be entitled to certain Form S-3 registration rights. The holders of at least 50% of these shares may make a written request that we register the offer and sale of their shares on a registration statement on Form S-3 if we are eligible to file a registration statement on Form S-3 so long as the request covers securities the anticipated aggregate public offering price of which is at least \$2.0 million, net of any underwriters' discounts or commissions. These stockholders may make an unlimited number of requests for registration on Form S-3; however, we will not be required to effect a registration on Form S-3 if we have effected two such registrations within the 12-month period preceding the date of the request. Additionally, if we determine that it would be seriously detrimental to us and our stockholders to effect such a registration, we have the right to defer such registration, not more than once in any 12-month period, for a period of up to 90 days.

### **Anti-Takeover Provisions**

Certain provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws, which will become effective shortly before the effectiveness of the registration statement of which this prospectus forms a part, which are summarized below, may have the effect of delaying, deferring or discouraging another person from acquiring control of us. They are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

### **Delaware Law**

We will be governed by the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a public Delaware corporation 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, unless:

- the business combination or transaction which resulted in the stockholder becoming an interested stockholder was approved by the board of directors prior to the time that the stockholder became an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by directors who are also officers of the corporation and shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to the time the stockholder became an interested stockholder, the business combination was approved by the board of directors and authorized at an annual or special



meeting of the stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

In general, Section 203 defines a “business combination” to include mergers, asset sales and other transactions resulting in financial benefit to a stockholder and an “interested stockholder” as a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation’s outstanding voting stock. These provisions may have the effect of delaying, deferring or preventing changes in control of our company.

***Amended and Restated Certificate of Incorporation and Amended and Restated Bylaw Provisions***

Our amended and restated certificate of incorporation and our amended and restated bylaws, which will become effective shortly before the effectiveness of the registration statement of which this prospectus forms a part, will include a number of provisions that could deter hostile takeovers or delay or prevent changes in control of our board of directors or management team, including the following:

***Board of Directors Vacancies***

Our amended and restated certificate of incorporation and amended and restated bylaws will authorize only our board of directors to fill vacant directorships, including newly created seats. In addition, the number of directors constituting our board of directors will be permitted to be set only by a resolution adopted by a majority vote of our entire board of directors. These provisions would prevent a stockholder from increasing the size of our board of directors and then gaining control of our board of directors by filling the resulting vacancies with its own nominees. This will make it more difficult to change the composition of our board of directors and will promote continuity of management.

***Stockholder Action; Special Meeting of Stockholders***

Our amended and restated certificate of incorporation will provide that, following conversion of all outstanding Class B common stock into Class A common stock, our stockholders may not take action by written consent, but may only take action at annual or special meetings of our stockholders. As a result, a holder controlling a majority of our capital stock would not be able to amend our amended and restated bylaws or remove directors without holding a meeting of our stockholders called in accordance with our amended and restated bylaws. Our amended and restated bylaws will further provide that special meetings of our stockholders may be called only by a majority of our board of directors, the chairperson of our board of directors, our Chief Executive Officer or our President, thus prohibiting a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take any action, including the removal of directors.

***Advance Notice Requirements for Stockholder Proposals and Director Nominations***

Our amended and restated bylaws will provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. Our amended and restated bylaws will also specify certain requirements regarding the form and content of a stockholder’s notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. We expect that these provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of our company.

### ***No Cumulative Voting***

The Delaware General Corporation Law provides that stockholders are not entitled to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation does not provide for cumulative voting.

### ***Amendment of Charter and Bylaws Provisions***

Amendments to our amended and restated certificate of incorporation will require the approval of the holders of at least 66 $\frac{2}{3}$ % of our then outstanding capital stock. Our amended and restated bylaws will provide that the approval of stockholders holding at least 66 $\frac{2}{3}$ % of our then outstanding capital stock is required for stockholders to amend or adopt any provision of our bylaws.

### ***Issuance of Undesignated Preferred Stock***

Our board of directors will have the authority, without further action by our stockholders, to issue up to 100,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock would enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or other means.

### ***Exclusive Jurisdiction***

Our amended and restated bylaws that will become effective shortly before the effectiveness of the registration statement of which this prospectus forms a part provide that, unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of fiduciary duty, any action asserting a claim arising pursuant to the DGCL, any action regarding our amended and restated certificate of incorporation or amended and restated bylaws, or 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. Any person or entity purchasing or otherwise acquiring any interest in our securities shall be deemed to have notice of and consented to these provisions. Although we believe these provisions benefit us by providing increased consistency in the application of law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against us or our directors and officers. 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. For additional information, please also see the section titled "Risk Factors—Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware and the federal district courts of the U.S. 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."

### **Transfer Agent and Registrar**

The transfer agent and registrar for our Class A common stock will be American Stock Transfer & Trust Company. The transfer agent and registrar's address is 6201 15th Avenue, Brooklyn, NY 11219.

### **Limitations of Liability and Indemnification**

See the section titled “Certain Relationships and Related Party Transactions—Limitation of Liability and Indemnification of Officers and Directors.”

### **Listing**

We have been approved to list our Class A common stock on the NYSE under the symbol “RBLX.”

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to the listing of our Class A common stock on the NYSE, there has been no public market for our Class A common stock, and we cannot predict the effect, if any, that market sales of shares of our Class A common stock or the availability of shares of our Class A common stock for sale will have on the market price of our Class A common stock prevailing from time to time. Sales of substantial amounts of our Class A common stock in the public market following our listing on the NYSE, or the perception that such sales could occur, could adversely affect the public price of our Class A common stock and may make it more difficult for you to sell your Class A common stock at a time and price that you deem appropriate. We will have no input if and when any registered stockholder may, or may not, elect to sell its shares of Class A common stock or the prices at which any such sales may occur. Future sales of our Class A common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time.

Upon the effectiveness of the registration statement of which this prospectus forms a part, based on the number of shares of our capital stock outstanding as of January 15, 2021, we will have a total of 493,253,146 shares of our Class A common stock outstanding and a total of 57,287,302 shares of our Class B common stock outstanding. Shares of our Class B common stock are convertible into an equivalent number of shares of our Class A common stock and generally convert into shares of our Class A common stock upon transfer.

Following the listing of our Class A common stock on the NYSE, shares of our Class A common stock may be sold either by the registered stockholders pursuant to this prospectus or by our other existing stockholders in accordance with Rule 144 of the Securities Act. Shares of our Class A common stock and Class B common stock will be deemed "restricted securities" (as defined in Rule 144 under the Securities Act). Restricted securities may be sold in the public market only if they are registered or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which rules are summarized below.

As further described below, until we have been a reporting company for at least 90 days, only non-affiliates who have beneficially owned their shares of common stock for a period of at least one year will be able to sell their shares of Class A common stock under Rule 144. We currently anticipate that all shares not immediately saleable under Rule 144 will be registered pursuant to the registration statement of which this prospectus forms a part, and that the registration statement of which this prospectus remains a part will remain effective for a period of at least 180 days after the effectiveness of the Registration Statement.

### Rule 144

In general, Rule 144 provides that once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares of our Class A common stock proposed to be sold for at least six months is entitled to sell those shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

In general, Rule 144 provides that our affiliates or persons selling shares of our Class A common stock on behalf of our affiliates are entitled to sell, within any three-month period, a number of shares of our Class A common stock that does not exceed the greater of:

- 1% of the number of shares of our capital stock then outstanding; or

- the average weekly trading volume of our Class A common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

Sales of our Class A common stock made in reliance upon Rule 144 by our affiliates or persons selling shares of our Class A common stock on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

### **Rule 701**

Rule 701 generally allows a stockholder who purchased shares of our capital stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required to wait until 90 days after the date of this prospectus before selling those shares pursuant to Rule 701.

### **Registration Rights**

Pursuant to our IRA, based on the number of shares of our capital stock outstanding as of January 15, 2021, and following the effectiveness of the registration statement of which this prospectus forms a part, the holders of up to 498,771,845 shares of our Class A common stock issued or issuable upon conversion of our Class B common stock, will be entitled to certain rights with respect to the registration of the offer and sale of those shares under the Securities Act. See the section titled “Description of Capital Stock—Registration Rights” for a description of these registration rights. If the offer and sale of these shares of our Class A common stock are registered, the shares will be freely tradable without restriction under the Securities Act, and a large number of shares may be sold into the public market.

### **Registration Statement on Form S-8**

We intend to file a registration statement on Form S-8 under the Securities Act to register shares of our Class A common stock subject to options and RSUs outstanding, as well as shares of Class A common stock reserved for future issuance, under our equity compensation plans. The registration statement we file on Form S-8 is expected to become effective immediately upon filing, and shares of our Class A common stock covered by the registration statement will then become eligible for sale in the public market, subject to the Rule 144 limitations applicable to affiliates and vesting restrictions. See the section titled “Executive Compensation—Employee Benefit and Stock Plans” for a description of our equity compensation plans.

**SALE PRICE HISTORY OF OUR CLASS A COMMON STOCK**

We intend to apply for the listing of our Class A common stock on the NYSE. Prior to the initial listing, no public market existed for our Class A common stock. Our Class A and Class B common stock (on an as-converted basis) has an extremely limited history of trading in private transactions. The table below shows the high and low sales prices for our Class A common stock in private transactions by our stockholders, for the indicated periods, as well as the volume weighted-average price per share, based on information available to us. The below table excludes sales of our convertible preferred stock (but includes such shares on an as-converted to common stock basis in the number of shares outstanding) by us and shares issued in acquisitions for the indicated periods. While the designated market maker, or DMM, in consultation with our financial advisors, is expected to consider this information in connection with setting the opening public price of our Class A common stock, this information may, however, have little or no relation to broader market demand for our Class A common stock and thus the opening public price and subsequent public price of our Class A common stock on the NYSE. As a result, you should not place undue reliance on these historical private sales prices as they may differ materially from the opening public price and subsequent public price of our Class A common stock on the NYSE. See the section titled “Risk Factors—Risks Related to Ownership of Our Class A Common Stock —The public price of our Class A common stock, upon listing on the NYSE, may have little or no relationship to the historical sales prices of our Class A common stock in private transactions.”

	Per Share Sale Price		Number of Shares Sold in the Period	Volume Weighted-Average Price (VWAP)	Number of Shares Outstanding (Period End)
	High	Low			
<b>Annual</b>					
Year ended December 31, 2018	\$ 4.53	\$ 2.10	22,985,782	\$ 4.40	482,427,880
Year ended December 31, 2019	—	—	—	—	491,322,454
Year ended December 31, 2020	\$ 6.34	\$ 6.34	31,223,236	\$ 6.34	534,819,960
<b>Quarterly</b>					
<i>Year ended December 31, 2018</i>					
First Quarter	\$ 2.10	\$ 2.10	1,208,230	\$ 2.10	431,620,300
Third Quarter	\$ 4.53	\$ 4.53	21,394,200	\$ 4.53	480,602,352
Fourth Quarter	\$ 4.53	\$ 4.53	383,352	\$ 4.53	482,427,880
<i>Year ended December 31, 2020</i>					
Second Quarter	\$ 6.34	\$ 6.34	31,223,236	\$ 6.34	520,130,687
<b>Monthly</b>					
<i>Year ended December 31, 2018</i>					
March	\$ 2.10	\$ 2.10	1,208,230	\$ 2.10	431,620,300
July	\$ 4.53	\$ 4.53	21,394,200	\$ 4.53	478,730,694
December	\$ 4.53	\$ 4.53	383,352	\$ 4.53	482,427,880
<i>Year ended December 31, 2020</i>					
April	\$ 6.34	\$ 6.34	31,223,236	\$ 6.34	530,623,964

## **MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR CLASS A COMMON STOCK**

The following is a summary of the material U.S. federal income tax consequences to certain non-U.S. holders (as defined below) of the ownership and disposition of our Class A common stock but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the provisions of the Code, the Treasury regulations promulgated thereunder, administrative rulings and judicial decisions, all as of the date hereof. These authorities may be changed, possibly retroactively, so as to result in U.S. federal income tax consequences different from those set forth below.

This summary does not address the tax considerations arising under the laws of any state, local or non-U.S. jurisdiction, or under U.S. federal gift and estate tax laws, except to the limited extent set forth below. In addition, this discussion does not address tax considerations applicable to a non-U.S. holder's particular circumstances or non-U.S. holders that may be subject to special tax rules, including, without limitation:

- banks, insurance companies or other financial institutions (except to the extent specifically set forth below), regulated investment companies or real estate investment trusts;
- persons subject to the alternative minimum tax or Medicare contribution tax on net investment income;
- tax-exempt organizations or governmental organizations;
- pension plans or tax-exempt retirement plans;
- controlled foreign corporations, passive foreign investment companies and corporations that accumulate earnings to avoid U.S. federal income tax;
- brokers or dealers in securities or currencies;
- traders in securities or other persons that elect to use a mark-to-market method of accounting for their holdings in our stock;
- persons that own, or are deemed to own, more than five percent of our capital stock (except to the extent specifically set forth below);
- certain former citizens or long-term residents of the U.S.;
- partnerships or entities classified as partnerships for U.S. federal income tax purposes or other pass-through entities (and investors therein);
- persons who hold our Class A common stock as a position in a hedging transaction, "straddle," "conversion transaction" or other risk reduction transaction or integrated investment;
- persons who hold or receive our Class A common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our Class A common stock being taken into account in an "applicable financial statement" (as defined in Section 451(b) of the Code);
- persons who do not hold our Class A common stock as a capital asset within the meaning of Section 1221 of the Code; or
- persons deemed to sell our Class A common stock under the constructive sale provisions of the Code.



In addition, if a partnership (or entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our Class A common stock, the tax treatment of a partner in such partnership generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold our Class A common stock, and partners in such partnerships, should consult their tax advisors.

**This discussion is for informational purposes only and is not tax advice. You are urged to consult your tax advisor with respect to the application of the U.S. federal income tax laws to your particular situation, as well as any tax consequences of the purchase, ownership and disposition of our Class A common stock arising under the U.S. federal gift or estate tax laws or under the laws of any U.S. state or local, non-U.S. or other taxing jurisdiction or under any applicable tax treaty.**

#### **Non-U.S. Holder Defined**

For purposes of this discussion, you are a non-U.S. holder if you are any holder that is not a partnership (or entity or arrangement treated as a partnership for U.S. federal income tax purposes) and are not, for U.S. federal income tax purposes, any of the following:

- an individual who is a citizen or resident of the U.S.;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in the U.S. or under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more “United States persons” (within the meaning of Section 7701(a)(30) of the Code), or U.S. persons, who have the authority to control all substantial decisions of the trust or (y) which has made a valid election to be treated as a U.S. person.

#### **Distributions**

As described in the section titled “Dividend Policy,” we have never declared or paid cash dividends on our capital stock and do not anticipate paying any dividends on our capital stock in the foreseeable future. However, if we do make distributions on our Class A common stock, those payments will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed both our current and our accumulated earnings and profits, they will constitute a return of capital and will first reduce your basis in our Class A common stock, but not below zero, and then will be treated as gain from the sale or other disposition of stock as described below under “—Gain on Disposition of Our Class A Common Stock.”

Except as otherwise described below in the section on effectively connected income and the sections titled “—Backup Withholding and Information Reporting” and “—FATCA,” any dividend paid to you generally will be subject to U.S. withholding tax either at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable income tax treaty between the U.S. and your country of residence. If we or another withholding agent withhold excess tax or if a non-U.S. holder does not timely provide the applicable withholding agent with the required certification, the non-U.S. holder may be entitled to a refund or credit of any excess tax withheld by timely filing an appropriate claim with the Internal Revenue Service, or the IRS.

