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Earnings Call

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Presentation

Operator

Good afternoon, everyone. This is Kate, and I will be your conference coordinator today. Welcome to Roblox Q1 2026 Earnings Conference Call. [Operator Instructions] Now I will turn the call over to Jaime Morris, Roblox Head of Investor Relations. Jaime?

Jaime Sue Morris

Head of Investor Relations

Good afternoon, everyone. Thank you for joining us to discuss our Q1 2026 results. With me today is Roblox's Co-Founder and CEO, David Baszucki; and our Chief Financial Officer, Naveen Chopra. Before we begin, I would like to remind you that our commentary today may include forward-looking statements, which are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those described in our forward-looking statements. A description of these risks, uncertainties and assumptions are included in our SEC filings, including in our most recent reports on Form 10-K and Form 10-Q.

You should not rely on our forward-looking statements as predictions of future events, and we disclaim any obligation to update these statements, except as required by law. During this call, we will also discuss certain non-GAAP financial measures. Reconciliations between GAAP and non-GAAP metrics can be found in our shareholder letter and supplemental slides, which are available on our Investor Relations website. With that, I'll turn the call over to Dave.

David Baszucki

Founder, President, CEO & Chairman of the Board

Thank you. Good afternoon, and thank you for joining us today. We continue to make progress towards our target of capturing 10% of the global gaming content market on our platform and an even greater share of the U.S. market. In Q1, we had revenue of \$1.4 billion, which grew 39% year-over-year; bookings of \$1.7 billion, which grew 43% year-over-year. And I'll note that's roughly twice what we've shared with investors as our long-term growth trajectory. We generated \$629 million in operating cash flow and \$596 million in free cash flow, up 42% and 40% year-over-year, respectively. Monthly unique payers increased to 31 million, up 52% compared to a year ago. And we had strong payer growth in international markets and continued solid growth in the U.S. and Canada, up 19% year-over-year on a larger payer base.

We also saw year-over-year user and engagement growth, DAUs of 132 million, up 35% year-over-year and DAUs outside of the U.S. and Canada grew 40%. DAUs in the U.S. and Canada grew 17%. DAUs in Japan grew 96% year-on-year in Q1 and DAUs in India grew 84%. Hours Engaged were at 31 billion, up 43% year-over-year. Outside of U.S. and Canada, that number grew 50%. Hours in the U.S. and Canada grew 21%. Hours in Japan grew 101% year-on-year in Q1 and hours in India grew 91% year-on-year. For our 18 and up numbers, as of Q1, over 18 users represent 26% of DAUs who have aged checked. In the U.S., DAUs and hours for the 18 and up cohort grew over 40%. And within that, our 18 through 34 cohort grew over 50% faster than any other age cohort. Additionally, in the U.S., the over -- 18 and over users on Roblox monetized over 50% higher than our under 18 users.

As we expected, DAU growth, while very healthy at 35% has declined from the roughly 70% growth rates we saw in the past 2 quarters. User acquisition and engagement was also impacted by our global rollout of age checks to access chat in January. At Roblox, we're committed to setting the global standard for healthy, safe and age-appropriate digital engagement, and we're building a platform for all ages as part of the core vision to connect 1 billion users with optimism and civility. As part of this commitment in Q1, we became the first large online gaming platform to introduce age checks to access chat on a global basis. And I want to also note we're really the first large [Audio Gap] another major announcement in our plans to introduce age-based accounts, which leverage our age check technology, and we expect this to roll out globally in June.

I want to note, because we've globally introduced age check, we've been able to introduce kids accounts within our core app. These proactive measures are setting a new industry benchmark. And also, we've been incorporating really input from policymakers and regulators around the world. Note that not all of our users have age checked even as the percentages continue to grow in the United States, we're at 65% age checked. In Australia, where we started a bit earlier, we're at 70% age checked. This is always in addition to our robust text filtering technology that we're continuously improving and also our open source voice safety tech.

