

# Roblox (RBLX)

## Evasion Analysis

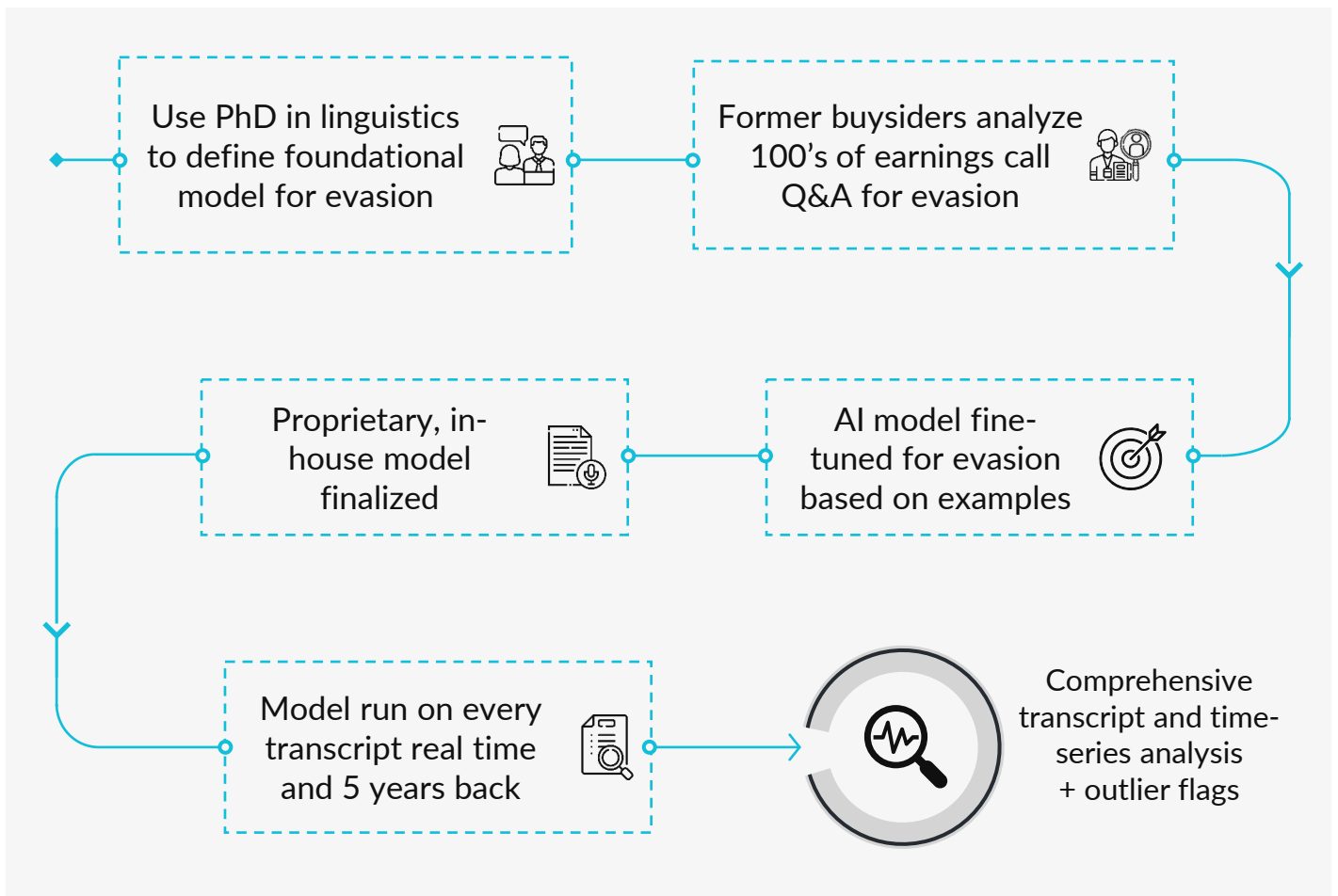
Historical Earnings Call Management Evasion  
On Topics Highlighted in Hindenburg  
Research Report

# Earnings Call Q&A Evasion:

When management deflects, doesn't answer, or even deceives

The first comprehensive analysis of over 30,000 transcripts to identify exact instances of evasion, trends over time, and outlier calls.

## How It Works:




## About Paragon Intel

We provide investors with a constant flow of differentiated ideas focused on CEO and management change. Contact us to discuss how we can add a vital component to your investment mosaic. Please direct all inquiries to:

Email: [sales@paragonintel.com](mailto:sales@paragonintel.com). Phone: (646) 809-4296.

# Earnings Call Q&A Evasion:

## ManagementTrack has earnings call Evasion Analysis for 6,000+ companies



**RBLX** NYS  
Roblox Corp.

[Track](#)

**3.4** MTR

OVERVIEW   ACTIVITY   **EVIASION**

**Q2 2024 Earnings Call Evasion %**

50%

Questions: 12  
Evasive: 6

**Historical Average**

46%

Over 5 Years

Sector Avg: 35%  
Platform Avg: 26%

**Historical Evasion Flags**

% Outliers

Transcripts	Q2 2024 Earnings Call	Rationale
<ul style="list-style-type: none"> <li><span style="color: green;">Final</span> Q2 2024 Earnings Call <span style="float: right;">50%</span></li> <li><span style="color: green;">Final</span> Q1 2024 Earnings Call <span style="float: right;">33%</span></li> <li><span style="color: green;">Final</span> Q4 2023 Earnings Call <span style="float: right;">29%</span></li> <li><span style="color: green;">Final</span> Q3 2023 Earnings Call <span style="float: right;">38%</span></li> <li><span style="color: red;">Final</span> Q2 2023 Earnings Call <span style="float: right; color: red;">61%</span></li> <li><span style="color: green;">Final</span> Q1 2023 Earnings Call <span style="float: right;">53%</span></li> <li><span style="color: green;">Final</span> Q4 2022 Earnings Call <span style="float: right;">40%</span></li> <li><span style="color: green;">Final</span> Q3 2022 Earnings Call <span style="float: right;">11%</span></li> <li><span style="color: green;">Final</span> Q2 2022 Earnings Call <span style="float: right;">63%</span></li> <li><span style="color: green;">Final</span> Q1 2022 Earnings Call <span style="float: right;">43%</span></li> <li><span style="color: green;">Final</span> Q4 2021 Earnings Call <span style="float: right;">75%</span></li> <li><span style="color: green;">Final</span> Q3 2021 Earnings Call <span style="float: right;">21%</span></li> <li><span style="color: green;">Final</span> Q2 2021 Earnings Call <span style="float: right;">80%</span></li> <li><span style="color: green;">Final</span> Q1 2021 Earnings Call <span style="float: right;">50%</span></li> </ul>	<p><b>Evasive Q&amp;A 1</b> <span style="float: right;"><a href="#">View Full Transcript</a></span></p> <p><b>Drew Crum, Analyst, Stifel, Nicolaus &amp; Co., Inc.</b></p> <p>Got it. Okay. Thanks, Mike. And then just separately on the regulatory front, the US Senate passed two bills yesterday aimed at protecting children online. Just curious your thoughts on how this in any way impacts the Roblox platform. Would it require any step-up in investment? Does it change your plans and strategy around advertising? Thank you.</p> <p><b>David B. Baszucki, Founder, Chief Executive Officer &amp; Director, Roblox Corp.</b></p> <p>Yeah. Great question. I'll start with the metaphor, which is a while back Roblox came forward as the first sponsor of the California Age-Appropriate Design Code. We're always behind legislation that helps support privacy and safety of people around the world. And in the case of the California Age-Appropriate Design Code, we happen to be already implementing much of what was in that code and supported it. So, we continue to monitor legislation. We're very supportive of legislation that helps ensure safety and privacy. It's been the foundation of our company ever since we started. Thanks. Good question.</p> <p><b>Evasive Q&amp;A 2</b> <span style="float: right;"><a href="#">View Full Transcript</a></span></p> <p><b>Bernie McTernan, Analyst, Needham &amp; Co. LLC</b></p> <p>Great. Thanks for taking the question. Maybe to stick on the point of guidance, Mike, just given the commentary of the strong exit rate of 2Q and strong start to 3Q, just surprising the decel maybe that's being guided for 3Q and 4Q. So, just not sure if you're going to go into more detail there. I know there's - the shareholder letter called out conservatism. And then maybe for Dave, just talking about new genres in the shareholder letter like action, sports, racing. What does it take to stand up new categories like this? And how does the process work to communicate to developers and additional tools that you need to provide them?</p> <p><b>Michael Guthrie, Chief Financial Officer, Roblox Corp.</b></p> <p>Hey Bernie, I don't think there's any significant deceleration following the guidance, to be perfectly candid with you. Yes, the exit rate is strong and we've seen that. We're going to continue to be careful and conservative with our guidance. We want to leave ourselves room. And I think that's really the best thing to say at this point, 90 days from now, we'll be back here. We'll talk about our results and see whether or not we did better than these numbers. But we feel great about the business and want to make sure that we continue to exceed what we talked about at Investor Day last November, and that's really what's baked into this.</p> <p><b>David B. Baszucki, Founder, Chief Executive Officer &amp; Director, Roblox Corp.</b></p> <p>Hey on the gaming front, and we touched on it, but we're going to look just a little more arguably wherever you get your data, the gaming space is a north of \$160 billion market. And so, when we look at our bookings guidance for the year of maybe \$4.2 billion, we're right now at just 2.5% of that. What we talked about regarding genres is there are some - there's many genres where our creator community is super strong with properties in the 1s and 5s and north of 10 million daily active users, and that includes role play, battle, platformers, war experiences. What we shared with the creator is the platform we have and the infra, the game engine, the tooling we believe can support a wide range of genres in gaming. We did a research study to highlight genres that we just thought were underutilized right now. This is less about our tooling and more just making our creator community-aware and we're seeing really good early signal in open world action sports, racing, social, cooperation type platforms. We just think there's headroom there in some genres that our creators are now starting to take advantage of.</p>	<p><b>Rationale</b></p> <p>The CEO provides a general statement of support for legislation without directly addressing how the specific bills might impact Roblox's platform, investment needs, or advertising strategy.</p> <p><b>Business Topics</b></p> <p>Regulatory Impact, Investment Strategy, Advertising Strategy, Privacy And Safety Compliance</p> <p><b>Rationale</b></p> <p>The CFO provides a general statement about feeling great about the business and being conservative without directly addressing the specific reasons for the potential deceleration in guidance.</p> <p><b>Business Topics</b></p> <p>Guidance, Revenue Growth, Financial Strategy</p>