In order to receive a reduced treaty rate, you must provide the applicable withholding agent with an IRS Form W-8BEN, IRS Form W-8BEN-E or other appropriate version of IRS Form W-8, including any required attachments and your taxpayer identification number, certifying qualification for the reduced rate; additionally you will be required to update such forms and certifications from time to time as required by law. If you are eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty, you may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. If you hold our stock through a financial institution or other agent acting on your behalf, you will be required to provide appropriate documentation to the agent. You should consult your tax advisor regarding entitlement to benefits under any applicable income tax treaties.

Dividends received by you that are effectively connected with your conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, attributable to a permanent establishment or fixed base maintained by you in the U.S.) are generally exempt from such withholding tax, subject to the discussions below on backup withholding and FATCA withholding. In order to obtain this exemption, you must provide the applicable withholding agent with an IRS Form W-8ECI or other applicable IRS Form W-8, including any required attachments and your taxpayer identification number, certifying qualification for the reduced rate; additionally you will be required to update such forms and certifications from time to time as required by law. Such effectively connected dividends, although not subject to U.S. federal withholding tax, are includable on your U.S. federal income tax return and taxed to you at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. If you are a corporate non-U.S. holder, dividends you receive that are effectively connected with your conduct of a U.S. trade or business may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty between the U.S. and your country of residence. You should consult your tax advisor regarding any applicable tax treaties that may provide for different rules.

### **Gain on Disposition of Our Class A Common Stock**

Except as otherwise described below in the sections titled “—Backup Withholding and Information Reporting,” and “—FATCA,” you generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our Class A common stock unless:

- the gain is effectively connected with your conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, the gain is attributable to a permanent establishment or fixed base maintained by you in the U.S.);
- you are a non-resident alien individual who is present in the U.S. for a period or periods aggregating 183 days or more during the calendar year in which the sale or other disposition occurs and other conditions are met; or
- our Class A common stock constitutes a “U.S. real property interest” by reason of our status as a “U.S. real property holding corporation,” or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding your disposition of, or your holding period for, our Class A common stock, and, in the case where shares of our Class A common stock are regularly traded on an established securities market, you own, or are treated as owning, more than 5% of our Class A common stock at any time during the foregoing period.

Generally, a corporation is a USRPHC if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide property interests and its other assets used or held for use in a trade or business (all as determined for U.S. federal income tax purposes). We believe that we are not currently and will not become a USRPHC for U.S. federal income tax purposes, and the remainder of this discussion so assumes. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property

interests relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we become a USRPHC, however, as long as our Class A common stock is regularly traded on an established securities market, such Class A common stock will be treated as U.S. real property interests only if you actually or constructively hold more than five percent of such regularly traded Class A common stock at any time during the shorter of the five-year period preceding your disposition of, or your holding period for, our Class A common stock.

If you are a non-U.S. holder described in the first bullet above, you will generally be required to pay tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates (and a corporate non-U.S. holder described in the first bullet above also may be subject to the branch profits tax at a 30% rate), unless otherwise provided by an applicable income tax treaty between the U.S. and your country of residence. If you are a non-U.S. holder described in the second bullet above, you will generally be required to pay a 30% tax (or such lower rate specified by an applicable income tax treaty between the U.S. and your country of residence) on the gain derived from the sale or other disposition of our stock, which gain may be offset by certain U.S. source capital losses (provided you have timely filed U.S. federal income tax returns with respect to such losses). You should consult your tax advisor regarding any applicable income tax or other treaties that may provide for different rules.

### **Backup Withholding and Information Reporting**

Generally, the amount of dividends paid to you, your name and address and the amount of tax withheld, if any, must reported annually to the IRS. A similar report will be sent to you. Pursuant to applicable income tax treaties or other agreements, the IRS may make these reports available to tax authorities in your country of residence.

Payments of dividends or of proceeds on the sale or other disposition of stock made to you may be subject to information reporting and backup withholding at a current rate of 24% unless you establish an exemption, for example, by properly certifying your non-U.S. status on an IRS Form W-8BEN, IRS Form W-8BEN-E or another appropriate version of IRS Form W-8. Any documentation provided to an applicable withholding agent may need to be updated in certain circumstances.

Information reporting and backup withholding generally will apply to the proceeds of a sale or other disposition of our Class A common stock by a non-U.S. holder effected by or through the U.S. office of any broker, U.S. or foreign, unless the holder certifies its status as a non-U.S. holder and satisfies certain other requirements, or otherwise establishes an exemption. Generally, information reporting and backup withholding will not apply to a payment of the proceeds from a sale or other disposition of our stock to a non-U.S. holder where the transaction is effected outside the U.S. through a foreign broker. However, for information reporting purposes, sales or other dispositions effected through a non-U.S. office of a broker with substantial U.S. ownership or operations generally will be treated in a manner similar to sales or other dispositions effected through a U.S. office of a broker. Notwithstanding the foregoing, backup withholding and information reporting may apply if the applicable withholding agent has actual knowledge, or reason to know, that you are a U.S. person. Non-U.S. holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them.

Backup withholding is not an additional tax; rather, the U.S. federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may generally be obtained from the IRS, provided that the required information is furnished to the IRS in a timely manner.

## FATCA

Sections 1471 through 1474 of the Code, and the Treasury regulations and administrative guidance issued thereunder, or collectively, FATCA, generally impose U.S. federal withholding tax at a rate of 30% on dividends on and the gross proceeds from a sale or other disposition of our Class A common stock if paid to a “foreign financial institution” (as defined in the Code), unless otherwise provided by the Treasury Secretary or such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding the U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are non-U.S. entities with U.S. owners) or otherwise establishes an exemption. FATCA also generally imposes a U.S. federal withholding tax of 30% on dividends paid on and the gross proceeds from a sale or other disposition of our Class A common stock if paid to a “non-financial foreign entity” (as defined in the Code) unless otherwise provided by the Treasury Secretary or such entity provides the withholding agent with a certification identifying, and information with respect to, certain direct and indirect “substantial U.S. owners” (as defined in the Code), or substantial U.S. owners, of the entity, certifies that it does not have any such substantial U.S. owners or otherwise establishes and certifies to an exemption. The withholding provisions under FATCA generally apply to dividends on our Class A common stock. The Treasury Secretary has issued proposed regulations providing that the withholding provisions under FATCA do not apply with respect to the gross proceeds from a sale or other disposition of our Class A common stock, which may be relied upon by taxpayers until final regulations are issued. An intergovernmental agreement between the U.S. and your country of tax residence may modify the requirements described in this paragraph. Non-U.S. holders should consult their own tax advisors regarding the possible implications of FATCA on their investment in our Class A common stock.

**Each prospective investor should consult its own tax advisor regarding the particular U.S. federal, state and local and non-U.S. tax consequences of purchasing, holding and disposing of our Class A common stock, including the consequences of any proposed change in applicable laws.**

## PLAN OF DISTRIBUTION

The registered stockholders, which as used herein includes donees, pledgees, transferees or other successors-in-interest selling Class A common stock or interests in stock received after the date of this prospectus from a registered stockholder as a gift, pledge, partnership distribution or other transfer, may, from time to time, sell transfer or otherwise dispose of any or all of their shares of Class A common stock or interests in stock covered hereby pursuant to brokerage transactions on the NYSE, or other public exchanges or registered alternative trading venues, at prevailing market prices at any time after the shares of Class A common stock are listed for trading. We are not party to any arrangement with any registered stockholder or any broker-dealer with respect to sales of shares of Class A common stock by the registered stockholders, except we have engaged financial advisors with respect to certain other matters relating to our listing, as further described below. As such, we will have no input if and when any registered stockholder may, or may not, elect to sell their shares of Class A common stock or the prices at which any such sales may occur, and there can be no assurance that any registered stockholders will sell any or all of the shares of Class A common stock covered by this prospectus.

We will not receive any proceeds from the sale of shares of Class A common stock by the registered stockholders. We will recognize costs related to this direct listing and our transition to a publicly-traded company consisting of professional fees and other expenses. We will expense these amounts in the period incurred and not deduct these costs from net proceeds to the issuer as they would be in an initial public offering.

We have engaged Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, and BofA Securities, Inc. as our financial advisors to advise and assist us with respect to certain matters relating to our listing, including defining our objectives with respect to the filing of the registration statement of which this prospectus forms a part and the listing of our Class A common stock on the NYSE, the preparation of the registration statement of which this prospectus forms a part and the preparation of investor communications and presentations in connection with investor education, and to be available to consult with the DMM who will be setting the opening public price of our Class A common stock on the NYSE. In connection with the direct listing proposed for March 10, 2021, the Company will endeavor, and it is the Company's understanding that its financial advisors and any affiliated persons will endeavor, to conduct their activities in a manner that will not violate the applicable provisions of Regulation M (to the extent that Regulation M applies to such activities) or the other anti-manipulation and antifraud provisions of the U.S. securities laws, including, for example, Sections 9(a) and 10(b) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 thereunder.

The DMM, acting pursuant to its obligations under the rules of the NYSE, is responsible for facilitating an orderly market for our Class A common stock. Based on information provided to the NYSE the opening public price of our Class A common stock on the NYSE will be determined by buy and sell orders collected by the DMM from various broker-dealers and will be set based on the DMM's determination of where buy orders can be matched with sell orders at a single price. On the NYSE, buy orders priced equal to or higher than the opening public price and sell orders priced lower than or equal to the opening public price will participate in that opening trade. In accordance with the NYSE rules, because there has not been a recent sustained history of trading in our Class A common stock in a private placement market prior to listing, the DMM will consult with Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, and BofA Securities, Inc. in order for the DMM to effect a fair and orderly opening of our Class A common stock on the NYSE, without coordination with us, consistent with the applicable securities laws in connection with our direct listing. Based upon information known to it at that time, Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, and BofA Securities, Inc. are expected to provide input to the DMM regarding their understanding of the ownership of our outstanding Class A common stock and pre-listing selling and buying interest in our Class A common stock. The financial advisors will not engage in a book building process as would typically be undertaken by underwriters in a registered initial public offering. Instead, the input that the financial

advisors provide to the DMM will be based on information they become aware of from potential investors and holders of our Class A common stock (which may include certain of the registered holders) in connection with investor education regarding the process and mechanics of the direct listing, the receipt of buy and sell orders, and other customary brokerage activities undertaken without coordination with us. Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, and BofA Securities, Inc. in their capacity as our financial advisors, and who are available to consult with the DMM in accordance with the NYSE rules, are expected to provide the DMM with our fair value per share, as determined by our most recently completed independent Class A common stock valuation report, dated as of December 31, 2020, which was \$41.52 per share of Class A common stock and takes into account the sale price of our Series H preferred stock of \$45.00 per share. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation” for more information regarding our Class A common stock valuations. The Class A common stock valuation report was prepared by an independent third party on our behalf, and no financial advisor participated in the preparation of such report. The DMM, in consultation with Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, and BofA Securities, Inc., is also expected to consider the information in the section titled “Sale Price History of Our Class A Common Stock.” The registered stockholders will not be involved in the DMM’s process to establish the opening public price, including any decision regarding the timing of the opening trade.

Similar to how a security being offered in an underwritten initial public offering would open on the first day of trading, before the opening public price of our Class A common stock is determined, the DMM may publish one or more pre-opening indications, which provides the market with a price range of where the DMM anticipates the opening public price will be, based on the buy and sell orders entered on the NYSE. The pre-opening indications will be available on the consolidated tape and the NYSE market data feeds. As part of this opening process, the DMM will continue to update the pre-opening indication until the buy and sell orders reach equilibrium and can be priced by offsetting one another to determine the opening public price of our Class A common stock.

In connection with the process described above, a DMM in a direct listing may have less information available to it to determine the opening public price of our common stock than a DMM would in an underwritten initial public offering. For example, because our financial advisors are not acting as underwriters, they will not have engaged in a book building process, and as a result, they will not be able to provide input to the DMM that is based on or informed by that process. Although there may have been prior preliminary book building activities, such information is not current or relevant to the proposed listing and the Company’s financial advisors do not intend to communicate any information gained from such process with the DMM. Moreover, prior to the opening trade, there will not be a price at which underwriters initially sold shares of common stock to the public as there would be in an underwritten initial public offering. This lack of an initial public offering price could impact the range of buy and sell orders collected by the NYSE from various broker-dealers. Consequently, the public price of our Class A common stock may be more volatile than in an underwritten initial public offering and could, upon listing on the NYSE, decline significantly and rapidly. See the section titled “Risk Factors—Risks Related to Ownership of Our Class A Common Stock.”

In addition to sales made pursuant to this prospectus, the shares of Class A common stock covered by this prospectus may be sold by the registered stockholders in private transactions exempt from the registration requirements of the Securities Act, and the registered stockholders may distribute the shares of Class A common stock covered by this prospectus to affiliates, managers, members, partners, equity holders, and/or other interest holders of such registered stockholders.

Under the securities laws of some states, shares of Class A common stock may be sold in such states only through registered or licensed brokers or dealers.

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[Table of Contents](#)

[Index to Financial Statements](#)

If any of the registered stockholders utilize a broker-dealer in the sale of the shares of Class A common stock being offered by this prospectus, such broker-dealer may receive commissions in the form of discounts, concessions, or commissions from such registered stockholder or commissions from purchasers of the shares of Class A common stock for whom they may act as agent or to whom they may sell as principal.



## LEGAL MATTERS

Our legal advisor is Wilson Sonsini Goodrich & Rosati, P.C., Palo Alto, California. Certain members of, and investment partnerships comprised of members of, and persons associated with, Wilson Sonsini Goodrich & Rosati, P.C., own an aggregate of less than 0.5% of the outstanding shares of our Class A common stock as of the date of this prospectus. Simpson Thacher & Bartlett LLP, Palo Alto, California, is legal advisor to the financial advisors.

## EXPERTS

The financial statements as of December 31, 2020, 2019, and 2018 and the years then ended, included in this Prospectus, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the Registration Statement. Such financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have submitted with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of our Class A common stock covered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some of which is contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our Class A common stock, we refer you to the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The SEC maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is [www.sec.gov](http://www.sec.gov).

Immediately upon the effectiveness of the registration statement of which this prospectus forms a part, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements and other information with the SEC. We also maintain a website at [www.roblox.com](http://www.roblox.com). Upon the effectiveness of the registration statement of which this prospectus forms a part, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.

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[Table of Contents](#)

[Index to Financial Statements](#)

**ROBLOX CORPORATION**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-2
<a href="#">Consolidated Balance Sheets</a>	F-3
<a href="#">Consolidated Statements of Operations</a>	F-4
<a href="#">Consolidated Statements of Comprehensive Loss</a>	F-5
<a href="#">Consolidated Statements of Stockholders' Deficit</a>	F-6
<a href="#">Consolidated Statements of Cash Flows</a>	F-7
<a href="#">Notes to Consolidated Financial Statements</a>	F-8

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the shareholders and the Board of Directors of Roblox Corporation

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Roblox Corporation and subsidiaries (the “Company”) as of December 31, 2020, 2019, and 2018, the related consolidated statements of operations, comprehensive loss, convertible preferred stock and stockholders’ deficit, and cash flows, for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, 2019, and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

*/s/ DELOITTE & TOUCHE LLP*

San Jose, California  
February 22, 2021

We have served as the Company’s auditor since 2019.