We're now better able to understand the impact in the short term of age checking. For communication engagement, we have had a follow-on reduction in the percent of users communicating on our platform just because people right now who have not age checked, we don't allow them to communicate. In addition, along with age checking, we've now brand -- banded communication, so we no longer allow adults to communicate with users under 16 even with our existing industry-leading filters and with no image sharing. We believe this reduction in comms does affect both people who have age checked as well as those who have not because those who have age checked do have fewer people to communicate with.

Also, as we push towards 10% of gaming, we believe our discovery algorithms should be focused primarily on driving incremental long-term platform retention over short-term monetization, especially to grow our 18 and up user base. We're implementing this transition now. And as we continue to adjust to local customs and regulations, we do foresee some restrictions of content to both non-age check users relative to their age range and also as part of region-specific content guidelines. We believe as a result of age check also and reduced communication, discovery that we've weighted more towards monetization, we have seen a reduction in app store ratings, and we believe this may be contributing to a reduction in organic sign-ups that typically flow from app stores.

We believe the strategic upside of everything we're doing is significant and the right thing to do for the long-term health of the platform. Kids accounts and select accounts offer the long-term opportunity of increasing safety and civility, which in turn drives organic engagement growth in line with our mission to connect 1 billion users with optimism and civility. And we're unique among large platforms in our focus on the safety of users who are under 13. Especially given the reality that a large number of young people under the age of 13 have access to phones and to these other large platforms. And these platforms typically aren't designing safety systems for those under 13.

However, as a result of this, we do expect to see continued short-term bookings headwinds as a result. And this will lead to a revision in our full year guidance. Naveen will discuss more in his remarks. Now to address the short-term friction, we are taking a number of actions across several key areas. Age checking is our vision of the future, and we believe this tech will continue to scale across the industry. We expect to see continued adoption by other companies in the gaming, social networking, social media and AI chatbot spaces. Through the end of Q1, 51% of global Roblox DAUs have aged checked. As we work to set the global standard in safety, full adoption of age check will take time. We expect our new age-based account framework to drive an increase in age check penetration rates, and we're focusing on additional means to drive our percent of users that have age checked to a level that long term, we hope to bring above 90%, which then also unlocks our ability to significantly improve our native communication features.

Communication engagement is fundamental to our user engagement and retention. And following global rollout of age checks to access chat, we do see new opportunities to enhance communication features and boost engagement through our higher confidence user age data. Over the next few months, we're going to be rolling out several enhancements designed to increase communication adoption and improve the chat experience on Roblox. This includes global chat, which is going to allow players across multiple servers in the same game to communicate in a single shared room, which we believe will increase in-game chat density.

And we're also going to be integrating party chat directly into the in-game chat window, which we believe is going to remove the need for users to leave an experience to coordinate with friends. We plan to expand party chat between trusted friends when appropriate age and necessary parental consent is granted to include voice and avatar video. And as of now, we're not sharing a ship date for this. We've also planned a system for preset messages that will enable all users to easily coordinate game play.

Collectively, these investments paired with our incentives for age check will be engineered to drive on-platform communication beyond our pre-check levels and deepen user connection.

We continue also to evolve our discovery system. Last year, we enhanced really the discovery of long-tail content, and we improved content diversity. We're now focusing on high-quality games with deeper long-term engagement, and we're currently experimenting with enhanced discovery algorithms designed to optimize for 28-day retention and beyond. Some of our creators have already taken notice of I tweeted this week, and we're implementing changes on how to really create a market that levels the playing field for high-quality, long-term experiences. We continue to see an acceleration of AI tool chain use by our top creators. Nearly half of the top 1,000 creators on Roblox now leverage either Roblox Assistant, which is our own AI entry point or MCP, model context protocol to compress dev timelines. In addition to our own assistant AI, our creators are using Claude Code, Cursor, Codex and other third-party tools tightly with Roblox Studio.