### Evasion

COMPANY
MT-RATING
SECTOR/INDUSTRY
MARKET CAP
LOCATION
REGION

EVIASION
EVENT DATE
FISCAL QUARTER
OUTLIER FLAGS
% EVASIVE

% Outlier

COMPANY	TICKER	SECTOR	EVENT DATE	EVENT FISCAL QUARTER	TYPE	% EVASIVE	HISTORICAL AVG.	Δ FROM HISTORICAL
Ezopen Parent Holdings, Inc.	ETWO	Information Technology	10/9/2024	2025 Q2	Earnings Call - Final	9%	28%	▼ (19%)
PepsiCo, Inc.	PEP	Consumer Staples	10/8/2024	2024 Q3	Earnings Call - Final	58%	26%	▲ 32%
Constellation Brands, Inc.	STZ	Consumer Staples	10/3/2024	2025 Q2	Earnings Call - Final	20%	21%	▼ (1%)
Tesco Plc	TSCO-GB	Consumer Staples	10/3/2024	2025 Q2	Earnings Call - Final	44%	46%	▼ (2%)
Levi Strauss & Co.	LEVI	Consumer Discretionary	10/2/2024	2024 Q3	Earnings Call - Final	14%	16%	▼ (2%)
RPM International, Inc.	RPM	Materials	10/2/2024	2025 Q1	Earnings Call - Final	34%	19%	▲ 16%
Lamb Weston Holdings, Inc.	LW	Consumer Staples	10/2/2024	2025 Q1	Earnings Call - Final	33%	35%	▼ (2%)
Conagra Brands, Inc.	CAG	Consumer Staples	10/2/2024	2025 Q1	Earnings Call - Final	15%	22%	▼ (7%)

## MT ManagementTrack

### ManagementTrack Evasion Analysis: Multiple Years of Management Evasion

A thorough analysis of RBLX's earnings calls reveals Management's consistent evasion of questions concerning the main topics raised in Hindenburg Research's recent report.

#### From 2021 to 2024, management evaded answering:

- 17 questions on engagement metrics
- 9 questions on dangerous content and its impact on users and advertisers
- 2 questions on potential market saturation

Our analysis is presented on the following pages.

**October 8<sup>th</sup>, 2024:** Hindenburg Research published a short report on RBLX:

*Roblox: Inflated Key Metrics for Wall Street  
and a Pedophile Hellscape for Kids*

#### Key Short Report Claims:

1. Roblox inflates key metrics such as Daily Active Users (DAU) and Engagement Hours
2. Dangerous content for children litters the platform
3. Markets for the game are already saturated.

*Paragon Intel is not affiliated with nor was this report created in conjunction with Hindenburg Research*

# RBLX: Evasion Instance #1

**MT Evasion Instance:** Evasion surrounding questions on the impact of child protection bills on platform.

Q2 2024 Earnings Call.

Total Call Evasion: 50%

## Evasive Q&A 1

**Rationale:** The CEO provides a general statement of support for legislation without directly addressing how the specific bills might impact Roblox's platform, investment needs, or advertising strategy.

### Drew Crum, Analyst, Stifel, Nicolaus & Co., Inc.

Got it. Okay. Thanks, Mike. And then just separately on the regulatory front, the US Senate passed two bills yesterday aimed at protecting children online. Just curious your thoughts on how this in any way impacts the Roblox platform. Would it require any step-up in investment? Does it change your plans and strategy around advertising? Thank you

### David B. Baszucki, Founder, Chief Executive Officer & Director, Roblox Corp.

Yeah. Great question. I'll start with the metaphor, which is a while back Roblox came forward as the first sponsor of the California Age-Appropriate Design Code. We're always behind legislation that helps support privacy and safety of people around the world. And in the case of the California Age-Appropriate Design Code, we happen to be already implementing much of what was in that code and supported it. So, we continue to monitor legislation. We're very supportive of legislation that helps ensure safety and privacy. It's been the foundation of our company ever since we started. Thanks. Good question.

**Hindenburg Claim:** Company's platform is exposing children to unsafe content. The report highlights 10 instances of inappropriate content available on "child safe" accounts.

## Hindenburg Research RBLX Report

### Page 2

- Beyond inflated key user metrics, our in-game research revealed an X-rated pedophile hellscape, exposing children to grooming, pornography, violent content and extremely abusive speech.
- Roblox is compromising child safety in order to report growth to investors, per our interview with a former senior product designer: "If you're limiting users' engagement, it's hurting your metrics...in a lot of cases, the leadership doesn't want that."
- Media and non-profit exposés from 2020 to July 2024 revealed digital strip clubs, red light districts, sex parties and child predators lurking on Roblox. The National Center on Sexual Exploitation in 2024 labeled Roblox "a tool for sexual predators, a threat for children's safety."
- Numerous criminal indictments from 2019-2024 allege that sexual predators groomed children in-game, ranging from 8-14 years old, then kidnapped, raped or traded sexual content with them.

# RBLX: Evasion Instance #2

**MT Evasion Instance:** Evasion surrounding questions on the saturation of the business.

Q2 2024 Earnings Call.

Total Call Evasion: 50%

## Evasive Q&A 2

**Rationale:** The CFO provides a general statement about feeling great about the business and being conservative without directly addressing the specific reasons for the potential deceleration in guidance.

### **Bernie McTernan, Analyst, Needham & Co. LLC**

Great. Thanks for taking the question. Maybe to stick on the point of guidance, Mike, just given the commentary of the strong exit rate of 2Q and strong start to 3Q. Just surprising the decel maybe that's being guided for 3Q and 4Q. So, just not sure if you're going to go into more detail there. I know there's – the shareholder letter called out conservatism. And then maybe for Dave, just talking about new genres in the shareholder letter like action, sports, racing. What does it take to stand up new categories like this? And how does the process work to communicate to developers and additional tools that you need to provide them?

### **Michael Guthrie, Chief Financial Officer, Roblox Corp.**

Hey Bernie. I don't think there's any significant deceleration following the guidance, to be perfectly candid with you. Yes, the exit rate is strong and we've seen that. We're going to continue to be careful and conservative with our guidance. We want to leave ourselves room. And I think that's really the best thing to say at this point. 90 days from now, we'll be back here. We'll talk about our results and see whether or not we did better than these numbers. But we feel great about the business and want to make sure that we continue to exceed what we talked about at Investor Day last November, and that's really what's baked into this.

### **David B. Baszucki, Founder, Chief Executive Officer & Director, Roblox Corp.**

Hey on the gaming front, and we touched on it, but we're going to look just a little more arguably wherever you get your data, the gaming space is a north of \$160 billion market. And so, when we look at our bookings guidance for the year of maybe \$4.2 billion, we're right now at just 2.5% of that. What we talked about regarding genres is there are some – there's many genres where our creator community is super strong with properties in the 1s and 5s and north of 10 million daily active users, and that includes role play, battle, platformers, war experiences. What we shared with the creator is the platform we have and the infra, the game engine, the tooling we believe can support a wide range of genres in gaming. We did a research study to highlight genres that we just thought were underutilized right now. This is less about our tooling and more just making our creator community-aware and we're seeing really good early signal in open world action sports, racing, social, cooperation type platforms. We just think there's headroom there in some genres that our creators are now starting to take advantage of.

**Hindenburg Claim:** Markets for the game are already saturated.

## Hindenburg Research RBLX Report

### Page 2

**Roblox's core U.S. market, which accounted for 60% of consolidated 2023 revenues, is showing signs of saturation.** To keep its growth story alive, our findings show that Roblox has reported pumped-up user metrics while expanding in unprofitable overseas markets, fueling surging losses.

# RBLX: Evasion Instance #3

**MT Evasion Instance:** Executive evasive surrounding the takeaways for “LiveOps” events. LiveOps keep players engaged and interacting with the platform on an ongoing basis.