**ROBLOX CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands, except per share amounts)

	As of December 31,		
	2018	2019	2020
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 227,647	\$ 301,493	\$ 893,943
Accounts receivable—net of allowances	51,205	91,255	246,986
Short-term investments	56,670	57,047	—
Prepaid expenses and other current assets	11,061	21,400	26,274
Deferred cost of revenue, current portion	68,320	101,068	256,928
Total current assets	414,903	572,263	1,424,131
Property and equipment—net	94,115	143,405	206,415
Deferred cost of revenue, long-term	23,689	39,249	113,793
Intangible assets, net	508	2,349	42,326
Goodwill	—	—	59,568
Restricted cash	5,867	—	—
Other assets	3,280	2,942	1,567
Total assets	<u>\$ 542,362</u>	<u>\$ 760,208</u>	<u>\$ 1,847,800</u>
<b>Liabilities, Convertible Preferred Stock, and Stockholders' Deficit</b>			
Current liabilities:			
Accounts payable	\$ 18,064	\$ 3,422	\$ 12,012
Accrued expenses and other current liabilities	17,034	36,451	65,392
Develop exchange liability	18,110	31,007	80,912
Deferred revenue—current portion	296,139	425,261	1,070,230
Total current liabilities	349,347	496,141	1,228,546
Deferred revenue—net of current portion	104,957	163,749	484,699
Other long-term liabilities	14,056	26,076	22,109
Total liabilities	468,360	685,966	1,735,354
Commitments and contingencies (Note 8)			
<b>Convertible Preferred Stock</b>			
Convertible preferred stock, Series A, B, C, D, D-1, E, F, and G \$0.0001 par value, 325,877, 325,877 and 349,522 shares authorized as of December 31, 2018, 2019, and 2020, respectively; 324,304 shares issued and outstanding as of December 31, 2018 and 2019, respectively, and 337,235 shares issued and outstanding as of December 31, 2020; aggregate liquidation preference of \$185,763, \$185,763 and \$335,654 as of December 31, 2018, 2019 and 2020, respectively	187,191	187,191	344,827
<b>Stockholders' Deficit</b>			
Common stock, \$0.0001 par value; 600,000, 650,000 and 740,000 authorized as of December 31, 2018, 2019, and 2020, respectively, 157,873, 166,768 and 201,327 shares issued and outstanding as of December 31, 2018, 2019, and 2020, respectively; Class A common stock—675,000 shares authorized as of December 31, 2020, no shares issued and outstanding as of December 31, 2018 and 2019, respectively, and 144,039 shares issued and outstanding as of December 31, 2020; Class B common stock—65,000 shares authorized as of December 31, 2020, no shares issued and outstanding as of December 31, 2018, and 2019, respectively, and 57,287 shares issued and outstanding as of December 31, 2020	16	17	20
Additional paid-in capital	54,871	101,671	239,792
Accumulated other comprehensive income (loss)	(8)	39	90
Accumulated deficit	(168,068)	(239,036)	(492,290)
Total Roblox Corporation stockholders' deficit	(113,189)	(137,309)	(252,388)
Noncontrolling interests	—	24,360	20,007
Total stockholders' deficit	(113,189)	(112,949)	(232,381)
Total liabilities, convertible preferred stock, and stockholders' deficit	<u>\$ 542,362</u>	<u>\$ 760,208</u>	<u>\$ 1,847,800</u>

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

**ROBLOX CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Amounts in thousands, except per share amounts)

	Year Ended December 31,		
	2018	2019	2020
Revenue	\$ 324,956	\$ 508,393	\$ 923,885
Cost and expenses:			
Cost of revenue(1)	72,978	122,381	239,898
Developer exchange fees	71,887	111,976	328,740
Infrastructure and trust & safety	105,590	156,699	264,226
Research and development	87,051	107,095	201,433
General and administrative	34,460	41,945	97,341
Sales and marketing	40,542	44,737	58,384
Total cost and expenses	412,508	584,833	1,190,022
Loss from operations	(87,552)	(76,440)	(266,137)
Interest income	3,759	6,546	1,822
Other expense, net	(4,279)	(1,211)	(32)
Loss before provision for income taxes	(88,072)	(71,105)	(264,347)
Provision (benefit) for income taxes	3	9	(6,656)
Consolidated net loss	(88,075)	(71,114)	(257,691)
Net loss attributable to the noncontrolling interest	—	(146)	(4,437)
Net loss attributable to common stockholders	\$ (88,075)	\$ (70,968)	\$ (253,254)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.60)	\$ (0.44)	\$ (1.39)
Weighted-average shares used in computing net loss per share attributable to common stockholders—basic and diluted	147,278	163,051	182,108
Pro forma net loss per share attributable to common stockholders—basic and diluted (unaudited)			\$ (0.48)
Weighted-average shares used in computing pro forma net loss per share attributable to common stockholders—basic and diluted (unaudited)			526,227

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

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

**ROBLOX CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(Amounts in thousands)**

	Year Ended December 31,		
	2018	2019	2020
Consolidated net loss	\$(88,075)	\$(71,114)	\$(257,691)
Other comprehensive loss:			
Foreign currency translation adjustments	—	12	168
Net change in unrealized gains (losses) on available-for-sale marketable securities, net of tax	4	41	(33)
Other comprehensive income, net of tax	4	53	135
Total comprehensive loss including noncontrolling interests	(88,071)	(71,061)	(257,556)
Less: net loss attributable to noncontrolling interests	—	(146)	(4,437)
Less: cumulative translation adjustments attributable to noncontrolling interests	—	6	84
Total comprehensive loss attributable to noncontrolling interests	—	(140)	(4,353)
Total comprehensive loss attributable to common stockholders	<u>\$(88,071)</u>	<u>\$(70,921)</u>	<u>\$(253,203)</u>

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

**ROBLOX CORPORATION**  
**CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT**  
(Amounts in thousands, except share amounts)

	Convertible Preferred Stock		Class A and Class B Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Non-controlling Interest	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount					
<b>Balance at January 1, 2018</b>	290,631	\$ 35,811	134,000	\$ 13	\$ 16,457	\$ (12)	\$ (79,993)	\$ —	\$ (63,535)
Issuance of common stock upon exercise of stock options	—	—	23,873	3	2,104	—	—	—	2,107
Issuance of Series C and Series D-1 upon exercise of warrants for cash(1)	523	1,742	—	—	—	—	—	—	—
Issuance of Series F preferred stock	33,150	149,638	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	36,310	—	—	—	36,310
Other	—	—	—	—	—	4	—	—	4
Net loss	—	—	—	—	—	—	(88,075)	—	(88,075)
<b>Balance at December 31, 2018</b>	<b>324,304</b>	<b>187,191</b>	<b>157,873</b>	<b>16</b>	<b>54,871</b>	<b>(8)</b>	<b>(168,068)</b>	<b>—</b>	<b>(113,189)</b>
Issuance of common stock upon exercise of stock options	—	—	8,895	1	3,184	—	—	—	3,185
Issuance of warrants in connection with intangible asset purchase	—	—	—	—	482	—	—	—	482
Stock-based compensation	—	—	—	—	17,634	—	—	—	17,634
Other	—	—	—	—	—	41	—	—	41
Cumulative translation adjustments	—	—	—	—	—	6	—	6	12
Capital contribution from minority interest holder	—	—	—	—	25,500	—	—	24,500	50,000
Net loss	—	—	—	—	—	—	(70,968)	(146)	(71,114)
<b>Balance at December 31, 2019</b>	<b>324,304</b>	<b>187,191</b>	<b>166,768</b>	<b>17</b>	<b>101,671</b>	<b>39</b>	<b>(239,036)</b>	<b>24,360</b>	<b>\$ (112,949)</b>
Issuance of common stock upon exercises of stock options and settlement of RSUs	—	—	20,871	2	15,156	—	—	—	15,158
Issuance of common stock from asset purchase	—	—	80	—	2,854	—	—	—	2,854
Issuance of common stock from acquisition of businesses	—	—	933	—	35,203	—	—	—	35,203
Issuance of restricted stock awards granted in conjunction with a business combination	—	—	388	—	5,493	—	—	—	5,493
Issuance of Series G preferred stock	23,645	149,669	—	—	—	—	—	—	—
Issuance of Series D-1 warrants upon exercise of warrants for cash(2)	1,573	8,225	—	—	—	—	—	—	—
Conversion of Series A preferred stock to common stock	(11,642)	(233)	11,642	1	232	—	—	—	233
Conversion of Series D preferred stock to common stock	(645)	(25)	645	—	25	—	—	—	25
Stock-based compensation	—	—	—	—	79,158	—	—	—	79,158
Other	—	—	—	—	—	(33)	—	—	(33)
Cumulative translation adjustments	—	—	—	—	—	84	—	84	168
Net loss	—	—	—	—	—	—	(253,254)	(4,437)	(257,691)
<b>Balance at December 31, 2020</b>	<b>337,235</b>	<b>\$344,827</b>	<b>201,327</b>	<b>\$ 20</b>	<b>\$ 239,792</b>	<b>\$ 90</b>	<b>\$ (492,290)</b>	<b>\$ 20,007</b>	<b>\$ (232,381)</b>

- (1) Exercise of warrants for gross proceeds of \$0.03 million and a reclassification of warrant liability fair market value of \$0.9 million and \$0.8 million, for Series C and D-1 respectively, as of the exercise date.
- (2) Exercise of warrants for gross proceeds of \$0.1 million and a reclassification of warrant liability fair market value of \$8.1 million as of the exercise date.

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



**ROBLOX CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)

	Year Ended December 31,		
	2018	2019	2020
<b>Cash flows from operating activities:</b>			
Consolidated net loss	\$ (88,075)	\$ (71,114)	\$ (257,691)
Adjustments to reconcile net loss including noncontrolling interests to net cash provided by (used in) operations:			
Allowance for doubtful accounts	99	42	1,134
Depreciation and amortization	11,941	27,664	43,808
Stock-based compensation expense	36,310	17,634	79,158
Change in fair value of warrants	4,280	1,190	1,890
Accretion and amortization on marketable securities	(757)	(735)	5
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable	(5,299)	(40,092)	(156,865)
Accounts payable	1,284	(113)	4,488
Prepaid expenses and other current assets	(4,954)	(10,268)	(4,826)
Other assets	(1,087)	339	1,373
Developer exchange liability	10,292	12,897	49,905
Accrued expenses and other current liabilities	(583)	10,719	30,906
Other long-term liability	5,191	11,415	(4,460)
Deferred revenue	175,061	187,916	965,919
Deferred cost of revenue	(42,665)	(48,309)	(230,404)
Net cash provided by operating activities	<u>101,038</u>	<u>99,185</u>	<u>524,340</u>
<b>Cash flows from investing activities:</b>			
Acquisition of property and equipment	(65,564)	(83,264)	(104,153)
Purchases of short-term investments	(104,078)	(89,601)	(5,991)
Maturities of short-term investments	87,000	90,000	63,000
Payments related to business combination, net of cash acquired	—	—	(40,919)
Purchases of intangible assets	(508)	(1,465)	(8,967)
Net cash used in investing activities	<u>(83,150)</u>	<u>(84,330)</u>	<u>(97,030)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of preferred stock for warrant exercises	32	—	147
Proceeds from issuance of common stock	2,107	3,112	15,156
Net proceeds from issuance of preferred stock	149,638	—	149,669
Capital contribution from noncontrolling interest holder	—	50,000	—
Net cash provided by financing activities	<u>151,777</u>	<u>53,112</u>	<u>164,972</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	12	168
Net increase in cash, cash equivalents and restricted cash	169,665	67,979	592,450
Cash, cash equivalents, and restricted cash			
Beginning of year	63,849	233,514	301,493
End of year	<u>\$ 233,514</u>	<u>\$ 301,493</u>	<u>\$ 893,943</u>
Reconciliation to the balance sheet:			
Cash and cash equivalents	227,647	301,493	893,943
Restricted cash	5,867	—	—
Total cash, cash equivalents, and restricted cash	<u>\$ 233,514</u>	<u>\$ 301,493</u>	<u>\$ 893,943</u>
Supplemental disclosure of cash flow information:			
Cash paid for interest	—	—	—
Cash paid for income taxes	—	—	—
Supplemental disclosure of noncash investing activities:			
Property and equipment additions in accounts payable and accrued expenses	\$ 18,585	\$ 12,169	\$ 13,990
Fair value of common stock and RSAs issued as consideration for business combination	—	—	\$ 40,696
Fair value of common stock issued in exchange for intangible asset purchase	—	—	\$ 2,854

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

**ROBLOX CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Overview and Summary of Significant Accounting Policies**

**Organization and Description of Business**—Roblox Corporation, or the Company, was incorporated under the laws of the state of Delaware in March 2004. The Company operates a human co-experience platform, or the Platform, or Roblox Platform, where users interact with each other to explore and develop immersive, user-generated, 3D experiences. Upon signing up for Roblox, a user personalizes their unique Roblox identity, or avatar. Users are then free to immerse themselves in experiences on Roblox and can acquire experience-specific enhancements or avatar items in our Avatar Marketplace using the virtual currency, or Robux. Any user can be a developer or creator on our platform. Developers build experiences 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.

**Principles of Consolidation**—The 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 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.

**Basis of Presentation**—The accompanying consolidated financial statements are presented in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, and include the accounts of the Company and its subsidiaries. The Company's fiscal year ends on December 31.

**Pro Forma Net Loss Per Share**—The unaudited pro forma basic and diluted net loss per share for the fiscal year ended December 31, 2020 is computed to give effect to the conversion of the Company's convertible preferred stock, preferred and common stock warrants into Class A common stock as though the conversion had occurred as of the beginning of the period or on the date of issuance, if later.

**Use of Estimates**—The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates and assumptions reflected in the consolidated financial statements include, but are not limited to, the estimated period of time the virtual items are available to the user and the estimated 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, valuation of acquired goodwill and intangible assets, accrued liabilities (including accrued developer exchange fees), contingent liabilities, valuation of deferred tax assets and liabilities, stock-based compensation and evaluation of recoverability of long-lived assets. Actual results may differ materially from such estimates. 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. To the extent that there are material differences between these estimates and actual results, the Company's consolidated financial statements will be affected.

The novel coronavirus, or COVID-19, pandemic has created, and may continue to create, significant uncertainty in macroeconomic conditions. The full extent to which the COVID-19 pandemic will directly or indirectly impact the global economy, the lasting social effects, and impact on the Company's business, results of operations, and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted. As of the date of issuance of the financial statements, the Company is not aware of any specific event of circumstance related to COVID-19 that

would require it to update its estimates or judgments or adjust the carrying value of its assets or liabilities. Actual results could differ from those estimates and any such differences may be material to the consolidated financial statements. As events continue to evolve and additional information becomes available, the Company's estimates and assumptions may change materially in future periods.

**Foreign Currency Transactions**—The functional currency of the Company's international subsidiaries is the U.S. dollar, with the exception of a Chinese subsidiary wholly owned by Roblox China Holding Corp., as discussed in Note 12. Assets and liabilities are translated to U.S. dollars at the period-end exchange rate. Revenues and expenses are translated using the average exchange rate for the period. The effects of foreign currency translation are included in stockholders' deficit as a component of accumulated other comprehensive loss in the accompanying consolidated balance sheets and periodic movements are summarized as a line item in the consolidated statements of comprehensive loss.

**Stock Split**—On January 31, 2020, the Company's board of directors approved an amendment to its certificate of incorporation to effect a split of shares of the issued and outstanding common stock and convertible preferred stock at a 2-for-1 ratio. The stock split was approved by the Company's stockholders and effected on January 31, 2020.