These technologies are being used to support creators on everything ranging from light assistance to fully vibe-coded content. We ultimately believe gaming is a much more complex space than the coding space. And really, we're driving to achieve iterative Wiggum Loop-style programming because games are not just based on code, but 3D assets, NPC AI, core gaming loops and LiveOps, among others. We really want to get to the point where devs can have Roblox Studio working overnight on their game and come back in the morning and see those improvements. We really want to try to do a game creation, what tools like Codex, Cursor, and Claude Code are doing for coding, which is really radically accelerating speed. And we believe we're uniquely poised to innovate and solve this given the integrated architecture we have from our cloud to our engine to our developer tools to our native AI.

In April, we call that the month that Roblox Studio went Agentic. Creators can now engage in focused conversations with our Assistant about the design and implementation and test plan of new features. Assistant executes a plan now, launches a suite of building agents to test and really try to deliver new features with minimal creator engagement. We're also on the 3D side to complement coding, introducing new mesh and procedural model generation capabilities, which are going to allow creators to build richer worlds. And we've introduced NPC, which is nonplayer character testing agents that can now navigate complex 3D worlds and execute game play actions as part of really game development.

The vision for NPCs really at Roblox goes beyond NPCs you might interact with in-game or NPCs used for safety. And part of that vision is really for testing. We believe NPC testing agents can be part of a foundational model that we're building to really help creators iterate quickly on their games using NPCs in addition to humans for testing. And all of this really is to enable small teams to produce super high-quality content very quickly.

We do believe AI is going to fundamentally accelerate gaming, and we are in a unique position to lead in this transformation. Yesterday, we shared on our blog, our vision for the future of really integrated AI and gaming and the creation of photorealistic multiplayer gaming and creation that's easy for anyone to participate in. This is really our most ambitious technical innovation to date. We call it the Roblox Reality project. And this patent-pending architecture integrates hyperscale multiplayer simulation with our current Roblox cloud engine with photorealistic rendering and persistent world state into really a hybrid unified architecture built on our global edge cloud and infra.

The goal of Roblox Reality is to really enable creators to construct interactive environments that are high fidelity and really drive this new technical frontier, the ultimate introduction of the first easy-to-use multiplayer photorealistic platform that we're uniquely poised to build. More details on the blog post, if you want to read up on it. In general, on the AI side, just to wrap up, we have over 400 models running over 1.5 million inferences per second on-prem and on our cloud. This is powering in addition to creation and Roblox Reality, everything from discovery recommendations to communication safety, marketplace recommendations and 3D generation. And we're now investing in 4 in-house proprietary models, 4D generation, NPC behavior, our just shared Video Super Upsampler initiative and coding assistance and generation.

Finally, we've announced several initiatives on our novel games initiatives. As we shared, there's a very large opportunity for us in the over 18 cohort. Over 18 represents 26% of the DAUs who have aged

checked. And once again, in the U.S., DAUs and hours within our 18 through 34 cohort grew over 50% year-on-year. Today, we announced an increase in the DevEx rate for age checked 18 and up users in the U.S. Starting on June 8, creator earnings for in-game spend generated by age checked 18 and up users in the U.S. will increase from 37.8% -- up to 37.8% from 26.6%. I want to highlight what made this possible is age check. Games to do this must meet our definition of novel games, which means they're going to utilize our R15 Avatar framework.

We're also now working with several well-known game studios to bring reimagined versions of their beloved mobile games to Roblox. More details on this in the coming months. We also have announced an internal jumpstart and incubator program to support internal existing creators with novel game creation. The initial response to this has been amazingly strong. And with our existing creators right now with our white glove service, we have roughly 100 novel games being onboarded into the program. I recently tweeted in Q1 that we delivered a large number of technical milestones that are all designed at enhancing realism and expanding creator capabilities in parallel with the longer-term Roblox Reality project. These are all designed to support high-quality, immersive experiences that scale dynamically from 2-gigabyte Android devices all the way up to high quality on a gaming PC.

