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Earnings Call

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Presentation

Operator

Good afternoon, everyone. My name is Regina, and I will be your conference operator today. Welcome to Roblox' Second Quarter 2026 Earnings Conference Call. [Operator Instructions] I will now 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 Q2 2026 results. With me today is Roblox' 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 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 materials, 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, I'll start with a few remarks about the quarter, and then I'll turn it over to Naveen to discuss results and guidance. And then I'll conclude with some important updates about how we plan to achieve our long-term goals.

We remain steadfast in our goal to capture 10% of the global gaming market and an even greater share of the U.S. market. Against the backdrop of the incredible growth we delivered last year, in Q2, we delivered healthy year-over-year growth in users, hours and cash flow. And while bookings growth fell within our guidance range, it was below our internal goal, which we will discuss in detail on today's call. Before I hand it over to Naveen, I want to give some updates on the business.

First, let's talk about safety. In the first part of this year, we made the decision to age check everyone on our platform and to limit chat only to those users who have age checked. We've made significant progress this quarter. As a result, age-check penetration has increased to 57% globally. And in the first countries where we rolled it out, Australia is approaching 80%, and the U.S. and U.K. are at 70%.

With the under 18 segments, we're making enormous progress with the U.S. under 18 at 75%. And in addition, of course, to our filters, industry-leading safety, we don't allow image sharing in chat; and in conjunction with age check, we implemented age-banded communication.

We've also introduced new comms products. We'll share a bit more about that. And on the content side in June, we successfully rolled out age-based Roblox Kids and Select accounts. We believe accurate age data amplifies our conviction in the long-term growth potential for the platform.

On the discovery side, in the last few months, we shared with our community our strategic decision to focus our discovery algorithms directly on measured long-term retention. We have seen this impact monetization primarily in the U.S. under 13 cohort, and this has been exemplified by a lower frequency of impressions with games that emphasize short-term monetization rather than long-term retention. It's still early, but our data shows a positive lift in quality, stickier engagement games; and the benefits of higher retention, we believe, outweigh the near-term impacts we're seeing as improved retention and engagement compound into future growth.

I'm going to now turn it over to Naveen to address some specifics, and then I'll be back to talk about our future plans.

Naveen K. Chopra
Chief Financial Officer

Thanks, Dave. I'm going to share a few details about the quarter and then also discuss updates to our outlook. For the quarter, revenue grew 36% to $1.5 billion and bookings grew 8% to $1.6 billion. As Dave mentioned, this was at the low end of our guidance, and we'll discuss more about that in a moment. We finished the quarter with 123 million DAUs, up 10% year-over-year, and hours grew 5% to 29 billion.

In addition to building on the existing scale we have in the United States, we continue to see strong year-over-year growth in many international markets. For example, DAUs in Japan grew 67% and DAUs in India grew 64%. And similarly, hours growth in Japan and India was 61% and 59%, respectively. We also saw users in Russia come back online as we were unblocked there late in the quarter. On the bottom line, operating cash flow was up 60% year-on-year to $318 million, and free cash flow of $294 million was up 66% year-over-year.

From a content perspective, our platform is getting more diversified while maintaining a steady velocity of new content. Case in point, 3 years ago, our top 10 games accounted for about 30% of all the hours engaged on Roblox. Today, the top 10 games account for approximately 20% of hours. And in terms of user metrics, new user sign-up activity improved throughout the quarter, benefiting from seasonality and the reinstatement of Roblox in Russia. Retention of existing users remained stable, and engagement hours were in line with our expectations.

Monetization, however, as measured in bookings per hour, was below our forecast, particularly with under 13 cohorts and was the primary factor impacting our bookings performance. We attribute the unforeseen monetization shortfall to a greater-than-expected shift of engagement from high monetizing 2025 vintage viral games to a combination of new and evergreen experiences with lower hourly monetization. This underlying mix shift was compounded by changes in our recommendation algorithm, which optimizes for long-term retention and is, therefore, providing more impressions for highly retentive games at the expense of near-term monetization. And in Q2, the bookings impact of this trade-off on younger users was greater than we anticipated.

Although these discovery changes add to the variability of our business, our testing suggests that the long-term benefit to retention will more than offset the short-term monetization hit, particularly as we continue to improve the algorithms by doing things like using age-check data to better target recommendations by region and age cohort, which, over time, should help mitigate the monetization headwind we saw in Q2.