Q2 2024 Earnings Call.

Total Call Evasion: 50%

## Evasive Q&A 3

**Rationale:** The executive provides a broad overview of the benefits of LiveOps events without directly addressing specific learnings or engagement metrics from recent events.

### Aaron Lee, Analyst, Macquarie Capital (USA), Inc.

[indiscernible] my question. So, I wanted to touch on the LiveOps events. As you run more of these types of events, have there been any takeaways or learnings that you can apply to the pipeline of events you have planned? And is there anything you can share about what you saw during the latest event just in terms of engagement? I think that would be helpful. Thanks.

### Michael Guthrie, Chief Financial Officer, Roblox Corp.

Hey Bernie. I don't think there's any significant deceleration following the guidance, to be perfectly candid with you. Yes, the exit rate is strong and we've seen that. We're going to continue to be careful and conservative with our guidance. We want to leave ourselves room. And I think that's really the best thing to say at this point. 90 days from now, we'll be back here. We'll talk about our results and see whether or not we did better than these numbers. But we feel great about the business and want to make sure that we continue to exceed what we talked about at Investor Day last November, and that's really what's baked into this.

### David B. Baszucki, Founder, Chief Executive Officer & Director, Roblox Corp.

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# RBLX: Evasion Instance #3 (Continued)

**Hindenburg Claim:** The company does not publish accurate user statistics which results in skewed user engagement statistics.

## Hindenburg Research RBLX Report

### Page 1—3

- Our research indicates that Roblox is lying to investors, regulators, and advertisers about the number of 'people' on its platform, inflating the key metric by 25-42%+.
- We also show how engagement hours, another key metric, is inflated by an estimated 100%+.
- Roblox has reported the number of 'people' on its platform in dozens of official investor communications. Among many examples, Roblox wrote in a 2022 quarterly report, 'there are over 54.1 million people coming to Roblox every day.' Our findings show that the company's reported number of 'people' regularly matches Roblox's reported Daily Active Users (DAUs).
- But DAUs, according to Roblox's own disclosures, 'are not a measure of unique individuals accessing Roblox' because they can include numerous accounts run by a single person, such as alternate or bot accounts.
- In 2023, Roblox told the SEC it is 'unable to identify if a user has multiple accounts'. The company's response to the SEC appears to be a flat out lie.



# RBLX: Evasion Instance #4

**MT Evasion Instance:** Executive evasive surrounding capitalizing on advertising opportunities in the near term.

Q2 2024 Earnings Call.

Total Call Evasion: 50%

## Evasive Q&A 6

**Rationale:** The executive provides a high-level response about pursuing strategic opportunities without directly identifying specific low-hanging fruit or concrete steps to capitalize on advertising potential in the near term.

### Shweta Khajuria, Analyst, Wolfe Research, LLC

Thank you for taking my question. I have a very high level advertising potential question for you. As you think about where you are today and your large opportunity in growing your ad revenue base, what do you think is the low-hanging fruit right now as we think about the next one to three years and that you can capitalize on? And then how do you think about three to five years that you think you'd benefit from in terms of your revenue potential? Thanks a lot.

### David B. Baszucki, Founder, Chief Executive Officer & Director, Roblox Corp.

My comment would be, in the window of one to three years, I'm not so sure we need to go after low-hanging fruit as opposed to big strategic opportunities. And the way we run product at Roblox is we go after systems, we go after large opportunities. What we more and more with all of the brands on our platform will continue to move towards in validating is closed loop repetitive systems where, whether it's for driving brand awareness, whether it's for driving digital shopping, whether it's for driving physical shopping, we move more and more to, in addition to all the incredible brand engagements, a larger volume of just repeat day on day advertisers on top of the platform. And the stuff we're working on is strategic. And we don't have to do low-hanging fruit. We have the opportunity to do the right big picture stuff.

**Hindenburg Claim:** Advertising on the platform poses reputational risks to those firms advertising due to the large amount of inappropriate content.

## Hindenburg Research RBLX Report

### Page 59

Fundamentals: Roblox Is Now Expecting Advertising To Drive Incremental Growth, Pitching Advertisers By Claiming ~79.5 Million Users Spend 2.4 Hours Per Day On The Platform. As Noted Earlier, We Suspect These Metrics Are Wildly Inflated And That The Platform Poses Major Reputational Risks For Advertisers. For Instance, We Found Instagram Advertisements In The Same School Simulator Game That We Found Nazi Hate Speech And Photos Of Male Genitalia

# RBLX: Evasion Instance #5

**MT Evasion Instance:** Evasion surrounding the sustainability of bookings per daily active user (DAU) or highlighting specific drivers

Q4 2023 Earnings Call.

Total Call Evasion: 29%

## Evasive Q&A 3

**Rationale:** The executives provide general statements about positive trends and excitement for future initiatives without directly addressing the specific question about the sustainability of the recent uptick in bookings per DAU growth or highlighting specific drivers.

### W. Clark Lampen, Analyst, BTIG LLC

Thanks. Good morning. I've got two, one for Dave, one for Mike. Dave, the network effects that you talked about in the shareholder letter, is it possible to contextualize for us how much of your user base is either utilizing the voice tools or maybe some of the more recent text translation and how much that affects behavior? And Mike, the uptick in bookings per DAU growth that we saw this quarter, should we expect that to continue? And if so, are the recent releases or maybe economy items that are in pipeline that you'd highlight for us amongst the drivers? Thank you.

### David B. Baszucki, Founder, Chief Executive Officer & Director, Roblox Corp.

I don't have in front of me the voice DAU number. I shared 161% voice DAU growth year-over-year in the quarter. Our internal metrics when we look at users who are using voice show lovely gains on retention, on engagement and on other aspects. So, there is a network effect in that the more of our base that is using voice, we see other metrics go up at the same time.

### Michael Guthrie, Chief Financial Officer, Roblox Corp.

And Clark, on the bookings per DAU question, I'm going to be focused primarily – we will be focused primarily on bookings and bookings growth. If DAUs happen to grow a little bit faster, then that number might come down a little bit. If they happen to grow more slowly, that number will go up a little bit. On the other hand, I will say the economy team at Roblox has more compelling initiatives going on than I've ever seen. And so, I'm certainly excited and optimistic about the ability to continue to improve monetization.

### W. Clark Lampen, Analyst, BTIG LLC

Thank you.

### Michael Guthrie, Chief Financial Officer, Roblox Corp.

I would also look at that number generally again, just make sure seasonality, just compare like periods for like periods for the most part.

**Hindenburg Claim:** the company is inflating the user metrics that are reported to investors.

## Hindenburg Research RBLX Report

### Page 1–3

Interviews reveal Roblox effectively has two sets of books for counting users: one for internal business decisions, in which multiple accounts are 'de-alted', and one used by the finance team that reports higher metrics to investors. Our research indicates that Roblox is lying to investors, regulators, and advertisers about the number of 'people' on its platform, inflating the key metric by 25-42%+.

Multiple former employees told us that Roblox does internally track single users with multiple accounts, referring to the process as 'de-aling'."

# RBLX: Evasion Instance #6

**MT Evasion Instance:** Executive is evasive commenting on specific growth and engagement and does not provide specifics.

Q4 2023 Earnings Call.

Total Call Evasion: 29%

## Evasive Q&A 4

**Rationale:** The executives provide general statements about growth and engagement without directly addressing specific signposts, market research, or the development status of their direct sales force.

### **Kenneth James Gawrelski, Analyst, Wells Fargo & Co.**

Thank you for the time. I appreciate it, and the opportunity. I want to go back to the advertising, and I understand that it's too early to quantify. But could you give us a sense of kind of the key signposts we should be looking for as you develop the opportunity, whether it'd be market research or case studies with brands? And how do you think about the – how should we think about the development of your direct sales force? Where are you in the build-out of that process? And are you ready to go to market? Thank you.

### **David B. Baszucki, Founder, Chief Executive Officer & Director, Roblox Corp.**

Yes, I'll share the signpost one might watch. We shared anecdotally the – just rough growth in the number of brands advertising on the platform. This year, you'll see from a platform point of view, more and more measurement abilities for our partners to attribute brand advertising.

We have shared that we are also building experiments with physical shopping, but no ship date on that, that we think will ultimately create a full closed-loop effect for advertisers on the platform. As Mike said, we're not sharing specific numbers on the development. In Q4, we hired Stephanie Latham, who's driving just an awesome team, and we're growing out that brand partnership team to go to market. I just met with them all yesterday actually. And it's an amazing team. Mike, I don't know if you want to add anything on top of that?

### **Michael Guthrie, Chief Financial Officer, Roblox Corp.**

No, I was going to say the same thing. Both Dave and I had the opportunity to address the new and emerging organization. So, it's growing, new people all the time, very talented, very excited. And Ken, I think one of the main points of this is what are the best ways to show signposts as we get to that revenue level that will become material? And so, we'll continue to come back on that. Right now, it's a sheer number of engagements is the right way to look at it. And Dave talked a little bit about the number of brands that started to work with us in Q4. And the quality of them and the depth of the engagement is fantastic. So, we'll be talking more about that in subsequent quarters.

