

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

\_\_\_\_\_, Individually and on Behalf of All Others  
Similarly Situated,

Plaintiff,

v.

ROBLOX CORPORATION, DAVID BASZUCKI,  
MICHAEL GUTHRIE, CRAIG DONATO, and  
ELIZA JACOBS,

Defendants.

Civil Action No.

CLASS ACTION

**JURY TRIAL DEMANDED**

**CLASS ACTION COMPLAINT FOR VIOLATIONS  
OF THE FEDERAL SECURITIES LAWS**

## **I. INTRODUCTION**

Plaintiff \_\_\_\_\_, individually and on behalf of all others similarly situated, by and through its counsel, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff's information and belief are based upon, *inter alia*, counsel's investigation, which includes review and analysis of: (1) Roblox Corporation's ("Roblox" or the "Company") regulatory filings with the U.S. Securities and Exchange Commission ("SEC"); (2) press releases and media reports issued and disseminated by the Company; (3) analyst and media reports concerning the Company; and (4) other public information regarding the Company, including statements made by Roblox executives.<sup>1</sup> Plaintiff believes that substantial additional evidentiary support exists for the allegations set forth herein after a reasonable opportunity for discovery.

## **II. SUMMARY OF THE ACTION**

1. This securities class action is brought on behalf of all persons or entities that purchased or otherwise acquired Roblox Class A common stock between March 10, 2021 and February 15, 2022, inclusive (the "Class Period"). The claims asserted herein are alleged against Roblox, David Baszucki, Michael Guthrie, Craig Donato, and Eliza Jacobs (collectively, "Defendants") and arise under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder.

2. Roblox, headquartered in San Mateo, California, operates a video game platform that provides developers with tools to create games that are hosted on the Company's servers. There are millions of games available on the platform that users can access for free. Roblox

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<sup>1</sup> Emphasis has been added unless otherwise noted.

generates revenue by selling its proprietary currency (called “Robux”) to its users so they can purchase digital items (e.g., weapons, armor, or vehicles) to enhance their gaming experiences. About half of the Company’s users are under the age of 13, thus exposing Roblox to various Federal Trade Commission (“FTC”) regulations and other online gaming laws that are geared toward protecting minors. This matter arises from Defendants’ material misrepresentations made to investors concerning Roblox’s bookings<sup>2</sup> growth and the adequacy of its user protection controls.

3. Roblox’s top executives profited enormously from the fraud described herein by selling millions of their personally held Company stock at artificially inflated prices throughout the Class Period. Defendant Baszucki (Roblox’s CEO) sold 2.5 million shares of Company stock for more than \$200 million in proceeds. Likewise, Defendant Guthrie (Roblox’s CFO) sold 1.6 million shares of Company stock for more than \$120 million in proceeds. Defendant Donato (Roblox’s Chief Business Officer) also took advantage, as he sold 2.0 million shares of Company stock for more than \$150 million in proceeds.

4. The Class Period starts on March 10, 2021, when Roblox became a public company through its direct listing on the New York Stock Exchange (“NYSE”). Throughout the Class Period, Roblox reported strong bookings and revenue growth. The Company attributed this growth to various factors, including the positive effect from COVID stay-at-home orders, its technology investments, and “high-quality” gaming content. However, Defendants misled investors by failing to disclose that a material portion of Roblox’s growth was due to weak content controls and the lack of spending restrictions on its platform. These inadequate controls enabled younger Roblox

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<sup>2</sup> Bookings is the cash collected by the Company from Robux sales in a given fiscal period. Bookings is a key financial metric that helps investors gauge future Roblox revenues.

users to play games with inappropriate content and make unauthorized Robux purchases which translated into unsustainable levels of bookings and revenue.

5. In late September 2021, Roblox began to roll out enhanced user controls on its platform. Among other things, these new controls allowed parents to put monthly spending limits on their children's Robux purchases. Unbeknownst to investors, the implementation of these enhanced controls would inevitably cause Roblox's bookings growth to decelerate in the fourth quarter of 2021 and throughout 2022.