Another albeit less significant factor in the monetization shortfall was the impact of our decision to disable the sale of cross-experience game passes. Looking ahead to Q3, we expect sequential DAU trends to benefit from seasonality, the unblocking of Roblox in Russia and our discovery changes.

But monetization weakness is likely to continue. And as a result, we forecast Q3 bookings to be between $1.58 billion and $1.65 billion, which, given the tough comparisons, translates to a year-over-year decline of 14% to 18%. From a margin perspective, the reduction in bookings will result in fixed cost deleveraging. Additionally, investments in AI-powered initiatives like Build, Roblox Reality and Moments are expected to result in higher infrastructure costs. For Q4 increasing variability and continued updates to our platform lead to a wide range of potential outcomes; and therefore, we are not providing revised full year guidance at this time.

While our expectations for the remainder of the year have changed significantly, we have conviction that we're making the right trade-offs to continue our role as an industry disruptor. Investments in AI, content diversification, long-term retention and safety, though creating near-term friction, position us to maximize our share of the global gaming market.

With that, I'll pass it back to Dave to talk about some of our future plans.

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

Thanks, Naveen. Since we started the company, we've been on a mission to support play around the world, and we believe the world needs more play. We can all see it right now given in light of really everything going on in the world. And this fundamental need is part of what gives really all of us conviction in Roblox' ability to deliver long-term growth in excess of 20%.

We set our goal of expanding play everywhere with a targeted 10% of global gaming running on Roblox; and in the U.S., we've shared that our goal is to go well beyond 10%. Today, we estimate that 20% of U.S.A. under gaming revenue flows through Roblox. We've done this through the power of our platform and the creativity and diversity of user-generated content; and in this cohort, we validated the power of our ability to unify discovery, economy, tools, engines, safety and cloud infra. While we did experience softness in our younger users monetization this quarter, we believe our monetization system is fundamentally strong and will compound over time with additional levers, including subscription and advertising revenues.

We've established, unlike really any other company at our scale, our commitment to setting the global standard for safe digital engagement. And with younger users, in particular, long term, we believe this is a tremendous benefit to have such strength among younger cohorts; and this will contribute, we believe, to fuel long-term growth.

The 18 and over market is 80% of the $200 billion global gaming market, and we believe we're uniquely poised to expand play in this 18 and over market in the same way we have for under 18. Today, in the U.S., our 18 and up cohort represents nearly 1/3 of our now age-checked daily active users, and our U.S. 18 to 34 cohort daily active users and hours are growing at approximately 40% year-on-year. And our 13 and up cohorts around the world continued to show strong growth. In addition to our viral growth worldwide in under 18, we have the opportunity to power 18 and up growth with increasing paid acquisition as we continue to improve product market fit. And besides safety, the majority of our product and technical investments supporting growth in 18 and up also benefit younger audiences.

We've recently launched 3 initiatives that will support our continued growth in the 18 and up market segment. First, as we shared, we're removing self-imposed limits on the types of games we support on Roblox. Second, we've redefined our app to align with physical play including discovery. And third, we're reconnecting with our core promise that anyone can be a builder.

First off, we want all types of gaming on Roblox. We're not that far away from having the technology in place to support the vast majority of games that people play online. On one end of the spectrum, we believe players are looking for multiplayer experiences that will ultimately mirror physical reality. Even since our start, we've had the goal of photorealism and unlimited multiplayer scale; and with our announcement of Roblox Reality, we're well on our way to being the first company to bring photorealistic multiplayer to life and to the masses. We see a future where games really will become indistinguishable from movies for certain types of games. And we can see this quality today in offline AI video tools. We believe we'll soon see this in real time with Roblox Reality.

Now gaming is also simultaneously spontaneous and single player and 2D for many people. And up until today, we've been focused on 3D, and we've held back on initiatives to support high-performance 2D tooling and gameplay. Going forward, we're doubling down on our support for everything from 2D puzzle games to strategy. With Roblox Reality and a focus on 2D performance, we're expanding the bookends of what we believe will be possible on Roblox.

This week, we've announced a unified vision of our app that includes bringing video discovery and creation front and center to all users. We've announced this week, we're integrating Moments into our homepage for 16 and up users; and we've begun testing for 16 up users in Canada, New Zealand and Singapore. We're expanding the Moments feed to include short-form influencer video in addition to game captures;

and we believe, ultimately, Moments will be available for all with appropriate and safe educational content for younger players.