**Hindenburg Claim:** the company is not truthful surrounding its userbase and the monetization of the companies advertising opportunities.

## Hindenburg Research RBLX Report

### Page 59

Fundamentals: Roblox Is Now Expecting Advertising To Drive Incremental Growth, Pitching Advertisers By Claiming ~79.5 Million Users Spend 2.4 Hours Per Day On The Platform. As Noted Earlier, We Suspect These Metrics Are Wildly Inflated And That The Platform Poses Major Reputational Risks For Advertisers. For Instance, We Found Instagram Advertisements In The Same School Simulator Game That We Found Nazi Hate Speech And Photos Of Male Genitalia

# RBLX: Evasion Instance #7

**MT Evasion Instance:** Executive evasive commenting on specific value proposition or pricing features for advertising products

Q3 2023 Earnings Call.

Total Call Evasion: 38%

## Evasive Q&A 3

**Rationale:** The executives provide a high-level vision and excitement about future possibilities without directly addressing the specific value proposition or pricing tiers of the different advertising products mentioned in the question.

### Eric Handler, Analyst, ROTH MKM

Great. And then maybe I'm getting ahead of myself here, and you'll talk more next week, but now that you're testing video advertising, when I look at sort of the suite that you have for advertising, I imagine the digital billboards are probably the low end in terms of pricing. You've got this unique concept with portals and now you have video. Can you maybe talk about the value proposition of those three buckets?

### David B. Baszucki, Founder, Chief Executive Officer & Director, Roblox Corp.

Yes. I'm going to take a step back on the visionary value proposition and then we can paint a picture a year or two out and back into it. And once again, this is no promise of product delivery or any future revenue. But the vision really is ultimately what we do in real life, for example, hanging out with friends at a shopping mall, going into various locations, browsing, trying on and literally buying is going to be fully replicated on our platform. And ultimately, that buying behavior will go to both virtual goods as well as someday physical goods as well. And this will all happen on the Roblox platform. So advertising is a great way for brands. And we've mentioned some of our great partners, Gucci, Vans, Nike, and whatever to bring essentially friends traffic to their 3D virtual destination where people can interact with the brands, watch videos, try stuff on, and then ultimately by virtual and physical goods. So we actually think the advertising is just the first step to really a fully closed-loop long-term shopping solution.

### Michael Guthrie, Chief Financial Officer, Roblox Corp.

And Eric, just a quick comment because we're going to cover this more on Investor Day, and Christina Wootton who runs this business at Roblox, will talk more about it. You're really talking about portal ads and video ads, and there are going to be more than one type of video ads. So we're going to talk about multiple products. I wouldn't underestimate the value of video ads. Portals are very interesting and unique. We also have a massive user base and a very interesting age demographic that's highly, highly engaged. So we really see value for brands and CMOs to look at various products on the platform. Ultimately, we're incredibly excited about portals and we've seen good activity. And when brands engage at that level where they have their own persistent experiences, it really is a base for a lot of other interesting engagement and monetization in the future. But there's a real breadth of products.

**Hindenburg Claim:** company is not truthful surrounding its userbase and the monetization of the companies advertising opportunities.

## Hindenburg Research RBLX Report

### Page 59

As Noted Earlier, We Suspect These Metrics Are Wildly Inflated And That The Platform Poses Major Reputational Risks For Advertisers. For Instance, We Found Instagram Advertisements In The Same School Simulator Game That We Found Nazi Hate Speech And Photos Of Male Genitalia

# RBLX: Evasion Instance #8

**MT Evasion Instance:** Executive evasive commenting on specific DAU and engagement impacts.

Q3 2023 Earnings Call.

Total Call Evasion: 38%

## Evasive Q&A 4

**Rationale:** The executives provide general positive statements about the PlayStation launch exceeding expectations and the broader network effects without giving specific metrics or details on DAU or engagement impact, and they do not directly address future platform plans.

### Brandon Ross, Analyst, Lightshed Partners

Hi. You recently launched on a couple of new platforms, including Sony PlayStation. We're just wondering if there's any way to size the impact from those type of launches on DAU or an engagement, and if there's an update on any more platforms to come. And then I have a follow-up.

### David B. Baszucki, Founder, Chief Executive Officer & Director, Roblox Corp.

I would say we wouldn't share any platform-by-platform engagement estimates. I think it's safe to say it's doing better than we expected. And I think the reason it's doing better than expected because we have so much amazing content that is already running on phones, tablets, computers, other console that that's really just an accelerant of that existing content with a new destination.

### Michael Guthrie, Chief Financial Officer, Roblox Corp.

And actually, Brandon, I would add to that. It's also a little bit more of Metcalfe's law. So those people on the network can connect to other people on phones and desktops and other things. And so we are seeing an impact that maybe we can't just explain with a discrete view of what's happening on PlayStation. It's really the benefit that we're seeing all over. But we're going to talk about download numbers next week and everything. They're very strong and very healthy. So we're super excited about it. But I think it's sort of multiplicative.

### David B. Baszucki, Founder, Chief Executive Officer & Director, Roblox Corp.

And on future platforms, the vision would be immersive, 3D, multiplayer communication and connection technology ultimately should run on any form, factor on any device.

**Hindenburg Claim:** the company is not truthful surrounding its userbase and the monetization of the companies advertising opportunities.

## Hindenburg Research RBLX Report

### Page 1

Our research indicates that Roblox is lying to investors, regulators, and advertisers about the number of 'people' on its platform, inflating the key metric by 25-42%+.

We also show how engagement hours, another key metric, is inflated by an estimated 100%+.

# RBLX: Evasion Instance #9

**MT Evasion Instance:** Executive evasive commenting on specific DevEx targets. The DevEx program allows platform developers to exchange Robux for real money.

Q3 2023 Earnings Call.

Total Call Evasion: 38%

## Evasive Q&A 5

**Rationale:** The CFO avoids directly addressing whether the \$800 million DevEx target is being reiterated, instead focusing on general statements about capital growth, developer payouts, and business efficiencies.

### Matthew Cost, Analyst, Morgan Stanley & Co. LLC

Thanks. And then for Mike, I just want to revisit the goal of \$800 million of DevEx that you guys mentioned last quarter. I think, in order to hit that versus consensus, you need to do 26% of bookings as DevEx next quarter. I guess, are you reiterating that \$800 million target?

### Michael Guthrie, Chief Financial Officer, Roblox Corp.

So I think, we've talked about this Matt many, many times. So it would be unlikely for us to hit \$800 million this year. But if you look at what we are accomplishing this year, it's a massive pool of capital that has grown at very high rates over the last few years, and we're super excited about what we are delivering to developers this year just like we're excited with the top line growth in the business and the operating margins of the business. So incredibly proud of the numbers that we're printing, and incredibly proud of how the developers are sharing in that, and we're going to continue to drive efficiencies across the business, and that's what we're going to focus on.

**Hindenburg Claim:** company is not truthful surrounding its userbase and the monetization of the companies advertising opportunities.

## Hindenburg Research RBLX Report

### Page 5

As of Q1 2024, over 18,000 developers and creators had earned enough Robux to be eligible for this program. However, the earnings from developers still represent a small fraction of Roblox's overall engagement.

# RBLX: Evasion Instance #10

**MT Evasion Instance:** Executive evasive commenting on specific impacts of the User Generated Content (UGC) Limited Program.

Q2 2023 Earnings Call

Total Call Evasion: 61%

Evasive Q&A 7

**Rationale:** The executive provides a high-level vision and theoretical benefits of UGC Limited without directly addressing the specific commercial learnings or impact on subscription mix since its launch.

**Omar Dessouky, Analyst, BofA Securities, Inc.**

Hi. Thanks for taking my questions. You launched UGC Limited in April. I was wondering if you could update us on your commercial learnings thus far? And I'm particularly curious if you saw a corresponding increase in the mix of subscriptions? And I have a follow-up question.

**David B. Baszucki, Founder, Chief Executive Officer & Director, Roblox Corp.**

Yes. I'll tell you, right now, limited UGC is the long-term vision. Right now, it's a smaller proportion of our marketplace. But – you could – one could say that UGC Limited is more accurately near the economics of the real world as far as scarcity, as far as cost of goods sold, as far as creating really a rich and vibrant economy. And we do expect ultimately for every cohort, every type of asset to follow this pattern of more similarly mirroring the real world. The pricing on UGC items is 3x, the non-UGC or non-limited pricing which is a really, really good sign. And it's a good sign that we're moving in the direction of strong economic theory supporting how we build a virtual goods marketplace. We'll be rolling out expansions of this over the next two quarters. And ultimately, it's our long-term direction.

**Hindenburg Claim:** that developers create inappropriate content, including sexually explicit material, exposing minors to harmful interactions.

## Hindenburg Research RBLX Report

Page 2 & 5

- Roblox users abuse Community Standards, bypassing the company's 'best in the world' in-game 3D content moderation.

As of Q1 2024, Roblox reported over 18,000 developers and creators had earned enough Robux to be eligible for its Developer Exchange Program, which allows developers to exchange Robux for real money.

# RBLX: Evasion Instance #11

**MT Evasion Instance:** Executive evasive commenting on User Generated Content (UGC) Limited monetization trajectory

Q2 2023 Earnings Call.