6. On November 8, 2021, Roblox reported strong bookings in Q3 2021. Instead of warning investors that a bookings deceleration was imminent from the enhanced user controls, Defendants continued to tout Roblox's growth metrics. For example, Baszucki noted that "[e]ngagement is our north star ... people of all ages from across the globe chose to spend over 11 billion hours on Roblox." Defendant Guthrie added that "all of our core metrics [including bookings] ... displayed strong year-over-year growth despite lapping COVID-impacted periods and back-to-school seasonality." In reaction to these disclosures, Roblox stock jumped 42% to \$109.52 per share on November 9, 2021, a record high closing price at the time.

7. Defendants wasted no time in benefiting from this stock price inflation. Just a few days after the Q3 2021 disclosures, Defendant Donato sold 275,000 shares of his Company stock near all-time highs for proceeds of \$35 million. Within two weeks of these disclosures, Defendant Baszucki sold 504,600 shares of his Company stock at even higher prices for proceeds of \$62.7 million. During December 2021 and January 2022, the Individual Defendants continued their insider sales by offloading an additional \$23.9 million worth of Roblox stock at artificially inflated prices.

8. On February 15, 2022, just a short time after Defendants dumped their Roblox shares, the truth about the Company's unsustainable growth was revealed to investors. On that date, Roblox reported surprisingly weak fourth quarter 2021 results. Most of Roblox's key metrics missed analysts' expectations, including quarterly bookings and revenue. The Company also reported January 2022 bookings that analysts at Truist Securities called "very weak." In reaction to these disclosures, Roblox stock plummeted by \$19.43 per share, or 26.5%, to close at \$53.87 per share on February 16, 2022.

9. Analysts immediately lowered their one-year price targets for Roblox stock citing the sudden deceleration in bookings growth. For instance, Benchmark Securities ("Benchmark") cut its price target from \$70.00 to \$45.00 per share. In its research report, Benchmark connected Roblox's growth deceleration to parental restrictions on younger users and scrutinized the Individual Defendants' integrity in the following note:

We think the [Roblox] brand is vulnerable to a user abuse narrative that has begun to materialize and could begin to erode parental confidence in the platform, which could further discourage parents from supporting their child's play experience on [Roblox]. We are not impressed with managements' grasp of the business and found them to be disingenuous and confused on their earnings call as they seemed to struggle to understand their own data. **We suspect the deceleration in growth was likely not a surprise to management and note meaningful insider sales** with the estimated value of stock sales in [fiscal year 2021] including CEO [Bazsucki]-\$235M, CFO [Guthrie]-\$122M, and CBO [Donato]-\$157M.

10. As a result of Defendants' wrongful acts and omissions, and the resulting decline in the market value of Roblox's stock, Plaintiff and the Class (defined herein) suffered significant losses and damages under the federal securities laws.

### **III. JURISDICTION AND VENUE**

11. The claims asserted arise under Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5.

12. This Court has jurisdiction over the subject matter of this action under 28 U.S.C. §§ 1331 and 1337, and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

13. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28 U.S.C. § 1391(b). Defendant Roblox conducts substantial business in this District, and a significant portion of the damages due to Defendants' misconduct were suffered within this District. Further, Roblox Class A common stock is listed on the NYSE, which is located within this District, and began trading on March 10, 2021, when Roblox completed its direct listing on the NYSE.

14. In connection with the acts alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the national securities markets.

### **IV. PARTIES**

15. Plaintiff \_\_\_\_\_ purchased Roblox Class A common stock during the Class Period, as indicated in the certification submitted herewith, and suffered damages as a result of the violations of federal securities laws alleged herein.

16. Defendant Roblox is a Delaware corporation with its principal executive offices located at 970 Park Place, San Mateo, California. The Company's shares trade on the NYSE under the ticker symbol "RBLX." As of November 1, 2023, Roblox had 573,650,725 shares of A common stock outstanding, owned by hundreds or thousands of investors.