Ultimately, we'll expand Moments with tiles that let users watch creators or view live gameplay in real time, so you can see what your friends are playing. Our early tests show substantial gains in Moments user retention, and we're very optimistic about Moments.

We'll ultimately be moving to full 3D games in the Moments tab, and this will become integrated with games created through Build. Together with Build, this means you can watch a game in action and then play it with one tap, creating really a unique path all the way from discovery to this new wave of content from Build.

On the communications side, continuing our dialogue from last quarter, we're committed to leveraging our world-class industry-leading safety infra to build the highest quality integrated voice, video and text comms on the Roblox platform. We've already shipped Global Chat and Quick Words. And today, a significant portion of our users still do utilize off-platform communication tools. Our roadmap is to provide users the option to video chat with friends or stream with their Roblox avatar.

Because all comms that originate within Roblox will accompany users as they move between games, they deliver a safer, richer, more immersive connection than any off-platform alternative. And as a first step in Q3, we'll be deploying In-Experience Friend Chat, which brings real-time text messaging directly into any Roblox game.

Creating a game is much more complicated than writing code. Games are built with code, images, graphics, audio tracks, 3D scenes, avatars; and of course, with enormous creativity, we believe we have a unique opportunity to accelerate game creation based on our integrated and vertical stack. Last week, we announced Build, an extension of our vision that everyone in the world can be a game builder, and we're leveraging our internally generative AI models to create a conversational interface. So anyone who can imagine something can describe it and shape it with others and then ultimately bring it to a playable experience to life in minutes.

For the creators that are already building with us, we believe this will be about practical leverage, helping them build faster and to reach the right audience more effectively. Build will be fully integrated with Roblox Studio, and the AI powering Build will allow users to start an experience in Build and ultimately finish it in Roblox Studio.

We're already live in New Zealand with Build. I just want to highlight. We're seeing a large number of creations flowing through the system already, literally, people fulfilling our vision of you make the game.

Now just as coding, it's not just the model, but we believe with Build, it's the integration of a harness, tools and skills; and ultimately, our vision is many models unified in one harness using our cloud back end and infra to come full circle. The other cool thing about Build is it really integrates with what we said about removing the bookends. Many people who are using Build will want to build 2D experiences or 3D, and Build will leverage this with our back end to support everything in between. Given our discovery focus on long-term retention, we're comfortable that we're in a position to appropriately surface the high-quality creations with Build even as the quality of creation increases.

We're really navigating a period of normalization, we believe, following a year of massive growth. We have tremendous scale and engagement, which presents us with a unique opportunity to amplify our long-term potential. To capitalize on this momentum, we're doubling down on our vision that the world needs more play. And we're bringing to life really the original vision of our company, which is you make the game, by expanding our global audience, broadening our content offering and deepening engagement for our users and creators. I've never been more excited about our mission and more excited and confident in the road ahead.
With that, we'll pass back to the operator for questions.

Question and Answer

Operator

[Operator Instructions] Our first question will come from the line of Matthew Cost with Morgan Stanley.

Matthew Andrew Cost
Morgan Stanley, Research Division

I guess you've done a really helpful job on this call laying out what the long-term vision of what you're trying to build with the algorithm changes. And the Kids and Select accounts, you've done a great job of explaining what that's meant to get to over the long term. I guess between here and there, what are you watching? And what should investors be watching to help determine when the engagement headwinds from those changes have peaked? And then sort of connected to that, when we think about the expectation of user growth sequentially in the third quarter, is that just a function of seasonality? Or are there any improvements in the trajectory as you've exited the second quarter?

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

I have a list. Naveen, do you have a list? Do you want me to go first? Or you want to go first?

Naveen K. Chopra
Chief Financial Officer

You can go first, and I'll catch the last couple of parts to that question.

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

Yes. Matthew, great question. I think a couple of things to watch. In our U18 segment, we've laid out on this call really where we're going; and that includes, we believe, finally, we'll be fulfilling that original vision of you make the game. Not every user can figure out how to use Studio or make a game. What we see already in New Zealand is more people per day on Build than on Studio. And we do think, ultimately, AI creation of gaming is going to be something that sits side by side playing games. So I think watch for frequency in under 18.