We've introduced our new R15 plus Avatar framework with dynamic heads, and this provides a foundation for more lifelike avatars on the platforms, just like recently released Avatar makeup. Together with some of the deep tech like instant streaming, mesh streaming, texture streaming, server authority and slim, these are updates that are removing the barriers that our creators have seen in creating more and more original experiences for older users. We're committed to the long view. Our confidence in the future of gaming on our platform has never been higher. And with that, I return and turn the call over to Naveen.

Naveen K. Chopra
Chief Financial Officer

Thanks, Dave, and good afternoon, everyone. I'm going to share a few observations about Q1 and then discuss the changes to our guidance. So with respect to Q1, as Dave highlighted, we saw strong top line growth of 43% in bookings. I think that demonstrates the ability of our platform to grow at a very healthy rate without the benefit of viral hits. We also saw an improvement in content diversity. Games outside of the top 10 saw 43% growth in engagement, 41% growth in spending. And as a group, those outside the top 10 games accounted for 65% of the growth in spending. We think this is a healthier level of concentration than what we've seen in the recent past.

DAUs did come in weaker than anticipated. We'll talk about that more in a minute. But very importantly, I want to point out that user metrics like engagement and monetization remained stable relative to the year ago period. Now as Dave pointed out, we made a number of important safety-related changes to the platform, starting with the age gating of comms in January. You'll recall that on our last call, we noted that we expected some headwind to engagement and bookings as a result of the rollout of age checks. We now better understand what I call the second order impacts of reduced comms engagement on things like word-of-mouth and organic content growth.

Additionally, the monetization bias of our recommendation engine likely negatively impacted app store ratings and ultimately sign-ups. We do have additional safety features, including kids and select accounts rolling out later this year. Those have huge long-term benefits. We've always viewed safety as a compounding moat for Roblox, and these features are an important ingredient to that. But it does mean continued friction in the short term until we get the benefit of continued adoption of age checks, the planned updates to our comms features that Dave described, which we believe will improve chat vitality and chat density and discovery enhancements that result in better content recommendations. As a result, we are lowering our guidance for full year top line growth to account for a continuation of the safety headwinds that we've experienced to date.

Our revenue guidance for the full year will now be 20% to 25%, and our full year guidance for bookings growth is 8% to 12%. That guidance is based on the expectation that DAUs will continue to contract between Q1 and Q2 and then return to sequential growth in Q3. And consistent with our prior guidance, we do not assume any major viral hits in those numbers. The reduction in our bookings expectation will also impact margins this year. As you would expect, much of that is related to fixed cost deleveraging

given the change in our bookings expectation. Although roughly 1/4 of the margin reduction relative to our prior guidance is related to the incremental investments we're making in AI and the 18 and over DevEx increase.

Now even though those investments are incremental to our prior margin expectations for this year, in future periods, we plan on them being funded by the capture of additional operating leverage. And even more importantly, we are highly enthusiastic about what they can unlock in terms of long-term growth, which, of course, continues to be our North Star. With that, we'll open the line for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Eric Sheridan with Goldman Sachs.

Eric James Sheridan

Goldman Sachs Group, Inc., Research Division

Maybe a 2-parter, if I can. With respect to incenting the development out of the 18-plus community, I wonder if you could go a little bit deeper into what signal you were getting in terms of that type of content from developers in terms of what it might mean for the long-term health and compounded growth longer term for the business? And second, with respect to the change on DevEx, maybe just help us better understand why that was the right number to move to in terms of higher DevEx.

David Baszucki

Founder, President, CEO & Chairman of the Board

Great question. There's a big invention on Roblox a while back when we moved from a platform without Robux and DevEx to DevEx, and we saw immediately that the incentive of creating a closed-loop ecosystem where Roblox could be used by our users, devs could build interesting experiences, they could then cash those out, created a virtuous cycle really that's been somewhat of a machine driving Roblox ever since. And we've seen massive organic behavior from that virtual economy. We've been very careful in increasing the creator DevEx rate over time, but we have slowly increased it as we did at RDC recently.