Total Call Evasion: 61%

## Evasive Q&A 8

**Rationale:** The CEO provides a vague response about experiments and potential upside without directly addressing the specific impact of UGC Limited on monetization trajectory in core markets.

**Omar Dessouky, Analyst, BofA Securities, Inc.**

Got it. And how much do you think UGC Limited's could influence the trajectory of monetization in your core markets in the next few quarters?

**David B. Baszucki, Founder, Chief Executive Officer & Director, Roblox Corp.**

Hard to say. We are doing experiments once again through every cohorts trying to optimize mirroring of real life. All of the projections we talk about as far as bookings versus expense in Q1, really head count acceleration – or not acceleration, but really bookings beating head count expense. I don't believe we have huge gains from this built-in. I believe we have a lot of upside there.

**Hindenburg Claim:** that developers create inappropriate content, including sexually explicit material, exposing minors to harmful interactions.

## Hindenburg Research RBLX Report

### Page 2 & 5

- Roblox users abuse Community Standards, bypassing the company's 'best in the world' in-game 3D content moderation.

As of Q1 2024, Roblox reported over 18,000 developers and creators had earned enough Robux to be eligible for its Developer Exchange Program, which allows developers to exchange Robux for real money.



# RBLX: Evasion Instance #12

**MT Evasion Instance:** Executive evasive surrounding the takeaways for “LiveOps” events. LiveOps keep players engaged and interacting with the platform on an ongoing basis.

Q1 2023 Earnings Call.

Total Call Evasion: 53%

## Evasive Q&A 5

**Rationale:** The CFO provides a detailed breakdown of the factors driving bookings growth but does not directly address the specific question about the balance between user growth and monetization initiatives or the reasonableness of a 20% rate for bookings and OpEx trends.

### W. Clark Lampen, Analyst, BTIG LLC

Hi, thanks for taking the question. I wanted to come back to bookings acceleration. Curious if you guys could provide a general sense for how maybe that's going to be balanced between user growth relative to monetization initiatives now that we're seeing more product coming out of the development pipeline?

And maybe bigger picture, as we're thinking about the sort of divergence in bookings and OpEx trends, is it reasonable for us to think about sort of 20% as a reasonable rate maybe over the balance of this year or into next year?

### Michael Guthrie, Chief Financial Officer, Roblox Corp.

Hey Clark, on bookings, we've multiple things that drive our bookings. We start with a user base and we look at the frequency of the user base. How often do they come to Roblox? That gives us our daily active users. Then we look at how much time those users are spending with us, hours per DAU. That number has continued to grow and has been really healthy across most parts of the world and most age groups. And then we look at how much capital is being spent per hour of engagement on the platform. And again, over the last few quarters, we've seen really healthy growth in our monetization. So it really is a combination of more users spending more time with us and spending more money on the platform as well.

If you look at the monthly unique payers in our supplemental materials, you'll see that primarily the bookings growth has been driven by more payers, but there is a slightly increase in the monetization per payer. And if you look at the monetization by region, which we broke out for the first time, so bookings per DAU by region in the supplemental materials. What you see is good year-over-year growth in all regions, except in Europe, where we simply have had high growth in Eastern Europe vis-à-vis Western Europe.

On the other hand, if you look at the peaks of monetization in the US and Canada, what you're starting to see is this maturation of payer cohorts that we know over time, they run for a very, very long time. And they tend to monetize more as time goes on. And so in the US, we have more of those cohorts. You actually are going to see higher peaks in terms of the monetization, even when we were at the peaks of COVID.

Other parts of the world, we think we'll actually get there as well over time, as their payer cohorts become larger and more mature. So right now, like in the US, we have an incredible mix of older payer cohorts and new payer cohorts coming from older age demos, that's powering a lot of really good growth. So – generally, right now, most of the top line growth is just driven by the fact that our users continue to grow and if you've got our DAU charts and our engagement charts. They've really been up and to the right over the last four-plus years. But we are certainly seeing healthy signs of people spending, especially those users have been with us for a while spending incrementally.

# RBLX: Evasion Instance #12 (Continued)

**Hindenburg Claim:** Published user statistics are not accurate, and the company is not truthful with investors regarding market saturation.

## Hindenburg Research RBLX Report

### Pages 1, 3, & 8

- Our research indicates that Roblox is lying to investors, regulators, and advertisers about the number of 'people' on its platform, inflating the key metric by 25-42%+. (Page 1)
- Roblox Faces Saturation In Its Top Markets. It Is Now Attempting To Keep The Appearance Of Growth Alive By Adding Loss-Generating Users In Markets Like Asia. (Page 8)
- Roblox told the SEC it is 'unable to identify if a user has multiple accounts.' The company's response to the SEC appears to be a flat out lie. (Page 3)
- Multiple former employees told us that Roblox does internally track single users with multiple accounts, referring to the process as 'de-alting.' Interviews reveal Roblox effectively has two sets of books for counting users. (Page 3)
- A former data scientist told us that Roblox is potentially saturated in Tier 1 countries and is now relying on less lucrative markets to maintain growth." (Page 8)

# RBLX: Evasion Instance #13

**MT Evasion Instance:** Executive evasive commenting about the rollout of advertisements on the Roblox platform.

Q1 2023 Earnings Call.

Total Call Evasion: 53%

Evasive Q&A 8

**Rationale:** The executives provide a general timeline and acknowledge conservatism in their approach but avoid giving specific details on expected material contributions or internal forecasts for the ad rollout.

**Jonathan Kees, Analyst, Daiwa Capital Markets America, Inc.**

Great. Good morning guys, and thanks for taking my questions. I wanted to, I guess, follow up on Dave's commentary about the ads. The two types of the ad version, but more specifically, how that's going to be delivered. The self-serve, you guys have been conservative in terms of talking about its contribution to the top line and you kind of push it out more towards 2024. So I just find kind of interesting, you're not talking about a testing of that in – currently going on, and they'll make a contribution in Q2, albeit nothing material. So I just wanted to [indiscernible] get an update in terms of the ad rollout, self-serve specifically. And when you could be contributing somewhat materially?

**David B. Baszucki, Founder, Chief Executive Officer & Director, Roblox Corp.**

Yeah, I'll comment. We expect this year to rollout self-service on this, essentially a full ad server for both image and portal ads, something that allows advertisers to on their own publish these types of experiences to Roblox. We are being very conservative on this. We do expect to make – I don't know if we would call it significant revenue, Mike. I'll let you comment on that as far as what our internal things are, but we're not sharing our forecast externally.

**Michael Guthrie, Chief Financial Officer, Roblox Corp.**

Yeah. I mean, again, there'll be something in the second quarter, and we'll talk more about it after that. But I certainly wouldn't be changing models for 2023 based on advertising today.

**Hindenburg Claim:** Companies looking to advertise on the Roblox platform face reputational risks from inappropriate platform content

## Hindenburg Research RBLX Report

Page 59

Fundamentals: Roblox Is Now Expecting Advertising To Drive Incremental Growth, Pitching Advertisers By Claiming ~79.5 Million Users Spend 2.4 Hours Per Day On The Platform

As Noted Earlier, We Suspect These Metrics Are Wildly Inflated And That The Platform Poses Major Reputational Risks For Advertisers

For Instance, We Found Instagram Advertisements In The Same School Simulator Game That We Found Nazi Hate Speech And Photos Of Male Genitalia

# RBLX: Evasion Instance #14

**MT Evasion Instance:** Executive evasive commenting about the rollout of advertisements on the Roblox platform.

Q4 2022 Earnings Call.

Total Call Evasion: 40%

## Evasive Q&A 3

**Rationale:** The executives provide general comments about trends and investment priorities without directly addressing the specific question about the migration of older users to mature content or giving clear guidance on expense growth rates for 2023.

### David Karnovsky, Analyst, JPMorgan Securities LLC

Hi. Thank you. Dave, on the prior call, I think you mentioned that 17 to 24-year-old users were mostly monetizing in the top experiences but were experimenting with some of the aged-up experiences. So, want to see if you could update on this, whether those older users are starting to migrate further into the mature content and what opportunity that presents for next year? And then, Mike, just on expenses, there was real moderation in cost growth quarter-over-quarter for R&D and infrastructure. Just wondering if you could kind of discuss how you're thinking about investment for those OpEx lines in 2023, and if that growth pace we saw in Q4 is kind of reasonable to assume going forward. Thank you.

### David B. Baszucki, Founder, Chief Executive Officer & Director, Roblox Corp.

I'll give a general highlight. When we say mature experiences on Roblox, as of now with our experience guidelines, we do not have any 17 and up experiences, so the experiences on Roblox are nudging in that direction. We are seeing more and more things that I would say are exciting for older players. It's interesting that the horror genre in Roblox has really perked up in the last three or four months.

Experiences like DOORS and others have become very, very popular. Many of the experiences on Roblox, even for older players, cover all age ranges as well. And just as in the very early days of Roblox, we saw the market really respond to the opportunity of that player base. We're seeing that with our Game Fund as well, so there's more and more aged-up content showing up on the platform.