All issued and outstanding shares of common stock and convertible preferred stock, dividend rates, conversion rates, options to purchase common stock, exercise prices, and the related per-share amounts contained in these consolidated financial statements have been adjusted to reflect these stock splits for all periods presented.

**Segments**—The Company operates as a single operating segment. The chief operating decision maker of the Company is its Chief Executive Officer, who makes resource allocation decisions and assesses performance based on financial information presented on a consolidated basis, accompanied by disaggregated information of our revenue. Accordingly, the Company has determined that it has a single reportable segment and operating segment structure.

### **Revenue Recognition**

#### *Revenue Recognition Policy*

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 we expect to be entitled to in exchange for these services. To achieve the core principle of this standard, we determine 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, we satisfy performance obligations by transferring the promised services.

We derive substantially all of our revenue from the sale of virtual items on the Roblox Platform.

#### *Roblox Platform*

We operate 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 revenues as a user purchases and uses virtual items. Our 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 mobile payments, credit cards, or prepaid cards. Payments from users are non-refundable and relate to non-cancellable contracts for a fixed price that specify our obligations. 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. Such payments are initially recorded to deferred revenue.

The satisfaction of our performance obligation is dependent on the nature of the virtual item purchased and as a result, we categorize our 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 we recognize 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 our Roblox Platform. We recognize 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 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 and is currently estimated to be 23 months. Determining the estimated average lifetime of a paying user requires management's judgment. The Company considers results from prior analyses and trends in the activity of the Company's recent user cohorts 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.

#### *Principal Agent Considerations*

The Company evaluates the sales of Robux via third-party payment processors to determine whether its revenues should be reported gross or net of fees either retained by the payment processor or paid to the developers and creators (Developer Exchange Fees). The Company is the principal in the transaction with the end user as a result of controlling, hosting, and integrating the delivery of the virtual items to the end user. The Company records revenue gross as a principal and records fees paid to payment processors and Developer Exchange Fees as an expense.

### *Other Revenue*

Other revenue primarily consists of revenue from advertising, licenses, and royalties. The Company recognizes revenue based on the performance obligations of the underlying agreements, in an amount that reflects the consideration that the Company expects to be entitled to.

Refer to Note 2 for further information, including disaggregation of revenue, contract balances, and changes in deferred revenue during the period.

**Cost of Revenue**—Cost of revenue primarily consists of payment processing fees charged by various distribution channels.

**Deferred Cost of Revenue**—The Company defers contract costs that are direct and incremental to obtaining user contracts (i.e., sale of Robux). Deferred cost of revenue primarily consists of payment processing fees charged by third-party payment processors. Payment processing fees for initial contracts are commensurate with subsequent sales, and as a result, are amortized over the estimated period of time the virtual items are available to the user on the Roblox Platform (based on the nature of the virtual item as either consumable or durable) in proportion to the revenue recognized. The Company classifies deferred cost of revenue as short-term or long-term based on when the Company expects to recognize the expense. Short-term and long-term deferred cost of revenue are included on the Company's consolidated balance sheets. Deferred cost of revenue are periodically reviewed for impairment.

**Concentration of Credit Risk and Significant Customers**—Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments and accounts receivables. Cash and cash equivalents are deposited with high quality financial institutions and may, at times, exceed federally insured limits. Management believes that the financial institutions that hold the Company's deposits are financially credit worthy and, accordingly, minimal credit risk exists with respect to those balances. Generally, these deposits may be redeemed upon demand and, therefore, bear minimal interest rate risk.

The Company provides credit, in the normal course of business, to various customers, performs ongoing credit evaluations of its customers, and maintains allowances for potential credit losses on customers' accounts when deemed necessary. The Company has not experienced any material credit losses to date.

The Company uses various distribution channels to collect and remit payments from users. As of December 31, 2018, 2019, and 2020, two distribution channels accounted for 53%, 56%, and 50% of our accounts receivable, respectively. One distribution channel accounted for 24%, 28%, and 25% of our accounts receivable as of December 31, 2018, 2019, and 2020, respectively. A second distribution channel accounted for 29%, 28%, and 25% of our accounts receivable as of December 31, 2018, 2019, and 2020, respectively.

One distribution channel processed 28%, 30% and 35% of our overall revenue transactions for the years ended December 31, 2018, 2019, and 2020, respectively. A second distribution channel processed 15%, 18% and 19% of our overall revenue transactions for the years ended December 31, 2018, 2019, and 2020, respectively.

**Fair Value Hierarchy**—Assets and liabilities recorded at fair value in the consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, which are directly related to the amount of subjectivity, associated with the inputs to the valuation of these assets or liabilities are as follows:

**Level 1**—Inputs that are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

**Level 2**—Inputs (other than quoted prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

**Level 3**—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and which reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

**Cash, Cash Equivalents and Restricted Cash**—Cash and cash equivalents primarily consisted of cash in hand, money market instruments, and U.S. Treasuries with maturities of 90 days or less from the date of purchase.

Restricted cash consists of cash deposited with financial institutions as collateral for the Company's obligations under its facility leases. These restricted cash balances have been excluded from our cash and cash equivalents balance and are classified as restricted cash on our consolidated balance sheets. As of December 31, 2019 and 2020, there was no restricted cash balance.

**Short-Term Investments**—The Company determines the appropriate classification of its investments at the time of purchase and reevaluates such determination at each balance sheet date based on their maturities and the Company's reasonable expectation with regard to those securities (i.e., expectations of sales and redemptions). Based on our intentions regarding our short-term investments, all short-term investments are classified as available-for-sale and are reported at fair value, which is based on quoted market prices for such securities, if available, or based on quoted market prices of financial instruments with similar characteristics. Unrealized gains and losses recorded as a separate component of other comprehensive loss, net of income taxes. The Company periodically reviews whether its securities may be other-than-temporarily impaired, including whether or not (i) the Company has the intent to sell the security or (ii) it is more likely than not that the Company will be required to sell the security before its anticipated recovery. If one of these factors is met, the Company will record an impairment loss associated with its impaired investment. Realized gains and losses and other-than-temporary impairments, if any, on available-for-sale securities are recognized upon sale and are included in other expense, net in the consolidated statements of operations. The Company has no short-term investments as of December 31, 2020.

**Accounts Receivable and Related Allowance**—Accounts receivable represent amounts due to us based on contractual obligations with our customers. In cases where the Company is aware of circumstances that may impair a specific customer's ability to meet its financial obligations, it records a specific allowance as a reduction to the accounts receivable balance to reduce it to its net realizable value. In addition, the Company holds a reserve for chargebacks based on historical data and current trends and projections.

**Property and Equipment—Net**—Property and equipment are recorded at historical cost less accumulated depreciation and amortization. Depreciation and amortization is recorded on a straight line basis over the estimated useful lives of the assets.

<b>Property and Equipment</b>	<b>Useful Life</b>
Servers and related equipment	5 years
Computer hardware and software	2 - 5 years
Furniture and fixtures	2 years
Leasehold improvements	Shorter of 10 years or life of lease

*Reclassification of Prior Year Amounts*—Certain prior year amounts of intangible assets (net) have been reclassified for consistency with the current year presentation.

**Goodwill and Intangible Assets**—Goodwill is not amortized but rather tested for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination and is allocated to reporting units expected to benefit from the business combination. The Company has determined that it has one operating segment and one reporting unit. Goodwill impairment is recognized when the quantitative assessment results in the carrying value exceeding the fair value, in which case an impairment charge is recorded to the extent the carrying value exceeds the fair value. There were no impairment charges to goodwill during the periods presented.

Intangible assets are amortized on a straight-line basis over the estimated useful life of up to five years. Each period the Company evaluates the estimated remaining useful lives of its intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization.

**Business Combinations and Asset Acquisitions** —The Company applies a screen test to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets to determine whether a transaction is accounted for as an asset acquisition or business combination. When the Company acquires a business, the purchase consideration is allocated to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated respective fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. The Company's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable, and as a result, actual results may differ from estimates.

The Company accounts for a transaction as an asset acquisition pursuant to the provisions of ASU No. 2017-01, Clarifying the Definition of a Business, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, or otherwise does not meet the definition of a business. Asset acquisition-related costs are capitalized as part of the asset or assets acquired.

**Software Development Costs**—The Company incurs costs related to developing the Roblox Platform and related support systems.

The Company capitalizes development costs when preliminary development efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed and the software will be used as intended. Development costs meeting the Company's capitalization criteria were not material during the periods presented.



**Impairment of Long-Lived Assets**—The Company periodically evaluates the carrying value of long-lived assets to be held and used when indicators of impairment exist. The carrying value of a long-lived asset to be held and used is considered impaired when the estimated separately identifiable undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying value of the asset. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the estimated cash flows discounted at a rate commensurate with the risk involved. No impairment charges have been recorded during 2018, 2019, and 2020.

**Developer Exchange Fees**—The Company has established an incentive program for developers and creators to build and operate virtual worlds within the Roblox environment. Developers and creators may charge other users virtual currency to participate in their world. Under certain conditions as outlined in the Developer Exchange Program agreement with developers and creators, such as earning a minimum amount of 100,000 Robux, having a verified account, and an account in good standing; and in compliance with applicable law, these developers and creators can receive a cash payout based on the amount of accumulated earned Robux from other users. The Company records the expense and liability associated with this program on the accompanying consolidated statements of operations and balance sheet, respectively.

**Infrastructure and Trust & Safety**—Infrastructure and trust & safety consists primarily of expenses related to the operation of our data centers and technical infrastructure in order to deliver our platform to our users. Infrastructure expenses also include personnel costs and allocated overhead for employees and team members whose primary responsibilities relate to supporting our infrastructure and trust & safety initiatives.

**Research and Development**— Research and development costs are expensed as incurred and consist primarily of personnel costs and allocated overhead.

**Stock-Based Compensation**—The Company follows the fair value recognition provisions of ASC 718-10, *Compensation—Stock Compensation*. The fair value of each stock option is estimated on the date of grant using the Black-Scholes option valuation model. The Company recognizes compensation costs for all stock-based compensation awards that are expected to vest on a straight-line basis over the requisite service period of the awards, which is generally the option's vesting period. Stock-based compensation expense is recorded net of forfeitures as they occur.

The Company generally grants stock options to its employees and non-employees for a fixed number of shares with an exercise price equal to the fair value of the shares at date of grant. All stock option grants are accounted for using the fair value method and stock-based compensation is recognized as the underlying options vest.

**Net Loss Per Share**—Basic and diluted net loss per share attributable to common stockholders is computed in conformity with the two-class method required for participating securities. The Company considers all series of its convertible preferred stock to be participating securities as the holders of such stock have the right to receive nonforfeitable dividends on a pari passu basis in the event that a dividend is paid on common stock. Under the two-class method, the net loss attributable to common stockholders is not allocated to the convertible preferred stock as the preferred stockholders do not have a contractual obligation to share in the Company's losses.

Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potentially dilutive common stock equivalents to the extent they are dilutive. For purposes of this calculation, convertible preferred stock, stock options, restricted stock awards, convertible preferred stock warrants, and common stock warrants are

considered to be common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is anti-dilutive for all periods presented.

**Income Taxes**—The Company accounts for income taxes using the asset and liability method. Deferred income taxes are recognized by applying enacted statutory tax rates applicable to future years to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefit for which the future realization is uncertain.

The tax effects of a position are recognized only if it is more likely than not to be sustained based solely on its technical merits as of the reporting date. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments, and which may not accurately anticipate actual outcomes.

### **Recent Accounting Pronouncements**

As an “emerging growth company,” the Jumpstart Our Business Startups Act, or JOBS Act, allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act. The adoption dates discussed below reflect this election.

**Issued and Adopted**—In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2014-09, “*Revenue from Contracts with Customers (Topic 606) (ASU 2014-09)*”, or ASC 606. ASC 606 requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. It also states that an entity should recognize as an asset the incremental costs of obtaining a contract that the entity expects to recover and amortize that cost over a period consistent with the period over which the transfer to the customer of the underlying good or services occurs. ASC 606 requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customer.

The Company elected to adopt ASC 606 on January 1, 2019 utilizing the full retrospective method of transition. Accordingly, the consolidated financial statements for the years ended December 31, 2018, 2019, and 2020 are presented under ASC 606. The adoption of the new standard did not have a material impact on the Company’s consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, “*Statement of Cash Flows (Topic 230): Restricted Cash*,” which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. On January 1, 2018, the Company adopted this standard and applied it retrospectively. Restricted cash is included with “Cash and cash equivalents” when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

In June 2018, the FASB issued ASU 2018-07, “*Improvements to Nonemployee Share-Based Payment Accounting*” intended to simplify aspects of share-based compensation issued to non-employees by making the guidance consistent with the accounting for employee share-based

compensation. The guidance is effective for annual reporting periods beginning after December 15, 2018. The Company adopted the guidance on January 1, 2019, the effective date noting the adoption of the new guidance did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, "*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.*" This new guidance removes certain disclosure requirements related to the fair value hierarchy, modifies existing disclosure requirements related to measurement uncertainty and adds new disclosure requirements. The new disclosure requirements include disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted-average of significant unobservable inputs used to develop Level 3 fair value measurements. This new guidance was effective for the Company beginning on January 1, 2020 and did not have a material impact on the Company's consolidated financial statements.

**Issued but Not Yet Adopted**—In February 2016, the FASB issued ASU No. 2016-02, "*Leases,*" which would require lessees to put all leases on their balance sheets, whether operating or financing, while continuing to recognize the expenses on their income statements in a manner similar to current practice. The guidance states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. In June 2020, the FASB issued ASU No. 2020-05, "*Revenue from Contracts with Customers (Topic 606)*" and "*Leases (Topic 842): Effective Dates for Certain Entities,*" which defers the effective date of ASU 2016-02 for non-public entities to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The guidance will be effective for the Company beginning January 1, 2022 to the extent the Company remains an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, and early adoption is permitted. While the Company expects adoption of this new standard to materially increase reported assets and liabilities, we are currently in the process of further evaluating the timing of adoption of ASU 2016-02 as well as the full impact on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,*" which replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. The guidance will be effective for the Company beginning January 1, 2023, and interim periods therein. Early adoption is permitted. The Company is currently evaluating the effect that ASU 2016-13 will have on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-15, "*Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract,*" which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The new standard requires capitalized costs to be amortized on a straight-line basis generally over the term of the arrangement, and the financial statement presentation for these capitalized costs would be the same as that of the fees related to the hosting arrangements. The guidance will be effective for the Company beginning January 1, 2021, and interim periods in fiscal years beginning January 1, 2022. Early adoption is permitted. The Company is currently evaluating the effect that ASU 2018-15 will have on its consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU No. 2019-12, "*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,*" which simplifies the accounting for income taxes by removing a

variety of exceptions within the framework of ASC 740. These exceptions include the exception to the incremental approach for intraperiod tax allocation in the event of a loss from continuing operations and income or a gain from other items (such as other comprehensive income), and the exception to using general methodology for the interim period tax accounting for year-to-date losses that exceed anticipated losses. The guidance will be effective for the Company beginning January 1, 2022, and interim periods in fiscal years beginning January 1, 2023. Early adoption is permitted. The Company is currently evaluating the effect that ASU 2019-12 will have on its consolidated financial statements and related disclosures.