The 18 and up market, now that we have age check we can know quite accurately who's a real 18 and up player. And in addition, that market globally is roughly 80% of the global gaming market, which is somewhat astounding given our low actual penetration, although quickly growing penetration. Those users also, as we shared, monetize at 1.5x where we are today. And that's a big part of our future in addition to our existing U18 base. So we know systems drive behavior. We want to see novel games on our platform. We want to make it very profitable for creators to make amazing content. We want them to trust our discovery systems, will organically reward experiences with long-term retention. And so this is just a continuation of Roblox being a systems company, focusing on this big area we're moving towards.

Operator

Your next question comes from the line of Matthew Cost with Morgan Stanley.

Matthew Andrew Cost

Morgan Stanley, Research Division

Naveen, maybe if you could just dive one step deeper into the reduction in the guidance. I think you gave a lot of really helpful detail about the behavior of people related to age check. Is the entire guide down driven by the change in behavior versus February that you've observed because of age check? Or are there other material factors that are worth calling out? That's question one. And then the second is just on Roblox Reality. Are there any increased cloud expenses or CapEx that you're expecting to support that going forward?

Naveen K. Chopra

Chief Financial Officer

Yes. Thanks, Matt. So with respect to the guidance, the way that I would characterize that -- or excuse me, the change in guidance, the way that I would characterize that, it is largely safety related. There are a number of aspects to that, as we spoke about, it's age checking. It has a follow-on impact to comms, and that affects both users that have age checked as well as those that have not. And there's a number of things, as Dave laid out, that we're doing from a product perspective to reignite comms engagement on the platform.

We do also believe that some of the dynamics that we saw around discovery being sort of more monetization biased than we would like plays into that. Content recommendations were probably not as optimal as we would like to see them. So I'd say it's really the combination of those dynamics, but largely driven by what we're doing from a safety perspective. In terms of Roblox Reality, Dave, did you want to comment on that?

David Baszucki

Founder, President, CEO & Chairman of the Board

Yes. So First off, Roblox Reality will not be free. The type of technology we're showing here is going to combine the Roblox hybrid engine and cloud, which I think if we -- you look into all of our financial statements, you can see we run at less than \$0.01 per hour roughly. But simultaneously, what we see is the future we're building close to photoreal or photoreal experiences, especially when multiplayer is very difficult. It takes enormous production budgets. And part of what Roblox is about is democratizing creation for everyone. We do believe this is the ultimate combination of both traditional 3D network multiplayer gaming engines like Roblox, which is somewhat unique given its cloud with all of the future research we see in video models moving more and more towards real time.

We have the opportunity to build a very Roblox-specific video world model that we call a super upsampler that can key both on video as well as 3D spatial information to do arguably what we believe is going to be a beautiful job of upsampling under developer control with developer prompts. But I do want to highlight we're right on the edge really in the whole AI space of running real-time photoreal video models 2K at 60 hertz. And that's why we say this is an up-and-coming project. When we launch this, this will not be free. This will use cloud compute. We will have some kind of way of subscribing or paying for this.

And because of that, I think we will offset the real-time inference side of it. On the training side, we may have additional things. I don't think we are fully showing them this year. Naveen may have a complement on that.

Naveen K. Chopra

Chief Financial Officer

Yes. Just to put a finer point on the expense side of it. We have not changed our expectations for CapEx this year. We think that a lot of what we're doing in terms of landing GPUs in our data centers will cover what we intend to -- or what we're going to need this year. There is some cloud training that we will be doing. I mentioned that, that is now factored into the updated margin guidance. And as this technology continues to develop, we will use a combination of cloud as well as our own data center capacity to execute both training. And as Dave said, inference will be something that will be funded by usage.