17. Defendant David Baszucki is the Chairman, President, and Chief Executive Officer of Roblox and served in those roles during the Class Period.

18. Defendant Michael Guthrie is the Chief Financial Officer of Roblox and held that role during the Class Period.

19. Defendant Craig Donato is the Chief Business Officer of Roblox and served in that role during the Class Period.

20. Defendant Eliza Jacobs is the Senior Director of Product Policy at Roblox and served as the Director of Content Policy at the Company during the Class Period.

21. Defendants Baszucki, Guthrie, Donato, and Jacobs are collectively referred to herein as the "Individual Defendants." The Individual Defendants, because of their positions with Roblox, possessed the power and authority to control the contents of Roblox's reports to the SEC, press releases, and presentations to securities analysts, money portfolio managers and institutional investors, i.e., the market. Each of the Individual Defendants was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false or misleading. The Individual Defendants are liable for the false

statements pleaded herein, as those statements were each “group-published” information, the result of the collective actions of the Individual Defendants.

22. Roblox is liable for the acts of the Individual Defendants, and its employees under the doctrine of respondeat superior and common law principles of agency as all the wrongful acts complained of herein were carried out within the scope of their employment with authorization.

23. The scienter of the Individual Defendants, and other employees and agents of the Company are similarly imputed to Roblox under respondeat superior and agency principles.

## **V. BACKGROUND**

24. Founded in 2004, Roblox operates a platform that provides developers with tools to create online games and hosts the games on its servers. The platform offers several video games that can be played for free by users who sign up for a Roblox account. A substantial number of Roblox users are under the age of 13, a cohort that accounts for approximately half of the Company’s users. Given this large base of child users, Roblox is subject to various FTC regulations and other online gaming laws that are geared toward protecting minors. Roblox’s young user base also subjects the Company to parental scrutiny.

25. According to the Company, it “primarily generate[s] revenue through the Roblox platform, based on the direct sale of Robux to users.” Robux is the Company’s digital currency that users buy for in-game purchases of digital items (e.g., weapons, armor, or vehicles) that help improve their scores and ratings against other Roblox users. Credit card information can be saved on the platform for users to purchase Robux. Child users typically buy Robux with their parent’s credit cards. The Company splits the proceeds from Robux sales with its game developers.

26. The Company purportedly recognizes revenue from its share of Robux sales (net of estimated credit card chargebacks) ratably over the estimated average lifetime of a paying user



based on the monthly retention data for each user cohort. In addition to reported revenue, the Company provides a metric called “bookings” on a quarterly and annual basis to help investors gauge Roblox’s future revenue growth. Bookings represents the total cash generated from Roblox sales for a given fiscal period. The Company computes bookings by adding revenue to the change in deferred revenue for the fiscal period. According to Roblox, **bookings “provide a timelier indication of trends in our operating results that are not necessarily reflected in our revenue** as a result of the fact that we recognize the majority of revenue over the estimated average lifetime of a paying user.”

27. Prior to the Class Period, Roblox was a private company that showed strong growth. In 2019, its bookings increased to \$694 million, up 39% from the prior year. Then in 2020, Roblox experienced an unprecedented growth spurt. Its 2020 bookings jumped 171% to \$1.9 billion due to two related factors. First, COVID stay-at-home orders helped increase Roblox’s user base and their engagement time on its platform. Second, weak content controls and the lack of spending restrictions on Roblox’s platform allowed this growing user base to consistently make large unauthorized Roblox purchases.

28. Roblox became a public company on or about March 10, 2021 through its direct listing on the NYSE. On November 19, 2020, in connection with the direct listing, Roblox filed a registration statement (including a preliminary prospectus) on Form S-1 with the SEC and subsequently amended it four times on Forms S-1/A. On March 2, 2021, the SEC declared the registration statement effective, authorizing owners of the Company, including Individual Defendants, to sell 198.9 million of their Roblox Class A common stock to public investors. Then, on March 10, 2021, before the NYSE opening bell, the final prospectus (the “Prospectus”) related to the direct listing was filed with the SEC on Form 424B4. The “Reference Price” assigned to

Roblox Class A common stock for the direct listing, which is akin to an initial auction price, was \$45.00 per share. Starting on March 10, 2023, the registered shares of Roblox Class A common stock were sold to public investors through the direct listing on the NYSE and have continued to trade there ever since.