## 2. Revenue from Contracts with Customers

### Disaggregation of Revenue

The following table summarizes revenue by region based on the billing country of users:

	Year Ended December 31,					
	2018		2019		2020	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage of Revenue
	(in thousands, except percentages)					
United States and Canada	\$245,939	76%	\$364,114	72%	\$638,354	69%
Europe	45,059	14	83,271	16	168,303	18%
Asia-Pacific, including Australia and New Zealand	21,116	6	37,677	7	70,530	8
Rest of world	12,842	4	23,331	5	46,698	5
Total	<u>\$324,956</u>	<u>100%</u>	<u>\$508,393</u>	<u>100%</u>	<u>\$923,885</u>	<u>100%</u>

Consumable virtual items accounted for 14%, 13% and 13% of Roblox Platform revenue in the years ended December 31, 2018, 2019 and 2020, respectively. Durable virtual items accounted for 86%, 87% and 87% of Roblox Platform revenue in the years ended December 31, 2018, 2019 and 2020, respectively.

### Contract Balances and 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. Further, payments made by the Company's users are collected by payment processors and remitted to us generally within 30 days.

Deferred revenue mostly consists of payments we receive from users in advance of revenue recognition. The increase in the deferred revenue balances for the year ended December 31, 2020 was driven by cash payments from users in advance of satisfying our performance obligations, offset by \$425.3 million, respectively, of revenue recognized that was included in the current portion deferred revenue balance at the beginning of the periods.

As of December 31, 2020, the aggregate amount of revenue allocated to unsatisfied performance obligations is included in our deferred revenue balances. As of December 31, 2020, the Company expects to recognize \$1,070.2 million, respectively, as revenue over the next 12 months, and the remainder thereafter.

As mentioned above, the Company bills in advance of our performance obligations and as such, does not have unbilled receivables.

### 3. Fair Value Measurements

The categorization of a financial instrument within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's financial instruments consist of Level 1 assets and Level 3 liabilities. Level 1 assets include highly liquid money market funds and overnight repurchase agreements that are included in cash, cash equivalents and restricted cash, and U.S. treasuries that are included as short-term investments. Level 3 liabilities include warrant liabilities as the determination of fair value includes various assumptions about the future activities of the Company's stock prices and the historical volatility of similar publicly traded companies.

The Company has not changed the method in which it values the liabilities that are measured at fair value using Level 3 inputs. There were no transfers of financial assets or liabilities into or out of Level 1, Level 2, or Level 3 during the years ended December 31, 2018, 2019 and 2020.

A summary of assets and liabilities, related to our financial instruments, measured at fair value on a recurring basis, is set forth below (in thousands):

Financial Instrument	Fair Value Hierarchy	Fair Value December 31,		
		2018	2019	2020
<b>Financial Assets:</b>				
Money Market funds classified as cash and cash equivalents	Level 1	\$ 224,348	\$ 217,854	\$ 310,392
U.S. Treasuries classified as short-term investments	Level 1	56,670	57,047	—
Money Market funds classified as restricted cash	Level 1	5,867	—	—
<b>Financial liabilities:</b>				
Financial liabilities—warrant liability (included in other long-term liabilities)	Level 3	4,998	6,188	—

The Company has determined the fair value of all issued warrants at the issuance date using the Black-Scholes option pricing model and recorded a warrant liability on the consolidated balance sheets that is subsequently re-measured at each reporting period with changes being recorded as a component of other expense in the statement of operations.

The following table sets forth a summary of the changes in the estimated fair value of the Company's warrant liability (in thousands):

	<b>Amount</b>
Balance as of December 31, 2017	\$ 2,428
Exercises in the period	(1,710)
Change in fair value of warrant liability	4,280
Balance as of December 31, 2018	4,998
Exercises in the period	—
Change in fair value of warrant liability	1,190
Balance as of December 31, 2019	6,188
Exercises in the period	(8,078)
Change in fair value of warrant liabilities	1,890
Balance as of December 31, 2020	\$ —

As of December 31, 2020 there are no outstanding warrants.

#### 4. Acquisitions

##### Loom.ai Acquisition

On December 11, 2020, the Company acquired Loom.ai, a privately-held company specializing in real-time facial animation technology for 3D avatars using deep learning, computer vision and VFX. The acquisition has been accounted as a business combination. The acquisition date fair value of the consideration transferred was \$86.7 million, which consisted of cash and 1.3 million shares of Class A common stock with a fair value of \$40.7 million. The aggregate purchase consideration for Loom.ai was comprised of the following (in thousands):

	<b>Fair Value</b>
Cash paid	\$ 45,998
Common stock issued	35,203
Replacement awards attributable to pre-acquisition service	5,493
Total purchase price	<u>\$ 86,694</u>

Cash consideration included reimbursement of acquisition-related transaction costs of \$0.8 million incurred by Loom.ai to execute the transaction. Additionally, the acquisition-related costs were not material and were recorded as general and administrative expenses in the Company's consolidated statements of operations for the year ended December 31, 2020.

In connection with the acquisition, the Company entered into stock-based consideration revestment agreements with the Loom.ai founders. The portion of the fair value of the common stock associated with pre-acquisition service of Loom.ai founders represented a component of the total purchase consideration, as presented above. The remaining fair value of \$9.2 million of these issued shares was excluded from the purchase price. These shares, which are subject to the recipients' continued service with the Company, will be recognized ratably as stock-based compensation expense over the requisite service period of 3 years.

The total purchase consideration of the Loom.ai acquisition 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, including a valuation from an independent third-party valuation firm. 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. \$6.7 million of the goodwill recorded in connection with the acquisition of Loom.ai is deductible for tax purposes.

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

	<b>December 11, 2020</b>
Cash and cash equivalents	\$ 5,080
Prepaid expenses and other current assets	45
Goodwill	59,568
Identified intangible asset - developed technology	29,000
Deferred tax liabilities	(6,681)
Accrued expenses and other current liabilities	(318)
Total purchase price	<u>\$ 86,694</u>

The identifiable intangible assets acquired consisted entirely of existing technology, which has a fair value of \$29.0 million and an estimated remaining useful life of 5 years as of December 31, 2020.

The acquisition is not material to the Company for the periods presented, and therefore, pro forma information has not been presented.

#### *Imbellus Acquisition*

On November 30, 2020, the Company completed the acquisition of substantially all of the assets from Imbellus, Inc., a privately-held software company, which developed simulation-based cognitive assessments that measure human thought process. The asset acquisition consisted entirely of existing technology, which has a fair value of \$11.7 million and an estimated remaining useful life of 5 years as of December 31, 2020. The purchase consideration consisted of 80,000 shares of Class A common stock, with a fair value of \$2.9 million and \$8.8 million of cash including direct transaction costs.

### 5. **Goodwill and Intangible Assets**

The following table represents the changes to goodwill (in thousands):

	<b>Carrying Amount</b>
Balance as of December 31, 2019	\$ —
Addition from acquisition	59,568
Balance as of December 31, 2020	<u>\$59,568</u>

There was no goodwill during the years ended December 31, 2018 and 2019.

Intangible assets primarily consisted of developed technology acquired. As of December 31, 2018 and 2019, the cost of the intangible assets was \$0.5 million and \$1.9 million, respectively, and the accumulated amortization was not material. As of December 31, 2020, the cost of the intangible assets was \$41.1 million and the accumulated amortization was \$1.2 million. The net carrying value as of December 31, 2020 was \$42.3 million and the weighted-average remaining useful life of the developed technology acquired was 4.9 years.

Amortization expense was \$1.1 million for the year ended December 31, 2020.

The expected future amortization expenses related to the intangible assets as of December 31, 2020 were as follows (in thousands):

2021	\$ 8,495
2022	8,495
2023	8,495
2024	8,401
2025	7,866
Thereafter	—
Total remaining amortization	<u>\$41,752</u>



**6. Other Balance Sheet Components**

**Short-term investments**

The following tables summarize our amortized cost, gross unrealized gains and losses and fair value of our short-term investments (in thousands):

	As of December 31, 2018			Aggregate Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	
Short-term investments—U.S. Treasury securities	\$ 56,666	\$ 4	\$ —	\$ 56,670
Total short-term investments	<u>\$ 56,666</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 56,670</u>

	As of December 31, 2019			Aggregate Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	
Short-term investments—U.S. Treasury securities	\$ 57,043	\$ 4	\$ —	\$ 57,047
Total short-term investments—U.S. Treasury securities	<u>\$ 57,043</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ 57,047</u>

The Company had no short-term investments as of December 31, 2020.

**Prepaid expenses and other current assets**

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

	As of December 31,		
	2018	2019	2020
Prepaid Expenses	\$ 8,406	\$ 11,547	\$ 17,606
Other current assets	2,655	9,853	8,668
Total prepaid expenses and other current assets	<u>\$ 11,061</u>	<u>\$ 21,400</u>	<u>\$ 26,274</u>

**Property and equipment, net**

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

	As of December 31,		
	2018	2019	2020
Servers and related equipment	\$ 102,843	\$ 168,857	\$ 264,994
Computer hardware and software	1,120	1,796	3,498
Furniture and fixtures	54	84	162
Leasehold improvement	9,261	13,213	27,437
Construction in progress	548	6,717	294
Total property and equipment	113,826	190,667	296,385
Less accumulated depreciation and amortization	(19,711)	(47,262)	(89,970)
Property and equipment—net	<u>\$ 94,115</u>	<u>\$ 143,405</u>	<u>\$ 206,415</u>

Construction in progress includes costs mostly related to leasehold improvements related to the Company's office buildings and network equipment infrastructure to support the Company's data centers.

Depreciation expense is \$11.9 million, \$27.6 million, and \$42.7 million for years ended December 31, 2018, 2019, and 2020 respectively.

### **Accrued expenses and other current liabilities**

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

	As of December 31,		
	2018	2019	2020
General accrued expenses	\$12,028	\$24,448	\$41,699
Other current liability	5,006	12,003	23,693
Total accrued liabilities and other current liabilities	<u>\$17,034</u>	<u>\$36,451</u>	<u>\$65,392</u>

Other long-term liabilities include \$9.0 million, \$19.8 million, and \$21.9 million in deferred rent as of December 31, 2018, 2019, and 2020, respectively, and \$5.0 million and \$6.2 million in warrant liability as of December 31, 2018 and 2019, respectively. There was no warrant liability outstanding as of December 31, 2020.

## **7. Debt**

In February 2019, the Company entered into an agreement for a revolving line of credit, with maximum borrowings of up to \$50.0 million available under the revolving line of credit, due February 2020. Outstanding borrowings under the line of credit bear interest at 1.5% per annum. In February 2020, this credit facility was renewed for a one-year period. As of December 31, 2020, no amounts have been borrowed under the revolving line of credit. The revolving line of credit agreement contains affirmative and negative covenants, including but not limited to maintaining minimum liquidity of \$50.0 million at all times and certain limitations on liens and indebtedness. The Company was in compliance with all covenants associated with the revolving line of credit as of December 31, 2019 and 2020.

In February 2021, the Company terminated its agreement for a \$50 million revolving line of credit. No amounts had been borrowed under the revolving line of credit.

## **8. Commitments and Contingencies**

**Lease Commitments**—The Company leases office facilities and space for data center operations under operating leases expiring in various years through 2029. 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.

Rent expense is recorded over the lease terms on a straight-line basis. Rent expense, net of sublease income, was \$16.6 million, \$28.8 million, and \$43.5 million for years ended December 31, 2018, 2019, and 2020 respectively.

**Purchase Obligations**—As of December 31, 2020, we had \$22.6 million of non-cancellable contractual purchase obligations related primarily to the Company's data center hosting providers and software vendors.

The following table summarizes the Company's non-cancelable contractual commitments payments as of December 31, 2020 (in thousands):

	<u>Purchase Commitments</u>	<u>Operating Leases</u>	<u>Total Commitments</u>
2021	\$ 11,027	\$ 51,397	\$ 62,424
2022	7,369	54,477	61,846
2023	2,793	47,915	50,708
2024	1,048	38,970	40,018
2025	344	32,223	32,567
Thereafter	11	55,882	55,893
Total minimum payments	<u>\$ 22,592</u>	<u>\$280,864</u>	<u>\$ 303,456</u>

**Letters of Credit**—The Company has letters of credit in connection with our operating leases. The Company has not drawn down from the letters of credit and had \$5.9 million, \$9.5 million, and \$9.9 million available in aggregate as of December 31, 2018, 2019, and 2020, respectively.

**Legal Proceedings**—The Company is and, from time to time, may in the future become, involved in other legal proceedings in the ordinary course of business. The Company currently believes that the outcome of any of these existing legal proceedings either individually or in the aggregate, will not have a material impact on the operating results, financial condition or cash flows of the Company. With respect to existing legal proceedings, the Company has either determined that the existence of a material loss is not reasonably possible or that it is unable to estimate a reasonably possible loss or range of loss. The Company may incur substantial legal fees, which are expensed as incurred, in defending against these legal proceedings.

**Indemnifications**—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. The Company also currently has directors' and officers' insurance.

## 9. **Stockholders' Deficit**

**Convertible Preferred Stock**—The Company is authorized to issue 349.5 million shares of convertible preferred stock with a par value of \$0.0001 per share.

At December 31, 2018, 2019, and 2020, the following shares of convertible preferred stock were designated, issued and outstanding (in thousands):

Series	December 31, 2018 Shares		Per share price at issuance	Aggregate Liquidation Preference	Carrying Value of Preferred
	Authorized	Outstanding			
A	28,000	28,000	\$ 0.02	\$ 560	\$ 546
B	45,532	45,532	\$ 0.03	1,070	1,054
C	95,290	95,290	\$ 0.03	2,935	4,150
D	54,860	54,860	\$ 0.04	2,175	2,122
D-1	44,706	43,133	\$ 0.09	4,023	4,773
E	24,340	24,340	\$ 1.03	25,000	24,906
F	33,149	33,149	\$ 4.53	150,000	149,640
Total	<u>325,877</u>	<u>324,304</u>		<u>\$ 185,763</u>	<u>\$ 187,191</u>

Series	December 31, 2019 Shares		Per share price at issuance	Aggregate Liquidation Preference	Carrying Value of Preferred
	Authorized	Outstanding			
A	28,000	28,000	\$ 0.02	\$ 560	\$ 546
B	45,532	45,532	\$ 0.03	1,070	1,054
C	95,290	95,290	\$ 0.03	2,935	4,150
D	54,860	54,860	\$ 0.04	2,175	2,122
D-1	44,706	43,133	\$ 0.09	4,023	4,773
E	24,340	24,340	\$ 1.03	25,000	24,906
F	33,149	33,149	\$ 4.53	150,000	149,640
Total	<u>325,877</u>	<u>324,304</u>		<u>\$ 185,763</u>	<u>\$ 187,191</u>

Series	December 31, 2020 Shares		Per share price at issuance	Aggregate Liquidation Preference	Carrying Value of Preferred
	Authorized	Outstanding			
A	28,000	16,358	\$ 0.02	\$ 327	\$ 313
B	45,532	45,532	\$ 0.03	1,070	1,054
C	95,290	95,290	\$ 0.03	2,935	4,150
D	54,860	54,215	\$ 0.04	2,150	2,097
D-1	44,706	44,706	\$ 0.09	4,172	12,998
E	24,340	24,340	\$ 1.03	25,000	24,906
F	33,149	33,149	\$ 4.53	150,000	149,640
G	23,645	23,645	\$ 6.34	150,000	149,669
Total	<u>349,522</u>	<u>337,235</u>		<u>\$ 335,654</u>	<u>\$ 344,827</u>

In November 2020, pursuant to a conversion notice and an exchange agreement with entities affiliated with the Company's Founder, President, Chief Executive Officer and Chair of the Company's board of directors, all outstanding convertible preferred stock held by those entities were converted into our Class A common stock and thereafter all 57.3 million outstanding shares of Class A common stock held by him and entities affiliated with him were exchanged for 57.3 million shares of Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion.