Operator

Your next question comes from the line of Ken Gawrelski with Wells Fargo.

Kenneth James Gawrelski

Wells Fargo Securities, LLC, Research Division

Two, if I may. Maybe first, could you maybe, Naveen, just talk a little bit about what you've seen -- I mean, I'm a little puzzled on 90 days ago, the guidance of [20% to 26%] and that you gave the first quarter guide, which came near the high end. And now where the guide is meaningfully cut for the full year. Again, I'm focused on the booking side. Could you just tell us, I mean, how much of this is -- impacts that you're seeing kind of already in the 2Q period versus the expectation of some of the changes that are rolling out in the June period?

And then maybe secondly, for Dave, please. Could you talk about like just philosophically, the changes you're making in terms of what content can be discovered by younger users. There's some changes that involve kind of embargoing of some content. How does it fit with your notion of democratizing kind of publishing content and discovery? There's kind of -- it feels like a little bit of a tension between content safety and moderation and kind of democratizing the platform. Could you just talk about where you see the balance of those 2 things today?

Naveen K. Chopra*Chief Financial Officer*

Hey, Ken, I'll actually start on the first one and then hand it over to Dave. So look, we launched age check in January. And as we said, we expected to see some headwind both in terms of hours and DAUs. I think what we did not fully understand until we have now the benefit of 3, 4 months of experience is how that impacts the platform more generally with respect to comms engagement and the knock-on impacts from that. Now I want to point out a couple of really important things. Number one, when we look at what has happened over the last few months, as I noted, engagement has actually remained quite strong. Monetization has remained strong and retention has remained strong. What we have seen is challenges at the top of the funnel, i.e., new users coming in. And the reality is when we think about the rest of the year, we're not going to see the bookings impact of that right away, hence, the performance in Q1.

But we do know that the fact that we had more sign-up headwind over the last few months is going to put pressure on bookings over the remainder of the year. However, when we start to get back to DAU -- sequential DAU growth in Q3, given the strength of monetization and engagement, we feel confident that we will be able to drive the bookings growth that we're guiding to, which given the comps in the back half of the year, equates to something like relatively low single digits. So we're not trying to do something heroic in the back half of the year, and it is largely driven by return to DAU growth.

David Baszucki*Founder, President, CEO & Chairman of the Board*

Great question on democratizing really creation. Two metrics you can look at Roblox at over many of the past years. The first is total dollar value creators participate in, what's the size of DevEx every year. That's growing very rapidly. And then the second is the growth rates of creator 1, 10, 100 and 1,000 consistently -- the number goes up the total amount and the growth rate of creator 1,000 is consistently faster than 100, 10 or 1. So that's a metric to measure democratization. We believe -- I believe that will continue.

Relative to what we've done with kids accounts and select accounts, we believe we're striking a very good balance, and we have this ability to strike this balance because we age check. Other platforms that don't age check have a wide range of users signing up at various ages. We know what age everyone is, and it more allows us to align the appropriate content with them. We are doing that with kids and select accounts. The corpus of that content is going to be very, very, very large. It's going to cover the significant proportion of what they play today. And it's going to allow creators to participate in a UGC space for 16 and up to introduce innovative concepts and to allow us to be very careful with what content reaches under 16. So I'm optimistic you're going to continue to see that democratization.

Operator

Your next question comes from the line of Cory Carpenter with JPMorgan.

Cory Alan Carpenter*JPMorgan Chase & Co, Research Division*

I had 2 that are related. Naveen, you mentioned a few times now expectations to return to DAU growth in 3Q. I understand it's a seasonally strong quarter, but you're also rolling age-based accounts out in June. So maybe just talk a bit about what's giving you the confidence in the return to DAU growth that quarter. And probably on a related point, could you just elaborate a bit on the changes you're making to address some of the communications friction points you've seen and what the time line of rolling those out is?