We also expect to be fairly generous in the amount of AI or tokens in the build process. But for those users that are using Build all day long, we will, within our Roblox Plus subscription, add the ability to increase what will be called token somewhere else. We'll have our own name for it. watch our subscription for under 18 as well. And then I would say also as we roll out continued comms platform, watch for that.

Over 18, we're laser focused on a couple of cohorts in that and the growth rate in those cohorts. And we're laser focused on the type of content that's being created by our creator ecosystem that we believe will be more and more retentive in those cohorts. So I would watch the growth rates in over 18. I shared a bit of what they are today because those point to 80% of the market that we can -- we believe we can do the same thing and as we've done under 18.

Naveen K. Chopra
Chief Financial Officer

And then just a couple of the things you asked about, Matt, in terms of sort of the near-term friction and then DAU trends. I just would clarify, you talked about near-term engagement friction. That's really not what we're seeing. We're actually pretty happy with the engagement trends that we've seen. I talked about some of the health that we've seen in sign-ups, retention, et cetera. So engagement looks good. The weakness that we saw that was inconsistent with what we expected when we put our original plans together for the quarter was really around monetization. And that is going to continue as we continue to evolve some of what we're doing around discovery and recommendations.

The DAU trends themselves, seasonality is definitely a big factor there. We're going to get a full quarter benefit from having Russia back online. And so those are probably the 2 big ones that I would highlight with respect to DAU trends.

Operator

Our next question will come from the line of Ken Gawrelski with Wells Fargo.

Kenneth James Gawrelski
Wells Fargo Securities, LLC, Research Division

Two if I may, please. Could you maybe first touch upon the updates to the discovery engine? You did a good job of explaining that in the letter but maybe if you could talk about when you expect to see some of these longer-term -- the longer-term retention benefits filtering into both engagement gains and also potentially monetization gains. Just if you could walk us through kind of maybe the time line and your expectations there.

And then second, if I may, please. Naveen, could you just talk about, as we're going through this transition and it's -- and the push for over 18 and new content, could you talk to us about any changes you might expect in the cost structure? How either -- from either a DevEx standpoint, from a tech standpoint or platform standpoint, how might the financial profile of the business look in success 12 to 24 months out relative to the prior 12 to 18 months?

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

I'll start with the discovery algorithms. I touched on, as we continue to refine discovery, what any discovery algorithm is really trying to do is connect users with experiences that both drive long-term enterprise value and simultaneously give signals to creators of what types of experiences are rewarded with discovery.

So it's a complicated process. It involves both feedback to creators as well as feedback to users. And watching social, we've implemented and improved our algorithms over the last few months. There's been a resounding support in the feeling that we're moving more and more to evergreen type games, games that keep players around for a long-term, essentially the exact opposite of what might be called, not that we're saying we had it, but more clickbaity or kind of cash grabby type games. We want to be as far in the evergreen segment as we can.

We made the decision as we started going down this next gen to go longer into the time frame to measure signals longer. We made the decision to use that feedback loop to update the algorithm even as we're running additional tests. And we've really churned our discovery system from something that's baked in to something that in a way is constantly self-improving and self-estimating our best guess at what user game payers will drive the best long-term retention.

We're balancing that more and more with what we think is the optimal mix of long-term retention and long-term monetization. And in our experiments, as Naveen said, we can see shorter-term reductions in monetization but then crossover points and longer-term improvements. We're not going to share exactly what the crossover point is, but this is the reason we implemented and have gone with this. So it's directly measured retention. It's less projecting. It's more direct measure of both retention and monetization.

And one other thing. As we introduced Build and we expect the volume of creations to grow much higher on Roblox, we believe this algorithm is very resilient to both finding great new build games that will be playable by all and simultaneously not flooding users with games that might have an AI kind of name to them that aren't as long-term retentive.

Naveen K. Chopra
Chief Financial Officer

All right. And then, Ken, with respect to your question on the cost structure. There's a couple of important things to highlight here. First, our view of the long-term margin potential of the business really has not changed, meaning the kinds of things that are going to drive margin expansion over time are still in place. Obviously, continued bookings growth generates fixed cost leverage. We continue to expect to see mix to lower-cost platforms that will help COGS. And DevEx increases are something that we do intend to continue to pursue, but those ultimately are a function of us realizing fixed cost leverage in other parts of the business.