The rights, preferences, privileges and restrictions for Series A convertible preferred stock (Series A), Series B convertible preferred stock (Series B), Series C convertible preferred stock (Series C), Series D convertible preferred stock (Series D), Series D-1 convertible preferred stock (Series D-1), Series E convertible preferred stock (Series E), Series F convertible preferred stock (Series F), and Series G convertible preferred stock (Series G) (collectively, convertible preferred stock) are as follows:

**Conversion Rights**—All shares of convertible preferred stock are convertible into common stock at the option of the holder, without payment of additional consideration, at any time after the date of issuance. Each share of convertible preferred stock is convertible into one share of Class A common stock, subject to adjustment for stock splits, stock dividends, combinations, recapitalizations and the like, plus any declared but unpaid dividends. Each share of convertible preferred stock will automatically convert upon the closing of an initial public offering, in which the aggregate proceeds exceed \$50.0 million; or with respect to the conversion of shares of Series D-1, Series E and Series F, the written consent of the holders of a majority of the outstanding shares of such series of convertible preferred stock, respectively, and with respect to the conversion of shares of Series G, the written consent of the holders of 71% of the outstanding shares of Series G.

**Liquidation Preference**—In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of shares of Series A, Series B, Series C, Series D, Series D-1, Series E, Series F, and Series G have liquidation preferences before any distribution or payment is made to the holders of shares of common stock and pari passu to each other at an amount equal to \$0.02, \$0.0235, \$0.0308, \$0.03965, \$0.09328, \$1.0271, \$4.525 and \$6.34381 per share, respectively, subject to appropriate adjustments for stock splits, stock dividends, combinations and other recapitalizations, for each outstanding share of convertible preferred stock, plus all declared and unpaid dividends. If the Company's assets are insufficient to permit the payment to the holders of shares of convertible preferred stock in the full amounts to which they are entitled pursuant to the aforementioned liquidation preferences, then all assets and funds of the Company legally available for distribution will be distributed ratably among the holders of convertible preferred stock in proportion to the respective aggregate preferential amounts such holders would otherwise be entitled to receive if such amounts were paid in full. After payment of full liquidation preference, the remaining assets of the Company legally available for distribution will be distributed ratably to the holders of common stock.

**Dividends Provisions**—The holders of shares of Series A, Series B, Series C, Series D, Series D-1, Series E, Series F and Series G are entitled to receive dividends, prior and in preference to dividends declared on common stock, when and if declared by the Board of Directors, at the rate of \$0.0016, \$0.00188, \$0.002464, \$0.003172, \$0.007463, \$0.08217, \$0.362 and \$0.5075, respectively, per share per annum, as adjusted for stock splits, stock dividends, combinations, recapitalizations and the like. Dividends are non-cumulative and will be paid pro rata, on an equal priority, pari passu basis. As of December 31, 2018, 2019, and 2020, no dividends have been declared.

**Voting Rights**—The holder of each share of convertible preferred stock shall have the right to one vote for each share of Class A common stock into which such convertible preferred stock could then be converted. The Company's Board of Directors shall consist of five members. The holders of common stock, voting as a separate class, are entitled to elect one member of the Board of Directors; the holders of Series A and Series B, voting together as a single class, are entitled to elect one member of the Board of Directors; the holders of Series D, voting together as a single class, are entitled to elect one member of the Board of Directors; the holders of Series D-1, voting together as a single class, are entitled to elect one member of the Board of Directors; and the holders of convertible preferred stock and common stock, voting together as a single class on an as-converted basis, are entitled to elect the remaining member of the Board of Directors.

As long as at least 12.0 million shares of convertible preferred stock remain outstanding, as adjusted for stock splits, stock dividends, and recapitalizations, the Company must obtain approval from at least 50% of the holders of convertible preferred stock, voting together as a single class, in order to, among other things: effect a merger, consolidation or sale of assets where existing stockholders retain less than 50% of the voting stock of the surviving entity; restrict the rights of convertible preferred stock; change the authorized number of shares of common stock or convertible preferred stock; create a new class of stock with rights similar to or better than Series E, Series F, or Series G; repurchase common stock or convertible preferred stock other than shares subject to the right of repurchase by the Company; authorize a dividend with respect to convertible preferred stock or common stock; approve an amendment to the Certificate of Incorporation or Bylaws of the Company; or change the authorized number of directors.

As long as at least 5.0 million shares of Series D-1 remain outstanding, the Company must obtain majority approval of the then outstanding shares of Series D-1, voting as a separate class, in order to, among other things, change any rights of the shares of Series D-1.

As long as at least 5.0 million shares of Series E remain outstanding, the Company must obtain majority approval of the then outstanding shares of Series E, voting as a separate class, in order to, among other things, change any rights of the shares of Series E or change the number of authorized shares of Series E.

As long as at least 5.0 million shares of Series F remain outstanding, the Company must obtain majority approval of the then outstanding shares of Series F, voting as a separate class, in order to, among other things, change any rights of the shares of Series F or change the number of authorized shares of Series F.

As long as at least 5.0 million shares of Series G remain outstanding, the Company must obtain approval of the holders of at least 71% of the then outstanding shares of Series G, voting as a separate class, in order to, among other things, change any rights of the shares of Series G or change the number of authorized shares of Series G.

**Redemption**—The convertible preferred stock is not redeemable.

The Company classifies its convertible preferred stock outside of stockholders' deficit because the shares are considered effectively redeemable upon a deemed liquidation event. During the periods presented, the Company did not adjust the carrying value of the convertible preferred stock to the deemed liquidation value of such shares as a qualifying liquidation event was not probable.

**Common Stock**—The Company's amended and restated certificate of incorporation authorizes the issuance of Class A common stock and Class B common stock. As of December 31, 2020, the Company is authorized to issue 675.0 million shares of Class A common stock and 65.0 million shares of Class B common stock. Holders of Class A common stock and Class B common stock are entitled to dividends on a pro rata basis, when, as, and if declared by the Company's board of directors, subject to the rights of the holders of the Company's convertible preferred stock. Holders of Class A common stock are entitled to one vote per share, and holders of Class B common stock are entitled to 20 votes per share. Upon a Liquidation Event, as defined in the amended and restated certificate of incorporation, after payments are made to holders of the Company's convertible preferred stock, any distribution of proceeds to common stockholders will be made on a pro rata basis to the holders of Class A common stock and Class B common stock. Each share of our Class B common stock is convertible into one share of our Class A common stock at any time and will convert automatically upon certain transfers and upon the earliest 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 the date of this offering continues to remain outstanding, (iii) the date that is 15 years from the first day of trading shares of capital stock of the Company on the NYSE, (iv) nine months after the death or permanent disability of Mr. Baszucki, or (v) nine months after the date that Mr. Baszucki no longer serves as our Chief Executive Officer or as a member of our board of directors. Class A common stock and Class B common stock is not redeemable at the option of the holder.

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

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

	As of December 31,		
	2018	2019	2020
Stock options outstanding	83,395	99,682	98,502
RSUs outstanding	—	30	3,061
Restricted Stock Awards outstanding	—	—	388
Shares available for issuance under Equity Incentive Plan	15,141	19,073	15,448
Stock Warrants outstanding	1,580	1,833	324
Conversion of Convertible Preferred Stock	324,304	324,304	337,235
Total	<u>424,420</u>	<u>444,922</u>	<u>454,958</u>

## 10. Stock-based Compensation

In 2004, the Company approved the 2004 Incentive Stock Plan, or the 2004 Plan, under which the Board of Directors may grant incentive stock options to employees and nonqualified stock options to employees, directors and consultants.

Under the 2004 Plan, incentive and nonstatutory stock options may be granted at a price not less than fair value and 85% of the fair value, respectively (110% of fair value for incentive stock options granted to holders of 10% or more of voting stock). Fair value is determined by the Board of Directors. Options are exercisable over periods not to exceed 10 years (five years for incentive stock options granted to holders of 10% or more of the voting stock) from the date of grant. Generally, options vest over a four-year period.

In 2017, the Company approved the 2017 Equity Incentive Plan, or the 2017 Plan, under which the Board of Directors may grant nonstatutory stock options, stock appreciation rights, restricted stock, or RSAs, and restricted stock units, or RSUs, to service providers and incentive stock options to employees.

Under the 2017 Plan, incentive and nonstatutory stock options may be granted at a price not less than fair value (110% of fair value for options issued to holders of 10% or more of voting stock). Stock appreciation rights may be granted at a price not less than fair value. Fair value is determined by the Board of Directors. Options are exercisable over periods not to exceed 10 years (five years for incentive stock options granted to holders of 10% or more of the voting stock) from the date of grant. Generally, options vest over a four-year period.

In 2018, two employees sold an aggregate of 1.6 million shares of the Company's common stock to existing investors at a price above their estimated fair market value which resulted in us recording \$1.2 million in stock compensation expense for the year ended December 31, 2018 for the difference between the price paid and the estimated fair market value on the date of the transactions.



In July 2018, in connection with our sale of the Series F convertible preferred stock, the purchasers of the Series F convertible preferred stock conducted a tender offer to acquire approximately 21.4 million shares of common and 15.0 million shares of convertible preferred stock from employees, former employees, and other existing investors. In connection with the tender offer, the Company waived any rights of first refusal or other transfer restrictions applicable to such shares. As a result of this transaction, the Company recorded a total of \$25.2 million in stock-based compensation expense in the year ended December 31, 2018 for the difference between the price paid for shares held by the Company's employees and former employee stockholders and the estimated fair market value on the date of the transaction.

In September 2019, the Company modified the terms of 29.2 million vested and unvested stock options, by extending the post-termination exercise period until the end of the three-year period after the holder's service terminates (subject to earlier termination upon the original option expiration date) for those holders who have consented to the modification. There was no change to any of the other terms of the option awards. The modification resulted in an incremental value of \$4.7 million being allocated to the options, of which \$1.1 million was recognized to expense in 2019 based on options that were vested at the time of the modification and options that vested the remaining portion of 2019 post modification. The remaining incremental value of \$3.6 million attributable to unvested options will be recognized over the remaining vesting term through October 2023.

In March 2020, in connection with the Company's sale of the Series G convertible preferred stock, the purchasers of the Series G convertible preferred stock conducted a tender offer to acquire approximately 31.1 million shares of common and 24.0 million shares of convertible preferred stock from employees, former employees, and other existing investors. In connection with the tender offer, the Company waived any rights of first refusal or other transfer restrictions applicable to such shares. As a result of this transaction, we recorded a total of \$35.2 million in stock-based compensation expense in the year ended December 31, 2020 for the difference between the price paid for shares held by our employees and former employee stockholders and the estimated fair market value on the date of the transaction.

In 2020, the Company approved the 2020 Equity Incentive Plan, or the 2020 Plan, which becomes effective on the business day immediately prior to the effective date of the registration statement for the Company's direct listing, and under which the Board of Directors may grant incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units, performance units and performance shares to members of its Board of Directors and to employees, directors and consultants of the Company and its parent and subsidiary companies.

Under the 2020 Plan, incentive stock options, nonstatutory stock options, and stock appreciation rights may be granted at a price not less than 100% of the fair market value of the underlying common stock on the date of grant (110% of fair value for incentive stock options issued to holders of 10% or more of voting stock). Fair market value is determined by the Board of Directors, but when the Company's common stock is traded on an established securities exchange, the fair market value generally will be the closing sales price of the Company's common as of an applicable date. Options and stock appreciation rights are exercisable over periods not to exceed 10 years (five years for incentive stock options granted to holders of 10% or more of the voting stock) from the date of grant.

60,000,000 shares of Class A common stock are reserved for future issuance under the 2020 Plan. The 2020 Plan provides for annual automatic increases in the number of shares of Class A common stock reserved thereunder and also provides for increases to the number of shares that may be granted thereunder based on shares under the 2017 Plan and 2004 Plan that expire, are tendered to or withheld by the Company for payment of an exercise price or for satisfying tax withholding obligations or are forfeited or otherwise repurchased by the Company.

In 2020, the Company approved the 2020 Employee Stock Purchase Plan, or the ESPP, which became effective upon its adoption by the Board of Directors. A total of 6,000,000 shares of the Company's Class A common stock have been reserved for future issuance under the ESPP, in addition to any annual automatic evergreen increases in the number of shares of Class A common stock reserved for future issuance under the ESPP.

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

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Infrastructure and trust & safety	\$ 3,046	\$ 2,085	\$ 7,396
Research and development	25,691	9,695	39,402
General and administrative	4,426	3,347	25,939
Sales and marketing	3,147	2,507	6,421
<b>Total stock-based compensation</b>	<b><u>\$36,310</u></b>	<b><u>\$17,634</u></b>	<b><u>\$79,158</u></b>

The stock-based compensation expense related to options granted to non-employees for the years ended December 31, 2018, 2019, and 2020 was not material.

Future stock-based compensation for unvested options granted and outstanding as of December 31, 2020 is \$240.2 million to be recognized over a weighted-average remaining requisite service period of 3.5 years.

The following table summarizes stock option activity under the Plan:

	<u>Options Outstanding</u>			
	<u>Number of Shares Subject to Options</u> <small>(in thousands)</small>	<u>Weighted-Average Exercise Price</u>	<u>Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u> <small>(in thousands)</small>
<b>Balances as of December 31, 2017</b>	84,242	\$ 0.20		
Granted	29,751	2.16		
Cancelled	(6,725)	0.64		
Exercised	(23,873)	0.09		
<b>Balances as of December 31, 2018</b>	83,395	\$ 0.90	8.06	203,866
Granted	31,381	3.38		
Cancelled	(6,199)	2.10		
Exercised	(8,895)	0.36		
<b>Balances as of December 31, 2019</b>	99,682	\$ 1.66	7.84	174,497
Granted	23,269	4.73		
Cancelled	(3,859)	2.39		
Exercised	(20,590)	0.74		
<b>Balances as of December 31, 2020</b>	<b><u>98,502</u></b>	<b><u>\$ 2.55</u></b>	7.76	3,838,994
Exercisable as of December 31, 2020	46,928	\$ 1.32	6.72	1,886,510
Vested and expected to vest at December 31, 2020	98,502	\$ 2.55	7.76	3,838,994

The total weighted-average grant date fair value of options granted was \$1.21, \$1.70, and \$9.35 for the years ended December 31, 2018, 2019, and 2020, respectively.

The following table summarizes restricted stock units and restricted awards activity under the Plan:

	Restricted Stock Units		Restricted Stock Awards	
	Number of Shares (in thousands)	Weighted-Average grant date fair value	Number of Shares (in thousands)	Weighted-Average grant date fair value
<b>Unvested as of December 31, 2019</b>	30	\$ 3.35	—	\$ —
Granted	3,061	31.55	388	37.75
Released	(30)	3.35	—	—
<b>Unvested as of December 31, 2020</b>	3,061	\$ 31.55	388	\$ 37.75

As of December 31, 2020, the Company had \$9.0 million of unrecognized stock-based compensation related to RSAs, which will be recognized over the weighted average remaining requisite service period of 2.9 years. As of December 31, 2020 the Company had \$95.8 million of unrecognized stock-based compensation related to RSUs, which will be recognized over the weighted average remaining requisite service period of 3.9 years. As the RSUs vest upon the satisfaction of both the service condition and performance vesting condition, stock-based compensation will be deferred until the performance vesting condition is satisfied. At the time the performance vesting condition becomes probable, which is not until the performance vesting condition is satisfied, the Company will recognize cumulative stock-based compensation for the outstanding RSUs based on the service-based condition using the accelerated attribution method.