Naveen K. Chopra*Chief Financial Officer*

Yes. Thanks, Cory. I'll hit the first part, and then I'll let Dave talk about some of the changes we're making on the product side. So look, the reason that we are speaking to DAU growth in Q3 are a few things. Number one, as you pointed out, it is a seasonally strong quarter. So we expect to continue to get some tailwind from that. Number two, we will have a number of the product changes that Dave is going to touch on in a second, rolled out by that point in time. Number three, to your sort of speculation around the

impact of kids and select accounts during that period of time, we don't expect that to be as dramatic as what we did in January with respect to comms.

And what I mean by that is when we started age gating access to comms, it was a binary experience for our users. They lost complete access to comms. And as we've spoken about, that had a number of knock-on impacts in terms of overall sort of vitality on the platform, sentiment, app store ratings, et cetera. What we're doing with kids and select accounts will have some impact. So it's not sort of immaterial. However, it's not as big a change because kids are going to come in or people who have not age checked, they will still have access to 20,000 games that represents more than 97% of the engagement on the platform from those cohorts. So it's not nearly as sort of drastic of a change as what we saw with age gate and comms. So that's kind of how we're thinking about the impact of all this stuff over the next couple of quarters. Dave, do you want to touch on the comms road map?

David Baszucki

Founder, President, CEO & Chairman of the Board

Absolutely. So some of these things are in the pipeline and live in experiment. So I believe Global Chat is actually live in an experimental mode with a subset of our users right now. And I do want to highlight this is a way to give that feeling of chat density even if a subset of people are not a checked and not on comms because this will allow people playing the same experience to connect with people close by in a separate server. Also, with preset messages, this is a way to support what is very common in Roblox Games, which is game play coordination, not necessarily full-on chat that we believe can safely be used across age bands. This is in the hopper pretty soon. And then the bigger initiative is really to move party chat fully natively within experience, arguably played on second device a lot of the common functionality that friends use when playing Roblox, either text channel or voice channel side by side. We're not giving a date on this right now, but this is, I would say, the third top priority for our comms road map.

Operator

Your next question comes from the line of Jason Bazinet with Citi.

Jason Boisvert Bazinet

Citigroup Inc., Research Division

I just had a quick question on the over 18 sort of DevEx incentives you're giving. What have you learned in terms of when you roll out incentives like this and the developer community responds and then the users respond to the developer community, how long does that gestation period take? I know it's a difficult question but...

David Baszucki

Founder, President, CEO & Chairman of the Board

It's a great question. This is a Board-level discussion prior to doing DevEx at all where there was a time where Roblox was a hobby for many. And as part of that hobby, there was no way to make a living on Roblox, much less create a studio that makes \$10 million or \$20 million or \$50 million. What we have seen over time is the second we introduced DevEx and Roblox, the quality of the experiences on Roblox got much greater, much more quickly because creators were able to make that a full-time job, dedicate their life to that. And that's why we've evolved to the point where we literally have thousands and thousands of people who make their living on Roblox.

The other thing we've seen over time is we have continuously made incremental updates to the DevEx rate. It started very low. It's climbed. We introduced it at RDC. And so we have a fair amount of anecdotal evidence that when creators can trust, they will make a certain amount of revenue from their experience, they will commensurately put more effort into the creation of quality experiences. So it's really been part of the Roblox history. We've seen it time and time again pay off in higher quality content that creators can trust to build.

Operator

Your next question comes from the line of Andrew Marok with Raymond James.

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Andrew Jordan Marok*Raymond James & Associates, Inc., Research Division*

I was wondering if you could give a little bit more detail on the shift in discovery algorithms that you had mentioned in the prepared remarks, going from some of the shorter-term monetization factors to the longer-term health factors. How does that maybe evidence from a user perspective? And then how does that maybe encourage that increased chat density over time?