### Michael Guthrie, Chief Financial Officer, Roblox Corp.

And so, yeah, and David, on costs, maybe just back up a little bit. We really – if you look at our cost structure, there's really four primary areas of cost in the business. The first one is, of course, COGS and payment processing which is more or less strictly variable, though has been coming down as a percentage of bookings primarily because we've been really successful with prepaid cards and other alternative payment methods that are lower cost, so that's one.

The second one, of course, is the investment in the developer community and, in a sense, we have been leaning more heavily into that. We think that the returns are now – we're seeing those returns in more content, better content, which has historically been a part of the flywheel that's driven Roblox for years. And in a way, the savings and margin that we've seen in COGS has more or less moved into over the last few years into the investment in the community which we think is great. Those are variable costs.

On the fixed cost side, it's been infrastructure and people as you rightly point out. We made a lot of investment in human capital over the last few years. This year, we're slowing down the rate of hiring, but we are still hiring quite a few people.

We're making a huge investment in great engineers; we still need them. We still have ambitions that are large and a lot of work to get done, so we're going to continue to make that investment, but we are slowing that down just slightly over the last couple of years. And some of that is also digestion and bringing in a more senior team to help manage and on-board and grow the engineering teams which is great.

# RBLX: Evasion Instance #14 (Continued)

## Michael Guthrie, Chief Financial Officer, Roblox Corp. (Continued)

As it relates to infrastructure investments and trust and safety, those are high priorities. They really tend to be driven by the growth in our user base so that users have an amazing experience. But, we do, over a long period of time, we expect that that is going to be a high – an area of high operating leverage. I'm not prepared to talk about the growth rate of expenses. I'll have to go back and take a look at Q4 and reference exactly what you're talking about, but I would expect to see us to continue to invest because we think the investments are high ROI. But to the extent we are driving healthy growth in the top line, we have operating leverage which is what you saw in the fourth quarter.

So, normally, just in terms of trends because I know this question will come out, fixed costs tend to continue to grow throughout the year as we hire and invest in infrastructure, again, albeit at a slower rate possibly this year. But, overall, as the top line keeps growing, we think that's the right way to show operating leverage because we do believe the investments we're making are very high ROI.

**Hindenburg Claim:** the company is not truthful surrounding its userbase and the monetization of the companies advertising opportunities.

## Hindenburg Research RBLX Report

### Page 59

Fundamentals: Roblox Is Now Expecting Advertising To Drive Incremental Growth, Pitching Advertisers By Claiming ~79.5 Million Users Spend 2.4 Hours Per Day On The Platform. As Noted Earlier, We Suspect These Metrics Are Wildly Inflated And That The Platform Poses Major Reputational Risks For Advertisers. For Instance, We Found Instagram Advertisements In The Same School Simulator Game That We Found Nazi Hate Speech And Photos Of Male Genitalia

# RBLX: Evasion Instance #15

**MT Evasion Instance:** Executive evasive commenting on differences in user engagement on the weekday vs weekend.

Q2 2022 Earnings Call.

Total Call Evasion: 63%

## Evasive Q&A 6

**Rationale:** The executives provide a broad discussion about long-term growth opportunities and demographic trends without directly addressing the specific question about current weekday versus weekend usage patterns.

### **Bernie McTernan, Analyst, Needham & Co. LLC**

Understood. Thank you. And then just as a follow-up. In the past, you've spoken about the weekend versus weekday usage and that gave you confidence to be able to grow following the tough COVID comps. Can you just talk about what you're seeing for weekday versus weekend usage now that you're at peak engagement again?

### **David B. Baszucki, Founder, President, Chief Executive Officer & Director, Roblox Corp.**

I want to just highlight that our long-term growth has so much opportunity. It's not predicated on weekdays or weekends. Even in our most healthy long-term cohorts, which would be US-Canada and 9-through-12, there's a lot of headroom there given that traditional Roblox users aren't using Roblox everyday as a communication tool. So there's a lot of room on frequency within our traditional audience.

As you can see, the growth rates in our 13-and-up and 17-through-24 cohorts, that cohort of 17-to-100 is much larger than the cohort of 9-through-12. And so there is also amazing headroom amongst older players on our platform to complement the headroom we have in our traditionally strong cohorts based on frequency.

### **Michael Guthrie, Chief Financial Officer, Roblox Corp.**

Yeah. [indiscernible] end of that, when COVID started, our core age demos spiked up very quickly and especially in terms of engagement. And then as we started to lap and reopen, obviously, especially in the US, that 9-to-12 cohort was actually pulling our bookings growth numbers down. But we're making up for it in other places.

We've now gotten to the point where we've crested back to the point where, on an absolute level, those cohorts are now growing around the world and importantly in the US and Canada because that's where there's a more significant amount of wealth and spend. So we are now at peak levels of daily active users, of engagement and of bookings in those 9-to-12-year-old cohorts in the US and benefiting from growth in 17-to-24, 13-to-16 and all the older user bases.

So we're in a great position where finally now, on an absolute basis, we now have something where all of that growth that we benefited from during COVID we've absorbed. We've obviously retained the vast majority of it and we're now growing on top of that really across all age demographics. So that's true on Tuesdays, Wednesdays and Fridays and Saturdays as well. So yeah, I think, hopefully, if we all stay healthy and go on living our lives; we'll be more or less done with COVID comparisons here pretty soon.

**Hindenburg Claim:** Company published platform user statistics and user engagement statistics are not accurate.

## Hindenburg Research RBLX Report

### Page 1

- Our research indicates that Roblox is lying to investors, regulators, and advertisers about the number of 'people' on its platform, inflating the key metric by 25-42%+.
- We also show how engagement hours, another key metric, is inflated by an estimated 100%+.

# RBLX: Evasion Instance #16

**MT Evasion Instance:** Executive evasive commenting on specificities of users on the platform and user engagement by sex.

Q2 2022 Earnings Call.

Total Call Evasion: 63%

## Evasive Q&A 8

**Rationale:** The executives provide a general response about the platform's diverse content and long-term gender balance trends without directly addressing the current male-to-female ratio or specific strategies to increase female engagement.

### Brandon Ross, Analyst, LightShed Partners

Great. And then in your letter when you mentioned the most engaged and most profitable cohorts that you have, I notice they were both male cohorts. And it got me to wondering what the overall split is between male and female on the platform and what it would take – what you need to do to bring females up to parity with male engagement.

### David B. Baszucki, Founder, President, Chief Executive Officer & Director, Roblox Corp.

Yeah, I want to highlight long term – I don't know the exact ratio at the top of my head right now. I don't think we've ever shared it. But over the years, Roblox has more and more converged to exactly 50-50 on the platform. And the reason is these types of platforms support everything from traditional gameplay to very social gameplay to things spanning from sports to fashion to beauty to vehicles, you name it. So we're pretty optimistic that long term the direction continues to be towards 50-50 with a wider range of types of activity on a platform like Roblox. And I think that shows in our internal numbers.

### Michael Guthrie, Chief Financial Officer, Roblox Corp.

Yeah, and we've...

**Hindenburg Claim:** Company published platform user statistics and user engagement statistics are not accurate.

## Hindenburg Research RBLX Report

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# RBLX: Evasion Instance #17

**MT Evasion Instance:** Executive evasive commenting about the rollout of advertisements on the Roblox platform.

Q2 2022 Earnings Call.

Total Call Evasion: 63%

## Evasive Q&A 9

**Rationale:** The CFO defers the question to another executive and suggests addressing it at a later date, without providing any specific information about current discussions or plans with ad agencies.

### Eric Handler, Analyst, MKM Partners LLC

That was going to be my next question. Have you had any discussion with the big ad agencies about maybe even setting up some type of metaverse development studio?

### Michael Guthrie, Chief Financial Officer, Roblox Corp.

You know what? I'll have to defer to Craig Donato. And maybe we'll address that on Investor Day. It wouldn't surprise – I know there have been inbound conversations with agencies. Whether that specifically is where we've gone, probably not. But why don't we defer that for next month and we'll dig into that.

**Hindenburg Claim:** Companies looking to advertise on the Roblox platform face reputational risks from inappropriate platform content.

## Hindenburg Research RBLX Report

### Page 59

Fundamentals: Roblox Is Now Expecting Advertising To Drive Incremental Growth, Pitching Advertisers By Claiming ~79.5 Million Users Spend 2.4 Hours Per Day On The Platform

As Noted Earlier, We Suspect These Metrics Are Wildly Inflated And That The Platform Poses Major Reputational Risks For Advertisers

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# RBLX: Evasion Instance #18

**MT Evasion Instance:** Executive evasive commenting on the specific composition of user engagement by geography.

Q4 2021 Earnings Call.

Total Call Evasion: 75%

## Evasive Q&A 3

**Rationale:** The CFO provides a broad and speculative response about the timeline for normalization without directly addressing specific expectations for post-pandemic spend and engagement levels in the US and UK.

### David Karnovsky, Analyst, JPMorgan Securities LLC

Hi. Thank you. Mike, maybe just a follow-up on your prior comments. As it pertains to US and UK specifically, right, do you see January sort of representing at this point a normalized level of post-pandemic spend and engagement for weekdays? Or do you expect just a little bit more further readjustment as these regions head toward a full reopening?