The assumptions used in the Black-Scholes pricing model for stock-based compensation for the periods below were as follows:

	Year Ended December 31,		
	2018	2019	2020
Risk-free interest rate	2.5% -3.1%	1.5% -1.72%	0.5% -1.8%
Expected volatility	37.7% - 40.8%	37.0% - 40.8%	35.4% - 39.8%
Dividend yield	—	—	—
Expected terms (in years)	6	6 - 7	7
Fair value of common stock	\$1.22 - \$3.35	\$3.35 - \$4.01	\$4.61 - \$21.06

**Risk Free Interest Rate**—The risk-free interest rate is estimated average interest rate based on U.S. Treasury zero-coupon notes with terms consistent with the expected term of the awards.

**Expected Volatility**—As the Company is privately held, there is no observable market for the Company's common stock. Accordingly, expected volatility has been estimated based on the volatilities of similar publicly traded companies.

**Dividend Yield**—The Company has never declared or paid any cash dividends and does not presently plan to pay cash dividends in the foreseeable future. Consequently, it used an expected dividend yield of zero.

**Expected Term**—Expected term represents the period that our stock-based awards are expected to be outstanding. The expected term assumptions are determined based on the vesting terms, exercise terms, and contractual lives of the options.

**Fair value of underlying common stock**—Because the Company's common stock is not yet publicly traded, the Company must estimate the fair value of common stock. The Board of Directors

considers numerous objective and subjective factors to determine the fair value of the Company's common stock at each meeting in which awards are approved. The factors considered include, but are not limited to: (i) the results of contemporaneous independent third-party valuations of the Company's common stock; (ii) the prices, rights, preferences, and privileges of the Company's convertible preferred stock relative to those of its common stock; (iii) the lack of marketability of the Company's common stock; (iv) actual operating and financial results; (v) current business conditions and projections; (vi) the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Company, given prevailing market conditions; and (vii) precedent transactions involving the Company's shares.

### 11. Employee Benefit Plan

The Company sponsors a 401(k) defined contribution retirement plan for eligible employees. Under the plan, the Company is required to make a safe harbor contribution of 100% of the employee contributions on the first 3% and 50% of the next 2% for each employee, subject to a maximum total contribution mandated by the IRS. The Company made matching contributions in the amount of \$2.0 million, \$3.1 million, and \$5.1 million for December 31, 2018, 2019, and 2020, respectively.

### 12. Joint Venture

In February 2019, the Company entered into a joint venture agreement with Songhua River Investment Limited, or Songhua, an affiliate of Tencent Holdings Ltd., or Tencent, to create Roblox China Holding Corp. (in which Roblox holds a 51% ownership interest). Songhua contributed \$50 million in capital in exchange for 49% ownership interest. The business of the joint venture is (either directly or indirectly through the joint venture's wholly owned subsidiaries) to engage in the development, localization and licensing to Tencent of the Roblox Platform for operation and publication as a game in China, and development, localization and licensing to creators of a Chinese version of the Roblox Studio and also develop and oversee relations with local Chinese developers

Pursuant to the terms of the agreements and ASC 810 "Consolidation," the joint venture is consolidated with the Company because the Company maintains control through voting rights and the minority member of the joint venture does not have substantive participating rights, or veto rights. As a result, it was determined that the Company has control sufficient to consolidate the operations of the joint venture. The Company classifies the 49% ownership interest held by Songhua as noncontrolling interest on the consolidated balance sheet.

### 13. Income Taxes

The Company is in a net loss position and no material income tax benefits or expense was recorded for the years ended December 31, 2018, 2019, and 2020.

The components of loss before income taxes were as follows (in thousands):

	Year Ended December 31,		
	2018	2019	2020
Domestic	<u>\$ (88,072)</u>	<u>\$ (70,734)</u>	<u>\$ (244,395)</u>
Foreign	<u>—</u>	<u>(371)</u>	<u>(19,952)</u>
	<u>\$ (88,072)</u>	<u>\$ (71,105)</u>	<u>\$ (264,347)</u>

The provision (benefit) for income taxes consists of the following (in thousands):

	Year Ended December 31,		
	2018	2019	2020
Current provision:			
Federal	\$—	\$—	\$—
State	3	9	10
Foreign	—	—	25
Deferred provision:			
Federal	—	—	(6,032)
State	—	—	(659)
Foreign	—	—	—
Provision (benefit) for income taxes	<u>\$ 3</u>	<u>\$ 9</u>	<u>\$(6,656)</u>

The provision (benefit) for income taxes differs from the amount estimated by applying the statutory income (loss) before taxes as follows:

	Year Ended December 31,		
	2018	2019	2020
Federal tax (benefit) at statutory rate	21%	21%	21%
State tax (benefit) at statutory rate, net of federal benefit	1	2	1
Permanent differences	(0)	(4)	0
Research and development credits	3	5	3
Return to provision	3	(0)	0
Change in valuation allowance	(30)	(27)	(21)
Stock-based compensation	2	0	0
Change in statutory rate	0	2	0
Foreign rate differential	0	0	(2)
Other	(0)	1	1
Provision (benefit) for income taxes	<u>0%</u>	<u>0%</u>	<u>3%</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table presents the significant components of the Company's deferred tax assets for the periods presented (in thousands):

	December 31,		
	2018	2019	2020
Deferred tax assets:			
Accruals	\$ 1,069	\$ 2,620	\$ 5,781
Intangibles	170	156	0
Deferred revenue	14,316	19,948	35,026
Net operating loss carryforwards	26,567	37,525	76,509
Tax credit carryforwards	6,112	9,035	17,052
Stock-based compensation	651	2,731	3,891
Other	1	69	766
Total gross deferred tax asset	48,886	72,084	139,025
Less: valuation allowance	(46,109)	(64,435)	(122,328)
Net deferred tax assets	<u>\$ 2,777</u>	<u>\$ 7,649</u>	<u>16,697</u>
Deferred tax liabilities:			
Fixed Assets	(2,777)	(7,649)	(10,934)
Intangible Assets	0	0	(5,763)
Total deferred tax liabilities	<u>\$ (2,777)</u>	<u>\$ (7,649)</u>	<u>\$ (16,697)</u>
Net deferred tax assets (liabilities)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The Company's unrecognized tax benefits as of December 31, 2018, 2019 and 2020 were \$6.1 million, \$10.1 million and \$19.4 million, respectively. If recognized, none of the unrecognized tax benefits would impact income tax expense to the extent that the Company continues to maintain a full valuation allowance against its deferred tax assets.

Our policy is to recognize interest and penalties related to income taxes as components of interest expense and other expense, respectively. The Company did not accrue interest and penalties related to unrecognized tax benefits as of December 31, 2018, 2019, and 2020. The Company does not anticipate any significant change within twelve months of this reporting date.

The Company accounts for deferred taxes under ASC 740, Income Taxes, which requires a reduction of the carrying amounts of deferred tax assets by a valuation allowance if, based on available evidence, it is more likely than not that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically based on the ASC 740 more-likely-than-not realization threshold criterion. This assessment considers matters such as future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies and results of recent operations. The evaluation of the recoverability of the deferred tax assets requires that we weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the deferred tax assets will not be realized. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. Due to our lack of U.S. earnings history, the net U.S. deferred tax assets have been fully offset by a valuation allowance.

The Company's valuation allowance increased by \$25.1 million, \$18.2 million and \$57.9 million in the years ended December 31, 2018, 2019, and 2020, respectively.

As of December 31, 2020, we had federal net operating loss carryforwards of \$323.3 million, which begin to expire in 2024, state net operating loss carryforwards of \$91.6 million, which begin to expire in 2027, and foreign net operating loss carryforwards of \$3.0 million, which begin to expire in 2024. Of the \$323.3 million of federal net operating losses, \$249.8 million is carried forward indefinitely but is limited to 80% of taxable income.

As of December 31, 2020, we had U.S. federal and California research and development tax credits of approximately \$20.4 million and \$17.9 million, respectively. The federal research and development credits begin to expire in 2030, while California credits do not expire.

The Company is subject to taxation in the U.S. and various states, for which the statutes of limitations have not expired.

Internal Revenue Code Section 382, or Section 382, ownership change generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Similar rules may apply under state tax laws. The Company did experience one or more ownership changes in financial periods ending on or before December 31, 2018. In this regard, the Company has determined that based on the timing of the ownership change and the corresponding Section 382 limitations, none of its net operating losses or other tax attributes appear to expire subject to such limitation.

The 2017 Tax Cuts and Jobs Act ("Tax Act") imposed, among other provisions, a Global intangible low-taxed income provision "GILTI" in which a 10% or greater U.S. shareholder of a controlled foreign corporation ("CFC") is subject to a current tax on its share of the CFC's income. The Company has elected to treat GILTI as a period cost for income tax purposes. The Tax Act also imposed a mandatory transition tax on accumulated foreign earnings and generally eliminated U.S. taxes on foreign subsidiary distribution. As a result, accumulated earnings in foreign jurisdictions are available for distribution to the U.S. without incremental U.S. taxes. However, ASC 740-30, Other Considerations or Special Areas, is still applicable when considering other taxes such as foreign income tax, withholding taxes, and state income taxes. Therefore, the Company continues to evaluate whether its foreign earnings are indefinitely reinvested. As of December 31, 2020, the Company intends to indefinitely reinvest the undistributed earnings of its foreign subsidiaries. Foreign withholding taxes have not been provided for the cumulative undistributed earnings of the Company's foreign subsidiaries as they would not be material to the financial statements.

The Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, was enacted on March 27, 2020 in the U.S. The CARES Act and related notices include several significant provisions, including delaying certain payroll tax payments, mandatory transition tax payments under the Tax Cut and Jobs Act, and estimated income tax payments that we are deferring to future periods. The Company is continuing to monitor and assess the impact the CARES Act and similar legislation in other countries may have on its business and financial results. The Company does not currently expect the CARES Act to have a material impact on its financial results, and it did not have a material impact on the Company's provision for income taxes for the year ended December 31, 2020.



**14. Net Loss Per Share and Unaudited Pro Forma Net Loss per Share**

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

	Year Ended December 31,		
	2018	2019	2020
<b>Basic and diluted net loss per share</b>			
Numerator			
Net loss	\$ (88,075)	\$ (71,114)	\$ (257,691)
Less: net loss attributable to noncontrolling interest	—	(146)	(4,437)
Net loss attributable to our common shareholders	<u>\$ (88,075)</u>	<u>\$ (70,968)</u>	<u>\$ (253,254)</u>
Denominator			
Weighted-average common shares used in per share computation, based and diluted	<u>147,278</u>	<u>163,051</u>	<u>182,108</u>
Net loss per share, basic and diluted	<u>\$ (0.60)</u>	<u>\$ (0.44)</u>	<u>\$ (1.39)</u>

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

	As of December 31,		
	2018	2019	2020
Stock options outstanding	83,395	99,682	98,502
RSUs outstanding	—	30	3,061
Restricted Stock Awards outstanding	—	—	388
Stock Warrants outstanding	1,580	1,833	324
Convertible Preferred Stock outstanding	<u>324,304</u>	<u>324,304</u>	<u>337,235</u>
Total	<u>409,279</u>	<u>425,849</u>	<u>439,510</u>

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

	<u>Year Ended December 31, 2020</u>
<b>Numerator:</b>	
Net loss attributable to our common shareholders	\$ (253,254)
Less: change in fair value of convertible preferred stock warrant liability	(1,890)
Pro forma net loss	<u>\$ (251,364)</u>
<b>Denominator:</b>	
Weighted-average common shares used in per share computation, basic and diluted	182,108
Pro forma adjustment to reflect conversion of convertible preferred stock	343,568
Pro forma adjustment to reflect conversion of convertible preferred and common stock warrants	551
Weighted-average shares used in computing pro forma and loss per share, basic and diluted	<u>526,227</u>
Pro forma net loss per share, basic and diluted	<u>\$ (0.48)</u>

### 15. Subsequent Events

For its consolidated financial statements as of December 31, 2020, the Company evaluated subsequent events through February 22, 2021, the date on which the consolidated financial statements were issued, for events requiring recording or disclosure in the consolidated financial statements for the year ended December 31, 2020.

In January 2021, the Company sold \$535.0 million of Series H preferred stock at a price of \$45.00 per share. The holders of shares of Series H are entitled to receive dividends, prior and in preference to dividends declared on common stock, when and if declared by the Board of Directors, at the rate of \$3.60 per share per annum, as adjusted for stock splits, stock dividends, combinations, recapitalizations and the like. Dividends are noncumulative and will be paid pro rata, on an equal priority, pari passu basis. Shares of Series H preferred stock are convertible into Class A common stock at the option of the holder, without payment of additional consideration, at any time after the date of issuance. Each share of convertible preferred stock is convertible into one share of Class A common stock, subject to adjustment for stock splits, stock dividends, combinations, recapitalizations and the like, plus any declared but unpaid dividends. Each share of convertible preferred stock will automatically convert upon (i) the closing of an underwritten initial public offering, in which the aggregate proceeds exceed \$50.0 million; (ii) immediately prior to the filing and effectiveness of that certain "Public Company Charter," as such term is defined in the resolutions of the Board of Directors and the stockholders of the Company that also approved the current amended and restated certificate of incorporation of the Company; or (iii) the written consent by the majority holders of the then outstanding shares of convertible preferred stock, including the majority holders of the then outstanding shares of Series D-1 convertible preferred stock, Series E convertible preferred stock, Series F convertible preferred stock, Series H convertible preferred stock, and the written consent of the holders of 71% of the outstanding shares of Series G preferred stock, each voting separately as their own group. In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of shares of Series H preferred stock have liquidation preferences before any distribution or payment is made to the holders of shares of common stock and pari passu with all outstanding convertible preferred stock at an amount equal to \$45.00 per share, subject to appropriate

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[Table of Contents](#)