David Baszucki*Founder, President, CEO & Chairman of the Board*

Yes. I would say from a user perspective, this is something I believe our creators and ourselves and me included, can intuitively literally see on our home page which is the quality and the types of experiences and the ratings they may show. And our creators have noticed this. We've made great leaps in discovery in using ML to predict many factors for each user game pair in the whole system. Now that we've developed this capability and this muscle, if you will, we have analyzed where we are and the potential for 18 and up and made the determination we really want to drive the user growth of that 18 and up segment even if we are slightly less weighting short-term monetization.

So we can see it intuitively, and I would say our creators have noticed as well. And our creators welcome it because they want to really invest in long-term retaining high-quality properties, and it's somewhat frustrating for them when they might see a shorter-term monetization type game that really isn't going to be around for a long time. So I would say both intuitively as well as systemically, we believe it's the right thing to do.

Operator

Your next question comes from the line of Omar Dessouky with Bank of America.

Omar Dessouky*BofA Securities, Research Division*

So I wanted to point out that I think in the third quarter of '25, your European and U.S. daily active users were about 60 million. In the first quarter, it's 51 million. I think you've characterized in the past that the kind of the viral surge in the third quarter was a big user acquisition event and that a lot of your users look the same. So I wanted to know if you would still kind of consider that as a high watermark that you can get back to if you simply get through these growing pains that you talked about today? Or if, in fact, that the retention that you thought you had will not materialize?

Naveen K. Chopra*Chief Financial Officer*

Yes. Omar, it's Naveen. I'll take that. First of all, just to put into context some of what you're seeing with respect to the DAU trend for Europe and U.S., don't forget that there's roughly, I think, 4 million DAUs that came out due to the Russia block. So that's an important thing just to note. That being said, sort of -- with respect to, call it, the broader question, we expect that we will return to DAU growth as we get through some of the safety friction on the platform. What we've said in the past is that the users that we acquired through viral games last year had similar retention characteristics to, call it, the platform at large. That, I think, continues to be true. As I mentioned a few minutes ago, when we've looked at what has happened over the last few months, sort of the nature of this friction, retention has remained strong.

The reason that DAUs have come in weaker than we expected is largely top of funnel. sign-ups, which we believe is related to what we've seen in terms of comms friction and how that's been reflected in organic growth through the app stores.

Jaime Sue Morris*Head of Investor Relations*

Operator, we'll take one more question.

Operator

Your next question comes from the line of Brian Pitz with BMO Capital Markets.

David Marshall Lustberg

BMO Capital Markets Equity Research

This is David Lustberg on for Brian. Dave, you talked about working with some well-known studios to bring their mobile games into the Roblox ecosystem. On the conversation of higher DevEx for certain things like over 18 cohorts. Can you talk about your expectation for how the revenue share with some of those creators might compare to the broader mix shift revenue share on the platform?

David Baszucki

Founder, President, CEO & Chairman of the Board

We do everything linear and we do everything as a system. So I believe it's safe to say, looking around the world, we've never cut a custom revenue share deal. Like we've had lots of discussions in the past about accelerators and deaccelerators and all of that. But DevEx is consistent across everyone. The benefit of raising it for 18 plus is those studios we're working with are going to get that as part of it. And one of the most attractive things to the studios we're working with, whether they are traditionally a mobile game creator or a PC game creator is there's something very unique about the Roblox architecture in that it is the same build, the same game, whether it's PC, tablet, console or PC.

It's dynamically scaling with a lot of the tech we mentioned, whether it's slim, streaming textures, streaming mesh. And so there is the ability to unify a single build for both of those platforms, which is very attractive to a lot of the studios we talk to. Okay. So I'm getting the cue. So we're going to wrap up here. I appreciate all of your questions and feedback, and I'll kick it back to Naveen to see, Naveen, if you have any closing remarks.

Naveen K. Chopra

Chief Financial Officer

No, I just want to thank everyone for joining us this afternoon, and we look forward to speaking to you in next quarter.

Operator

This concludes today's conference call. You may now disconnect.

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