So that's point 1. Point 2 in, call it, the near to medium term, the investments that we're making in a lot of AI-powered product enhancements, I do expect to result in some elevated levels of infrastructure expense. But it's important to realize that unlike our infra expense, historically, this is more of a fixed cost because, historically, infrastructure investments have been a function of hours and users on our platform.

These infrastructure costs are largely being driven by model training. And so we're moving aggressively in that direction. But over time, we expect, given the sort of more fixed cost nature of that, as bookings grow, we'll start to see leverage on those infrastructure investments as well. But as you saw in the Q3 guidance, there is going to be some pressure in the short to medium term as a result of the incremental cloud GPU capacity that we need there.

Operator

Our next question will come from the line of Eric Sheridan with Goldman Sachs.

Eric James Sheridan
Goldman Sachs Group, Inc., Research Division

I appreciate all the comments about the progress you're making towards being 10% of the gaming market or maybe even more in North America. How do you think about the competitive landscape continue to evolve both within gaming but also among younger users where there's sort of conflicting narratives about being online versus off-line, gaming versus non-gaming in terms of time spent and how you think continually about positioning yourself relative to both the gaming landscape and even a more broader definition for the competition for time and engagement?

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

I really think the broader definition is a bigger thing than Roblox, and it is our vision that the world needs more play. And play is something that people do with each other. It's something that involves not just playing but creating. It involves being with others, communicating with others being yourself and watching them. And really, as we've redesigned our app and brought the Build as well as Moments to the homepage, it's really part of that vision of mirroring the physical world with what's happening in our digital world of supporting play.

We think just like in the real world, where play involved sometimes creating the game, I'm optimistic that we're going to see a volume of creation with Build unlike any volume we've ever seen with Roblox Studio while, at the same time, pro devs and devs making extremely complex properties will utilize all of the capabilities of Build as they move to large teams in Studio to build much more complex type creation.

So I do think what is gaming is changing. I think we're going to enter an era just like 10 years ago where most of us didn't know how to edit video. And now all young people, essentially, many of them know how to edit video on their phone. The same thing, I think, is going to happen in gaming where really with AI acceleration, everything from 2D puzzle games to complex 3D multiplayer games are going to be created on mobile, enhanced in Roblox Studio. And that's going to really change the whole landscape, I believe, of what gaming is.

So I do think the youth of today are changing, I think, play is universal, and I believe we're moving towards that original vision of really everyone on our platform is a creator and a builder.

Operator

Our next question will come from the line of Chris Schoell with UBS.

Christopher Joseph Schoell
UBS Investment Bank, Research Division

Great. Naveen, we've seen you announce the buyback since the last earnings call. Just as free cash flow for the business scales in the coming years, can you remind us how you think about capital allocation and how you'll prioritize buybacks with organic investment in M&A? And what impact does any -- if any, does the stock performance have on your willingness to maybe lean in further on the buyback relative to alternative uses of capital?

Naveen K. Chopra
Chief Financial Officer

Yes, sure. I think it's -- we're pretty clear with respect to our capital allocation strategy, meaning the first and foremost for us is making sure that we have the ability to aggressively invest in organic growth. That largely takes the form of R&D, people, tokens, infrastructure, things of that nature. We try to be very diligent and very efficient with all of those investments. But we also recognize we live in a very rapidly changing world right now, and we're going to keep a lot of dry powder to make sure that we can be highly nimble with respect to organic investment.

That being said, when we look at our balance sheet and our free cash flow trends, we have a lot of firepower to do both what I just said with respect to organic investment but also to support a buyback and potentially M&A. Our M&A historically has been largely focused on acquiring technical talent, and we have ample ability to continue to do that but also potentially bigger things in the future to the extent there's strategic or industrial logic to it.

In terms of stock price performance affecting how we think about the buyback, 2 comments on that. One, the way we have structured our buyback, which is largely to offset dilution from employee equity grants does result in us effectively buying more stock when the stock price goes down, buying less when the stock price goes up. So there is some sort of natural adjustment built into the mechanism. We do have the ability to accelerate that or supplement it, and those are obviously things that we'll continue to evaluate.

Operator

Our next question will come from the line of Omar Dessouky with Bank of America.

Omar Dessouky
BofA Securities, Research Division

I think you guys explained clearly why you gave your third quarter guide. But I was hoping that you could give us perhaps some guardrails around the fourth quarter and full year given that you're not guiding the full year anymore.