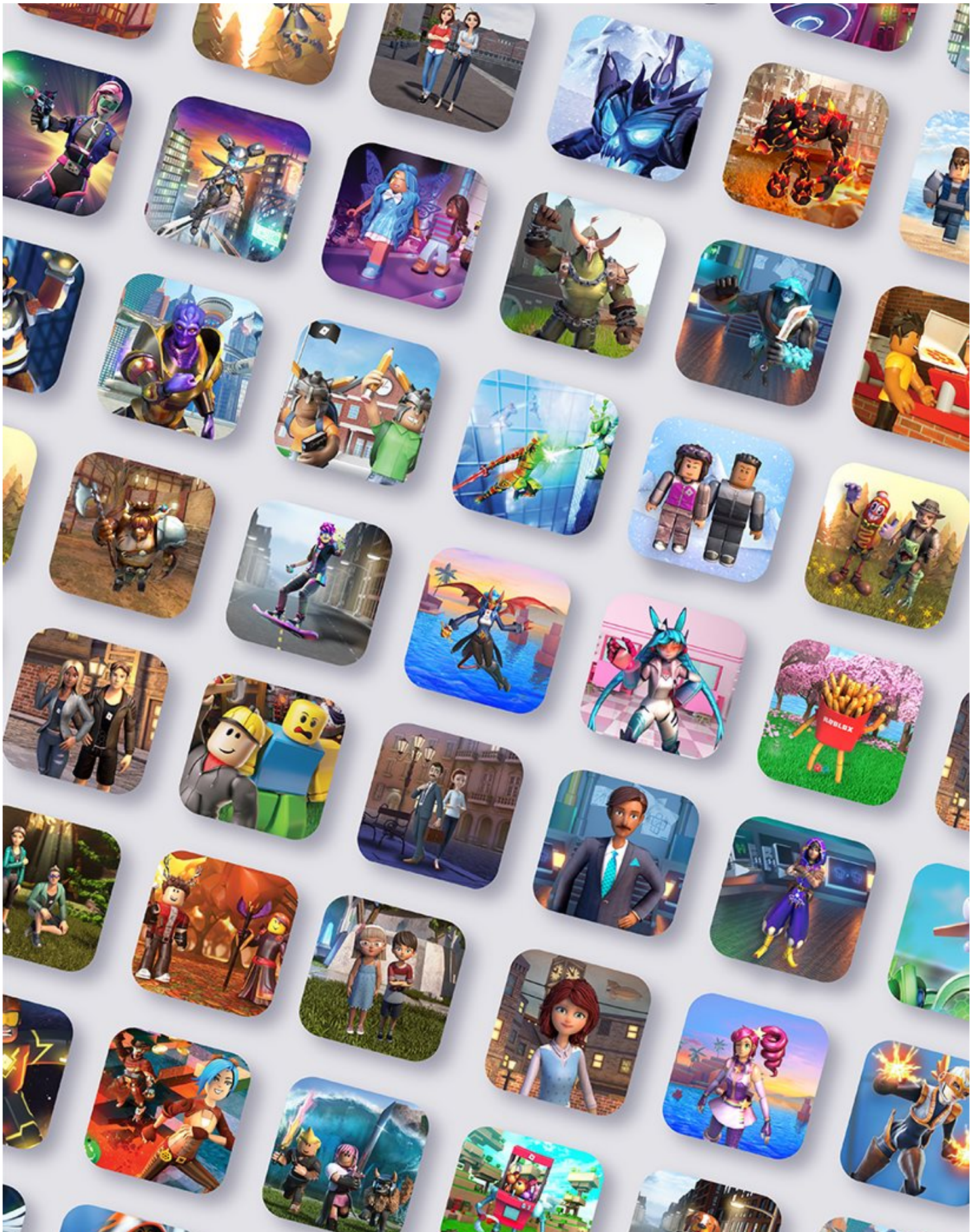
[Index to Financial Statements](#)

adjustments for stock splits, stock dividends, combinations and other recapitalizations, for each outstanding share of Series H preferred stock, plus all declared and unpaid dividends. If the Company's assets are insufficient to permit the payment to the holders of shares of Series H preferred stock in the full amounts to which they are entitled pursuant to the aforementioned liquidation preferences, then all assets and funds of the Company legally available for distribution will be distributed ratably among the holders of convertible preferred stock in proportion to the respective aggregate preferential amounts such holders would otherwise be entitled to receive if such amounts were paid in full.

In conjunction with the Series H issuance, the Company's amended and restated certificate of incorporation authorizes the Company to issue 676.0 million shares of Class A common stock, 65.0 million shares of Class B common stock and 349.5 million shares of preferred stock.

In February 2021, the compensation committee of the Company's board of directors granted a maximum of 11,500,000 RSUs to David Baszucki (the "Founder and CEO Long-Term Performance Award"), with an estimated weighted-average grant date fair value of approximately \$234 million. The Founder and CEO Long-Term Performance Award vests upon the satisfaction of a service condition and achievement of seven separate stock price goals ranging from \$165.00 to \$375.00 per share, measured for consecutive 90-day trading periods beginning on the first trading day following the two year anniversary of the effective date of the registration statement for the Company's direct listing, and expiring seven years after such date. David Baszucki must be employed as the Company's Chief Executive Officer as of the applicable achievement date of each of the stock price goals in order for the Founder and CEO Long-Term Performance Award to vest.







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[Table of Contents](#)

[Index to Financial Statements](#)

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**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 13. Other Expenses of Issuance and Distribution.**

The following table sets forth all expenses to be paid by us in connection with this registration statement and the listing of our common stock. All amounts shown are estimates except for the SEC registration fee and the exchange listing fee.

	<b>Amount to be Paid</b>
SEC registration fee	\$ 18,447
Exchange listing fee	295,000
Printing and engraving expenses	550,000
Legal fees and expenses	3,000,000
Accounting fees and expenses	1,600,000
Custodian, transfer agent and registrar fees	127,955
Other advisor fees	48,000,000
Miscellaneous expenses	2,408,598
Total	<u>\$ 56,000,000</u>

**Item 14. Indemnification of Directors and Officers.**

Section 145 of the Delaware General Corporation Law authorizes a corporation's board of directors to grant, and authorizes a court to award, indemnity to officers, directors and other corporate agents.

We expect to adopt an amended and restated certificate of incorporation, which will become effective shortly before the effectiveness of the registration statement of which this prospectus forms a part, and which will contain provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for the following:

- any breach of their duty of loyalty to our company or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which they derived an improper personal benefit.

Any amendment to, or repeal of, these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to that amendment or repeal. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law.

In addition, we expect to adopt amended and restated bylaws, which will become effective shortly before the effectiveness of the registration statement of which this prospectus forms a part, and which will provide that we will indemnify, to the fullest extent permitted by law, any person who is or was a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that



they are or were one of our directors or officers or is or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust or other enterprise. Our amended and restated bylaws are expected to provide that we may indemnify to the fullest extent permitted by law any person who is or was a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that they are or were one of our employees or agents or is or was serving at our request as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Our amended and restated bylaws will also provide that we must advance expenses incurred by or on behalf of a director or officer in advance of the final disposition of any action or proceeding, subject to limited exceptions.

Further, we have entered into indemnification agreements with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnification agreements also require us to advance all expenses incurred by the directors and executive officers in investigating or defending any such action, suit or proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers.

The limitation of liability and indemnification provisions that are expected to be included in our amended and restated certificate of incorporation, amended and restated bylaws and the indemnification agreements that we have entered into or will enter into with our directors and executive officers may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and executive officers as required by these indemnification provisions. At present, we are not aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees or other agents or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Certain of our non-employee directors may, through their relationships with their employers, be insured or indemnified against certain liabilities incurred in their capacity as members of our board of directors.

**Item 15. Recent Sales of Unregistered Securities.**

Since January 1, 2018, we have issued the following unregistered securities:

***Preferred Stock Issuances***

In January 2021, we sold an aggregated of 11,888,886 shares of our Series H convertible preferred stock at a purchase price of \$45.00 per share to 18 institutional accredited investors, for an aggregate purchase price of approximately \$535.0 million.

In February 2020, we sold an aggregate of 23,645,092 shares of our Series G convertible preferred stock at a purchase price of \$6.34 per share to 11 accredited investors, for an aggregate purchase price of approximately \$150.0 million.

Between June and July 2018, we sold an aggregate of 33,149,168 shares of our Series F convertible preferred stock at a purchase price of \$4.53 per share to 12 accredited investors, for an aggregate purchase price of approximately \$150.0 million.

### ***Option and RSU Issuances***

From January 1, 2018 through the filing date of this registration statement, we granted to our directors, officers, employees, consultants and other service providers options to purchase an aggregate of 84,400,592 shares of our Class A common stock under our 2017 Equity Incentive Plan, or the 2017 Plan, at exercise prices ranging from \$0.53 to \$5.21 per share.

From January 1, 2018 through the filing date of this registration statement, we granted to our directors, officers, employees, consultants and other service providers RSUs to purchase an aggregate of 14,591,131 shares of our Class A common stock under our 2017 Plan.

From January 1, 2018 through the filing date of this registration statement, we issued and sold to our directors, officers, employees, consultants and other service providers an aggregate of 40,688,692 shares of our Class A common stock upon the exercise of stock options under our 2004 Stock Incentive Plan, or the 2004 Plan, at exercise prices ranging from \$0.01 to \$0.17 per share, for a weighted-average exercise price of \$0.07 per share.

From January 1, 2018 through the filing date of this registration statement, we issued and sold to our directors, officers, employees, consultants and other service providers an aggregate of 12,759,233 shares of our Class A common stock upon the exercise of stock options under our 2017 Plan at exercise prices ranging from \$0.53 to \$5.21 per share, for a weighted-average exercise price of \$1.42 per share.

From January 1, 2018 through the filing date of this registration statement, we issued and sold to our directors, officers, employees, consultants and other service providers an aggregate of 29,894 shares of our Class A common stock upon the settlement of RSUs under our 2017 Plan.

### ***Warrant Issuances***

In October 2019, we issued a warrant to purchase 60,000 shares of Class A common stock to an accredited investor with an exercise price of \$3.41 per share.

### ***Acquisitions and Strategic Transactions***

In September 2019, in connection with an acquisition, we issued a warrant to purchase 200,000 shares of Class A common stock to an accredited investor with an exercise price of \$3.41 per share. Under the terms of the warrant, an additional 64,000 shares of Class A common stock are exercisable under the warrant after December 31, 2020 with an exercise price of \$3.41 per share.

In November 2020, we issued an aggregate of 80,000 shares of our Class A common stock in connection with our acquisition of substantially all of the assets of a privately-held company. These shares were issued pursuant to an exemption under Section 4(a)(2) of the Securities Act.

In December 2020, we issued an aggregate of 1,320,575 shares of our Class A common stock in connection with our acquisition of a privately-held company and as consideration to accredited investors. These shares were issued pursuant to an exemption under Section 4(a)(2) of the Securities Act.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. We believe the offers, sales and issuances of the above securities were exempt from registration under the Securities Act (or Regulation D or Regulation S promulgated thereunder) by virtue of Section 4(a)(2) of the Securities Act because the issuance of securities to the recipients did not involve a public offering, or in reliance on Rule 701 because the transactions were pursuant to compensatory benefit plans or contracts relating to compensation as provided under such rule. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. All recipients had adequate access, through their relationships with us, to information about us. The sales of these securities were made without any general solicitation or advertising.

**Item 16. Exhibits and Financial Statement Schedules.**

**Exhibits**

See the Exhibit Index immediately preceding the signature page hereto for a list of exhibits filed as part of this registration statement on Form S-1, which Exhibit Index is incorporated herein by reference.

**Financial Statement Schedules**

All financial statement schedules are omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

**Item 17. Undertakings.**

The undersigned registrant hereby undertakes that:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

- (i) To include any prospectus required by Section 10(a)(3) of the Securities Act.
- (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement.
- (iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore,

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[Table of Contents](#)

[Index to Financial Statements](#)

unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
3.1^	<a href="#">Amended and Restated Certificate of Incorporation of the registrant, as currently in effect.</a>
3.2^	<a href="#">Form of Amended and Restated Certificate of Incorporation of the registrant, to be effective shortly before the effectiveness of the registration statement of which this prospectus forms a part.</a>
3.3^	<a href="#">Bylaws of the registrant, as amended, as currently in effect.</a>
3.4^	<a href="#">Form of Amended and Restated Bylaws of the registrant, to be effective shortly before the effectiveness of the registration statement of which this prospectus forms a part.</a>
4.1^	<a href="#">Form of Class A common stock certificate of the registrant.</a>
4.2^	<a href="#">Amended and Restated Investors' Rights Agreement among the registrant and certain holders of its capital stock, dated as of January 6, 2021.</a>
4.3^	<a href="#">Form of Common Stock Warrant issued in connection with an acquisition between the registrant, Jerome Boulon and CaliStream, LLC.</a>
4.4^	<a href="#">Form of Common Stock Warrant issued to the estate of a former employee on October 21, 2019.</a>
5.1^	<a href="#">Opinion of Wilson Sonsini Goodrich &amp; Rosati, P.C.</a>
10.1+^	<a href="#">Form of Indemnification Agreement between the registrant and each of its directors and executive officers.</a>
10.3+^	<a href="#">2020 Equity Incentive Plan, as amended, and related form agreements.</a>
10.4+^	<a href="#">Amended and Restated 2017 Equity Incentive Plan, as amended, and related form agreements.</a>
10.5+^	<a href="#">2004 Incentive Stock Plan, as amended, and related form agreements.</a>
10.6+^	<a href="#">2020 Employee Stock Purchase Plan, as amended, and related form agreements.</a>
10.7^	<a href="#">Form of Class B Exchange Agreement between the registrant and certain stockholders.</a>
10.8+^	<a href="#">Form of Change in Control and Severance Agreement between the registrant and each of its executive officers.</a>
10.9+^	<a href="#">Outside Director Compensation Plan.</a>
10.10+^	<a href="#">Confirmatory Offer Letter by and between the registrant and David Baszucki dated November 20, 2020.</a>
10.11+^	<a href="#">Confirmatory Offer Letter by and between the registrant and Craig Donato dated November 20, 2020.</a>
10.12+^	<a href="#">Confirmatory Offer Letter by and between the registrant and Michael Guthrie dated November 20, 2020.</a>
10.13+^	<a href="#">Confirmatory Offer Letter by and between the registrant and Barbara Messing dated November 20, 2020.</a>
10.14+^	<a href="#">Confirmatory Offer Letter by and between the registrant and Daniel Sturman dated November 20, 2020.</a>
10.15+^	<a href="#">Confirmatory Offer Letter by and between the registrant and Mark Reinstra dated November 20, 2020.</a>

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[Table of Contents](#)

[Index to Financial Statements](#)

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
10.16 <sup>^</sup>	<a href="#">Office lease agreement between the registrant and Franklin Templeton Companies, LLC, dated August 11, 2017, as amended.</a>
21.1 <sup>^</sup>	<a href="#">List of subsidiaries of the registrant.</a>
23.1	<a href="#">Consent of Deloitte &amp; Touche LLP, independent registered public accounting firm.</a>
23.2 <sup>^</sup>	<a href="#">Consent of Wilson Sonsini Goodrich &amp; Rosati, P.C. (included in Exhibit 5.1).</a>
24.1 <sup>^</sup>	<a href="#">Power of Attorney (included on page II-7 of the original filing of the registration statement on Form S-1).</a>

<sup>^</sup> Previously filed.

+ Indicates management contract or compensatory plan.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in San Mateo, California, on the 22nd day of February, 2021.

**Roblox Corporation**

By: /s/ David Baszucki  
David Baszucki  
Founder, President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ David Baszucki</u> David Baszucki	Founder, President, Chief Executive Officer and Chair <i>(Principal Executive Officer)</i>	February 22, 2021
<u>/s/ Michael Guthrie</u> Michael Guthrie	Chief Financial Officer <i>(Principal Financial Officer)</i>	February 22, 2021
<u>/s/ Brett Tolley</u> Brett Tolley	Controller <i>(Principal Accounting Officer)</i>	February 22, 2021
<u>*</u> Gregory Baszucki	Director	February 22, 2021
<u>*</u> Christopher Carvalho	Director	February 22, 2021
<u>*</u> Anthony P. Lee	Director	February 22, 2021
<u>*</u> Andrea Wong	Director	February 22, 2021

\*By: /s/ David Baszucki  
David Baszucki  
Attorney-in-Fact



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the use in this Amendment No. 4 to Registration Statement No. 333-250204 on Form S-1 of our report dated February 22, 2021, relating to the financial statements of Roblox Corporation. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ DELOITTE & TOUCHE LLP

San Jose, California  
February 22, 2021