### Michael Guthrie, Chief Financial Officer, Roblox Corp.

David, good question. We've watched this trend for a little while. It's hard for me to peg exactly the date when we're – we'll be absolutely sort of back to normal. As Dave mentioned in his comments, we're in the office today. There's a big team of folks in the conference room for the first time in a long time. And so I think the world's adjusting to that. And my sense is it's going to – it'll take a few more weeks and months. But, in a sense, every country is a little bit different. I mean, the US has had its own cadence of openings and closings and different policies even state-by-state.

The UK has been different than we have been. Scandinavia has always been a core great market for us, albeit smaller from a user perspective because people are very fluent in English, it was an early adopter of Roblox, but they had a very different approach to COVID than we have had from a policy standpoint.

So it's not easy to, like, pick the bottom. So I think we'll see these kinds of trends going for a little while. And in a sense, it's such an – COVID is such an odd externality for businesses to deal with. It's – I think it's possible that almost every business in 2023 will be, hopefully, it's first like clean year in about three years because you just had an impact of either having shutting things down or then reopening. And I think, obviously, we're still – we're all optimistic that 2022 is open, like we're open for business. So it's not far away. When I look at the year-over-year numbers, I sort of peg it as somewhere between April, May, May, June, but that's still a guess.

**Hindenburg Claim:** Company published platform user statistics and user engagement statistics are not accurate.

## Hindenburg Research RBLX Report

### Page 1

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# RBLX: Evasion Instance #19

**MT Evasion Instance:** Executive evasive commenting on the specific composition of user engagement and the trajectory of DAU.

Q4 2021 Earnings Call.

Total Call Evasion: 75%

## Evasive Q&A 5

**Rationale:** The CFO provides a general explanation about seasonal trends and frequency without directly addressing the specific age groups driving the sequential decline or providing a clear outlook for North America DAU growth in the upcoming quarter.

### Brian Nowak, Analyst, Morgan Stanley & Co. LLC

Great. Thanks for taking my questions. Rather than talking year-on-years, I think it could be helpful to talk about sequentials a little bit, just given sort of the noise in the year-on-year comps. It looks like North America daily active users were down sequentially. Could you just talk about what age group is driving that, which one's declining versus not growing as quickly sequentially? And then, are you seeing North America DAUs up in January versus December? And how do you think about the sequential growth of North America DAUs throughout the rest of this quarter?

### Michael Guthrie, Chief Financial Officer, Roblox Corp.

Yeah. Hey, Brian. DAUs in the fourth quarter, it's not unusual to have a decline. Just think a little bit, that Q3 is July, August and September. July and August are just peak for us. Like, this is absolutely high-level time of activity. September is back-to-school and things slow down. It's a shorter month. And then, October and November are actually pretty quiet for us until late and things pick up, a little bit of a bump around Halloween. So – and it then really picks up around December, obviously, for the holiday.

So, Q3 has been bigger than Q4 in many years. It's not really unusual. The other effect that on DAUs, on daily active users, is this frequency issue, right, the number of accounts, I don't have that off the top of my head, it's probably not down year-over-year. It's just the daily activity is coming down because, again, people are back to school, back to work, and it's incredibly difficult to compare with a period where everything was shut down. We've just never seen anything like that in our history.

So, in January, my guess is [indiscernible] off the top my head, is that we're still sequentially down, again, just frequency, especially off of the holidays. We'll see what happens overall in Q2. But the comparisons actually will also affect the sequential data.

**Hindenburg Claim:** Company published platform user statistics and user engagement statistics are not accurate.

## Hindenburg Research RBLX Report

### Page 1

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# RBLX: Evasion Instance #20

**MT Evasion Instance:** Executive evasive commenting on the specific composition of user engagement and the trajectory of DAU. Also, evasive surrounding duplicate accounts.

Q4 2021 Earnings Call.

Total Call Evasion: 75%

## Evasive Q&A 7

**Rationale:** The CFO provides a lengthy response without directly answering whether monthly active users in the US and established markets are continuing to grow, citing difficulties in reporting the number due to duplicate accounts and not having the specific data on hand.

### Brandon Ross, Analyst, LightShed Partners

Before I get to a big picture question, just kind of extrapolating from what you're saying overall. Are monthly active users in the US and more established markets continuing to grow despite the decline in DAU, as it's been less of a daily habit moving to the weekend?

### Michael Guthrie, Chief Financial Officer, Roblox Corp.

Yeah, it's probably [indiscernible] the other trend, we'll have to go back and look at it. We're not – it's very difficult for us to report that number and answer your question because we know we have duplicate accounts in that number. So it doesn't really do me a lot of good to give you that number if I'm not totally confident.

However, what I will tell you is conversion of – in our – when we look at our numbers, the conversion of DAUs to MAUs is actually growing. The right – I think the question you're trying to get at, Brandon, would be accounts. As we looked at accounts or accounts growing or contracting, I definitely don't have that number off the top of my head. But my guess is that number is still growing in the US. And again, with older users growing as quickly as they are, I'm almost positive of that. So that's the number that we should go back and take a look at.

But the MAU number, because it includes all the counts, it's just a little more complicated, but we know the conversion rate is going up. So that is good. There's a frequency there. It's just a frequency compared to a period of time, I even sound like a broken record, where everybody was locked down. And so it's very, very hard to compare to a period where people weren't leaving the house and really didn't have a lot of alternatives, yet we're still quite a bit bigger than we were then. So that's really the thing that we're working through right now.

**Hindenburg Claim:** Company published platform user statistics and user engagement statistics are not accurate, and addressable market is saturated.

## Hindenburg Research RBLX Report

### Page 1

- Our research indicates that Roblox is lying to investors, regulators, and advertisers about the number of 'people' on its platform, inflating the key metric by 25-42%+.
- We also show how engagement hours, another key metric, is inflated by an estimated 100%+.

# RBLX: Evasion Instance #21

**MT Evasion Instance:** Executive evasive commenting on the specific composition of user engagement and the trajectory of DAU.

Q4 2021 Earnings Call.

Total Call Evasion: 75%

## Evasive Q&A 9

**Rationale:** The executive provides a broad overview of potential future monetization strategies and user growth without directly addressing the specific questions about enabling commerce on the platform, the impact of the UK outage on DAUs, or detailed cohort data for younger users.

### Matthew Thornton, Analyst, Truist Securities, Inc.

Hey. Good morning, everyone. Maybe just following up on the brands commentary there, David. I guess, how far are we from seeing commerce enabled on the platform with a first step maybe being a partnership with someone like a Shopify or a comparable? I'm kind of curious, any thoughts there.

Secondly, coming back to the UK and DAUs question. I know, sequentially, they've always been down historically. But I think year-on-year, if we back out the outage, I'm curious if that would – if you have any idea as to how much impact that had on the year-over-year comparison on the DAU?

And then, just relatedly there, I guess, Mike, I'm not sure if you have any data on the under 13 cohort and particularly, like, the 5 to 11 type demo because, obviously, vaccination has really just kicked off in November there. So I'm curious if that's kind of coming into play there as well. Any thoughts there would be great. Thanks, guys.

### David B. Baszucki, Founder, President, Chief Executive Officer & Director, Roblox Corp.

I'll highlight that we do watch USA 9 through 12 as well as 17 through 24. We do not publish the MAU numbers, but it's pretty well known that in USA 9 through 12 on the MAU side were a cultural phenomenon with very high usage. There's a lot of headroom on the DAU to MAU ratio. And so when we look at future DAUs in the United States, as that ratio gets better as Roblox – the headroom Roblox is a utility that's used daily for a wide range of things, communication, play, learning. There's a lot of headroom on that ratio. So that is the vision of how those USA 9 through 12 DAUs can continue to grow.

On the brands, there's – as you correctly note, future areas of monetization include digital shopping, one of our partners, some day, their 3D destination in addition to a try-it-on brand experience, people will be buying from those experiences, and having those items delivered to their doorstep, although we're not going to announce them when and how that will work. There is, obviously, a full brand immersion type of advertising that we're starting to see early signals of. There's also a dynamic advertising opportunity that we'll be exploring, which includes the use of teleports to go from place to place to launch people into individual places, includes the use of dynamic display ads that instead of getting in front of the experience of delaying the user are immersive and native.

So the highlight here is we've got \$3 billion, or whatever the right number, Mike, of cash in the bank. We're hiring a lot of amazing engineers, but we are primarily focused on safe and civil quality user engagement growth and DAU growth right now on the platform with a lot of opportunity for gentle increased monetization that doesn't get in front of our users long-term.

# RBLX: Evasion Instance #21 (Continued)

**Hindenburg Claim:** Published user statistics are not accurate, and the company is not truthful with investors regarding market saturation.

## Hindenburg Research RBLX Report

### Pages 1—3

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- We also show how engagement hours, another key metric, is inflated by an estimated 100%+.
- Roblox has reported the number of 'people' on its platform in dozens of official investor communications. Among many examples, Roblox wrote in a 2022 quarterly report, 'there are over 54.1 million people coming to Roblox every day'.
- DAUs, according to Roblox's own disclosures, 'are not a measure of unique individuals accessing Roblox' because they can include numerous accounts run by a single person, such as alternate or bot accounts.
- In 2023, Roblox told the SEC it is 'unable to identify if a user has multiple accounts'. The company's response to the SEC appears to be a flat out lie.
- Multiple former employees told us that Roblox does internally track single users with multiple accounts, referring to the process as 'de-alting'.
- Interviews reveal Roblox effectively has two sets of books for counting users: one for internal business decisions, in which multiple accounts are 'de-alted', and one used by the finance team that reports higher metrics to investors."