Number one, is '26 still a growth year? Would you be comfortable telling investors that 2026 bookings will be higher than 2025 bookings in total? And when we think about those factors that caused you to give your third quarter guide, how is the fourth quarter -- how are those factors going to improve or trend in the fourth quarter? What's getting better in the fourth quarter versus the third quarter? Just to kind of help us put some guardrails around what the fourth quarter could look like.

Naveen K. Chopra
Chief Financial Officer

Yes, I'll take that, Omar. As I said, we're not going to provide guidance for the fourth quarter right now simply because of all of the moving pieces that I think we articulated both in our letter and some of our comments. We feel good about where things are trending in the long term. We are navigating, as Dave said, both normalization from last year and also a number of platform changes across discovery, safety and now launching some very meaningful new products with things like Build and Moments. And the reality is it's very early days for many of those new initiatives.

There's no model that we can look at that's going to say here's exactly what they're going to do over the next 3 to 6 months. And we want to make sure that we're moving as quickly as we can on all of those initiatives. So you have to assume that the things we do in Q3 and Q4 are going to be consistent with what we said we want to accomplish over the long term, but we can't give you any more specific guidance than what I've shared.

Operator

Our next question will come from the line of Clark Lampen with BTIG.

William Lampen
BTIG, LLC, Research Division

Appreciate you guys taking the question. Maybe, Naveen, sort of the first of 2 questions, if I may, would be in the shareholder letter, you mentioned you were comfortable based on the internal testing that longer retention would ultimately overcome a reduction in hourly monetization. Could you elaborate a little bit more on that or maybe what you had seen when you had run those sort of comparisons?

Second one is very quick just on Morpheus. Could you help us think about either the magnitude of financial commitment or potentially help size the ITS headwind that we might see this year?

Naveen K. Chopra
Chief Financial Officer

Yes. So on the first one, I think Dave talked about this a little bit, too, so maybe just to put a little bit of a finer point on it. We've been running a lot of experiments and continuing to evolve these algorithms. And what we have seen when we sort of A/B test them relative to people on, call it, older discovery algorithm, is that, very quickly, there is a change in user retention, which ultimately that's a compounding effect for our business because ultimately, more users is what drives the Roblox flywheel. That also shows up relatively quickly in incremental hours of engagement.

However, there is a pretty immediate hit to dollars per hour. That's sort of the monetization metric that we look at. And we do believe that based on the curves that we've seen with, call it, a few weeks of data for each of these experiments, that those lines cross, meaning the benefit of the incremental retention will more than outweigh the short-term hit to bookings.

We're not going to put a specific time line on that right now, in part, because we're continuing to evolve those algorithms. And our focus right now is actually on finding ways to improve the algorithms such that we can reduce the near-term bookings impact while retaining the retention benefit. And there are some promising irons in the fire on that, but too early to say exactly what the impact will be. And then -- go ahead, David.

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

No, I was just going to add the longer out we look at signals and directly measure them, the longer we pick up not just early revenue but longer revenue in conjunction with that retention. We are trying to optimize a blend of long-term retention and long-term monetization that's directly measured as opposed to overly extrapolating from short-term monetization signals that may be chatty and putter out.

Naveen K. Chopra
Chief Financial Officer

And then, Clark, with respect to the second part of your question on the magnitude of the infra investments and sort of the headwind that those create, I think you asked the question in the context of Morpheus. Morpheus is one small part of many different AI initiatives that we have going on. So I'm going to answer the question sort of bigger picture.

And probably the simplest way to think about it is if you look at our margin guidance for Q3 and you look at the margin compression relative to the year ago period, I would say that about half of that is just fixed cost deleveraging coming off the back of the bookings reduction, and the other half is related to these investments in AI. And those are the things that power new features like Build and Moments, a lot of the improvements we're making on safety as well as training models for things like Roblox Reality, so all really important, exciting stuff that requires incremental investment.

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

And I want to highlight with Morpheus the significance of what we're working towards. Our goal is to provide photorealistic multiplayer gaming which does not exist in the world today. On one end of the spectrum, we're starting to have off-line video models that start to approach a 4K movie. On the other end, 3D gaming technology is getting better and better and better but is not quite photorealistic.