# RBLX: Evasion Instance #22

**MT Evasion Instance:** Executive evasive commenting on the specific composition of user engagement and the trajectory of DAU.

Q4 2021 Earnings Call.

Total Call Evasion: 75%

## Evasive Q&A 11

**Rationale:** The CFO directly declines to provide the specific growth numbers for weekend bookings, which was the core of the analyst's question.

### Bernie McTernan, Analyst, Needham & Co. LLC

Great. Thanks for taking the question. Mike, I was wondering – I appreciate the breakdown between weekends and weekdays. I think that's really helpful. Is it possible to give a number for what weekends grew at in either 4Q or January for bookings?

### Michael Guthrie, Chief Financial Officer, Roblox Corp.

There is not, but thank you for asking. I'm just not going to get into that.

**Hindenburg Claim:** Company published platform user statistics and user engagement statistics are not accurate, and addressable market is saturated.

## Hindenburg Research RBLX Report

### Page 1—3

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# RBLX: Evasion Instance #23

**MT Evasion Instance:** Executive evasive commenting about the rollout of advertisements on the Roblox platform.

Q4 2021 Earnings Call.

Total Call Evasion: 75%

## Evasive Q&A 12

**Rationale:** The executives provide a broad and subjective response about letting brand experiences grow organically without directly addressing specific signals or metrics that would indicate the right time to focus on monetization.

**Bernie McTernan, Analyst, Needham & Co. LLC**

Yeah. And I understand you want to keep the friction low for brands to experiment on the platform. What's the signal you guys are looking for, though, to know when the right time to focus on monetization really is?

**Michael Guthrie, Chief Financial Officer, Roblox Corp.**

With brands, what is the right time to turn on monetization?

**Bernie McTernan, Analyst, Needham & Co. LLC**

Yeah.

**Michael Guthrie, Chief Financial Officer, Roblox Corp.**

This is what I just – I mean I'll give you a quick overview and then I'll let Dave talk more about it. I mean it's incredibly subjective. Right now, last year, we had 12 great successful brand experiences. In the beginning of this year, we started off at a higher rate. I think the metric for 2022 is the sheer number of great brands that just do something with us, so that they're looking at the platform and experimenting. And as we watch what they do and how they do it and the value that they get, then I think we can start having those discussions. I think to do it otherwise, it would be to add a lot of friction, require long negotiations and really slow down that part of the platform, which I think would be a real mistake.

I've had conversations in the last few weeks and months with some of the developer community. Many of them are getting very, very sophisticated. These developers are really building sophisticated businesses. They're not just hiring developers, they're hiring business people. They look at the brand opportunity. They're really excited about it. The recent brand experiences are built by our community and they're really excited about that opportunity. The economics of that is a great pairing to what they're doing on their other creations and building of gaming experiences. And so we want to let that really grow organically rather than try to cut that off and slow it down.

**David B. Baszucki, Founder, President, Chief Executive Officer & Director, Roblox Corp.**

Yes. And then this is Dave chiming in on what you might see once again without giving any date that is a functionality on our platform that supports both brands and developers. For developers, we're seeing more and more VC-backed developers, developers taking a bigger risk, and many of these developers, just as they do in other markets, want to initially bring people to their experience as they test, as they grow and boost themselves. And so we have a primitive system on our platform, we are refining that, so that is much more sophisticated. That concept of boosting and really essentially paying to bring people to a destination in a nice way is very similar to a brand in a traditional TV spot where they want to make sure they get a certain number of eyeballs on their – in this case, video, but in the future, in their 3D immersive experience.

So you will see us working on ways for brands. If a brand wants to predictively have 5 million people in a week, for example, come to their experience, at some point – and once again, I'm not sure what the right number is, whether it's 100,000 or whatever, have a way to do that and guarantee they can bring that type of exposure.

# RBLX: Evasion Instance #23 (Continued)

**Hindenburg Claim:** the company is not truthful surrounding its userbase and the monetization of the companies advertising opportunities.

## Hindenburg Research RBLX Report

### Page 59

Fundamentals: Roblox Is Now Expecting Advertising To Drive Incremental Growth, Pitching Advertisers By Claiming ~79.5 Million Users Spend 2.4 Hours Per Day On The Platform

As Noted Earlier, We Suspect These Metrics Are Wildly Inflated And That The Platform Poses Major Reputational Risks For Advertisers

For Instance, We Found Instagram Advertisements In The Same School Simulator Game That We Found Nazi Hate Speech And Photos Of Male Genitalia



# RBLX: Evasion Instance #24

**MT Evasion Instance:** Executive evasive commenting about DAUs and the rollout of advertisements on the Roblox platform.

Q2 2021 Earnings Call.

Total Call Evasion: 80%

## Evasive Q&A 3

**Rationale:** The executives provide general statements about long-term strategy, innovation, and engagement payouts without directly addressing the specific question about current DAU trends in the US and Europe or how they plan to retain top developers amid increasing competition.

### Brian Nowak, Analyst, Morgan Stanley & Co. LLC

Thanks for taking my questions. I have two. The first one is – so in the second quarter, it looks like US and Europe, DAUs were down quarter-over-quarter. Just talk to us about, sort of, what you're seeing in July and August in US and Europe DAUs and sort of some of the drivers of that DAU decline?

And then secondly, kind of a bigger picture one on the competition for developers, specifically the highest quality developers. Dave, maybe talk to us about how you think about continuing to bring on and retain the highest quality developers for the ecosystem, in particular, now that you have some other social networks with large budgets and capability to invest to build a metaverse, potentially offering developers even higher take rates or better economics, et cetera.

### Michael Guthrie, Chief Financial Officer, Roblox Corp.

Hey, Brian, it's Mike. First, on DAUs in US and Canada, year-over-year in Q2, they were up about 5%. I think you're referring to engagement, which was down year-over-year. So first of all, largest market, most users to begin with, I think, in the second quarter, it's pretty clear that as we have referenced and anticipated when we went public and we talked about the only guidance we've ever given, we expected that during the second quarter – our modeling assumption was (14:06) during the second quarter and then we would return to normal curve on sign-ups and retention, conversion and monetization. That's very similar to what happened in the second quarter. And by the end of the second quarter, in June, there was a lot of "reopening", especially in the US and Canada and United Kingdom. And some of that's reflected in engagement, though substantially higher than it was in 2019 on a year-over-year basis, flat to slightly down. And then now in July it looks like some of those trends are reversing themselves.

So the overall growth in the quarter was definitely driven by Asia-Pacific and rest of world, which includes things like South America and Eastern Europe. So I think that's just to make sure that we get the trends exactly right.

### David B. Baszucki, Founder and Chief Executive Officer & Director, Roblox Corp.

Yeah. And then this is Dave chiming in on the take rate and just a little bit of our vision going forward. For 15 years we've been building this platform, and we've been supporting that with three major tenets. One is driving innovation, really participating in inventing and shepherding in the metaverse in an innovative way. And what's got us here so far is many, many innovations. And we have to keep having those in the pipeline, and we're trying to scale that linearly as we grow our employee base. Last year, at this time, we had 750 employees, we're over 1,200 this year at the same time.

The second thing is, historically, we've been a metaverse pure play for the last 15 years. Everything we do piles into making our platform better. And we iterate that with 14 groups every single day shipping new and interesting functionality. And third, we're in a really unique position with a foundation of civility and safety and learning. And we're growing from there. And we think that's a very positive place for the people to come together of all ages, and it's a great foundation to build a really big company on.

On the take rate, in Q2 we upped our engagement-based payouts. As you can see this – I think, well – we announced \$129 million to devs in Q2. So that's on a great track. In general, we much prefer money going to creators systemically as part of the self-service UGC architecture as opposed to any hand given grant type program. And that number is going to keep going up.

# RBLX: Evasion Instance #24 (Continued)

**David B. Baszucki, Founder and Chief Executive Officer & Director, Roblox Corp. (Continued)**

You can also see with how much cash we're generating when we look at bookings, cash flow type accounting, there's a lot of room there. We're not making any announcements on the increases to our developer rate. But generally, we want to maximize the amount we're using for our employees and for our creativity, as well as what's flowing to our developers, and more to come there without any future announcements.

**Brian Nowak, Analyst, Morgan Stanley & Co. LLC (Continued)**

Got it. And just to clarify that, Mike, from a modeling perspective. So the July DAU trends you're seeing, are you saying you're seeing US and Europe DAUs up quarter-over-quarter? Or is that more driven by rest of world so we can understand from modeling?

**Michael Guthrie, Chief Financial Officer, Roblox Corp. (Continued)**

I'll double check, Brian, I think it's driven by all regions.

**Hindenburg Claim:** Published user statistics are not accurate, and the company is not truthful with investors regarding market saturation.

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