We believe a hybrid approach, which is both 3D synchronization in the cloud with end kind of user super up sampling to get to photorealistic is the ultimate way to do this. And the cost of infra here will initially be offset by subscription. Games will run both in regular Roblox mode as well as in super up-sampled Morpheus video photo reality mode, and we will initially expect to charge subscription to access that.

Operator

Our next question will come from the line of Clay Griffin with MoffettNathanson.

Clayton Keever Griffin
MoffettNathanson LLC

Dave, I'm curious to get your thoughts on how you see the 2D content that you're enabling with some of the announcements that you've made today. And typically, we'd like to think of mobile as more of a single player experience in many cases.

So do you envision 2D mobile content being sort of an acquisition funnel for players that are outside of your platform today? Or do you think that there's demand for that type of content on the platform today? And how do you think about what might make 2D continent on Roblox differentiated from the typical 2D mobile experience today?

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

Yes. I think when we take a step back and go to that original vision of you make the game, there's a really good conjunction, we believe, between what we're doing with Build and with what we say about removing the bookends of the type of content we want on our platform. When we start putting Build in front of people, they don't constrain themselves to saying, I want to build a 3D multiplayer obby course or I want to build a puzzle game where you do this or I want to build a multiplayer obstacle course game. So there's really a great intersection in supporting all that people want to build on Build.

The other thing is, I think many people don't differentiate necessarily between a 2D single player game, a 2D multiplayer game, a 2.5D orthographic game, a 3D multiplayer game. They just think of play. And as we get into more and more older cohorts, some of those cohorts have an ample appetite for 2D but we believe huge advantages in any experience that's built on Roblox, runs in multiple languages, runs around the world, is socially enabled, is backed by our economy, is backed by our infra and can intermingle throughout them.

So we see this really as just approaching having a wide range of gaming on the platform. And ultimately, it works with Build and that we're not going to limit what people can build when they go and imagine creating a game and showing it to their friends.

Operator

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

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

Maybe one, can you please talk a bit about the differences in monetization patterns between under 13 players and other cohorts that may have driven an outsized impact this quarter. Was it specifically related to the viral hits from last year? Or is it a general rule that these younger users are maybe more volatile in their monetization patterns?

Naveen K. Chopra
Chief Financial Officer

Yes, I'll take that. I think it's more the former, meaning if you just look at sort of the percentage of hours consumed on the platform last year that was coming from very large and high monetizing viral hits, it was very concentrated. And those games did appeal, in particular, to younger users. And so when we have seen this mix shift from -- with those games getting replaced by, call it, games with more normal levels of monetization, that shows up most significantly with these younger users.

I don't think there is anything sort of structurally with respect to changes in younger user behavior. It's really just the games that are popular at this point in time don't have that sort of very elevated level of monetization that we saw last year.

Operator

Our final question will come from the line of Aaron Lee with Macquarie.

Aaron Lee
Macquarie Research

Appreciate it. Maybe just to touch on incubator and the 18+ initiatives. It seems like that's progressing nicely. Can you just talk about like what you've learned through this process so far and maybe how that informs how this program could evolve going forward? Or any other initiatives in the pipeline to really drive this business forward?

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

Yes, I'll comment on it. We have a lot of content coming not just from incubators but also Studio partners in our existing community. We do see ultimately as a UGC platform, the power of that, but we do also see the ability almost from a sales engineering or an expansion of how we see DevRel to be very intimate with the top creators on our platform and to be very intimate with them as we help guide them to what performs well on our platform.

We really have a focus on a lot of the tech we've recently introduced with our incubators. We've introduced the ability for much higher performance avatars, for much higher performance worlds that run very well on low-end Android as well as on high-end PC. We've introduced a compositing technology called SLIM that allows very complicated avatars to run at high performance on phones. So all of this working with these partners, we believe, is a huge technical opportunity for them to build games for us. And of course, they're also working on our DevEx premium of 50% for games consumed over 18.

So really, it's not just the incubator. It's many of our corporate studios we're working with as well as our existing developer community, and we're seeing great quality coming out of them.

Operator

That concludes the question-and-answer session. And I'll hand the call back over to Dave Baszucki for closing comments.

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

Once again, thank you for all the great questions. It really is an exciting time for us as we move towards fulfilling that original vision we had when we started the company of you make the game and really, for everyone around -- within Roblox helping to support more play everywhere around the world. Thank you again for your questions and attention.

Operator
This concludes today's call. Thank you for joining. You may now disconnect.