## **VI. DEFENDANTS' MATERIALLY FALSE AND MISLEADING STATEMENTS**

### **March 2021 Statements**

29. The Class Period starts on March 10, 2021, the day the Prospectus was filed with the SEC. According to the Prospectus, Roblox's bookings in 2018, 2019, and 2020 were \$499.0 million, \$694.3 million, and \$1.9 billion, respectively. The Prospectus also discloses Roblox's revenues in 2018, 2019, and 2020 at \$325.0 million, \$508.4 million, and \$923.9 million, respectively. Regarding these metrics, the Prospectus states:

We believe our overall acceptance, revenue growth and increases in bookings depend on a number of factors, including, but not limited to, **our ability to . . . maintain the security and reliability of our platform . . . comply with country and region-specific regulatory environments with respect to privacy, data protection, intellectual property, child protection and other requirements. . . .** If we are unable to accomplish these tasks, our platform will not be attractive to developers, creators, and users and they may no longer seek new experiences in our platform, which would result in fewer bookings and lower revenue and could harm our operations.

30. The Prospectus attributes Roblox's rapid pre-Class Period bookings and revenue growth to its investment in technology and "two mutually reinforcing network effects: content and social." In the following excerpt from the Prospectus, Roblox explains how "engaging content" is one of its primary growth drivers:

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

platform, incentivizing developers, and creators to design increasingly engaging content and encouraging new developers and creators to start building on our platform.

31. Regarding user engagement, the Prospectus provides the following risk factor: “[i]f we fail to retain current users or add new users, or if our users decrease their level of engagement with our platform, revenue, bookings, and operating results will be harmed.”

32. The Prospectus also contains a warning on potential misstatements of Roblox’s financial metrics in the following excerpt:

We regularly review metrics, including our DAUs, hours engaged, and average bookings per DAU, or ABPDAU, to evaluate growth trends, measure our performance, and make strategic decisions. These metrics are calculated using internal data gathered on an analytics platform that we developed and operate and have not been validated by an independent third party. Our metrics and estimates may also differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology or the assumptions on which we rely. If our estimates are inaccurate, then investors will have less confidence in our company and our prospects, which could cause the market price of our Class A common stock to decline, our reputation and brand could be harmed.

33. Regarding Roblox’s user base, the Prospectus states:

We generate substantially all of our revenue through the sales of our virtual currency, “Robux,” which players can use to purchase virtual items sold by our developer and creator community on the platform. Only a small portion of our users regularly purchase Robux through subscriptions and pay for experiences and virtual items compared to all users who use our platform in any period. We rely on our developers to develop engaging content where users elect to purchase digital items to enhance their enjoyment. **If users fail to purchase digital items at rates similar to or greater than they have historically and if we fail to attract new paying users, or if our paying users fail to continue interacting with the platform and purchasing digital items as they increase in age, our revenue will suffer.**

34. With respect to the risks relating to inappropriate content on the Roblox platform, the Prospectus states:

**If we are unable to prevent, or are perceived as not being able to sufficiently prevent, all or substantially all inappropriate content from appearing on our platform, parents and children will lose their trust in the safety of our platform, which would harm our overall acceptance by these audiences and would likely result in significantly reduced revenue, bookings, profitability, and ultimately, our ability to continue to successfully operate our platform.**

35. The following statement in the Prospectus discusses controls on the Roblox platform to restrict users from viewing inappropriate content and limit Robux purchase amounts.

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

In reaction to the disclosures in ¶¶ 29-35, the price of Roblox Class A common stock jumped 54% from the Reference Price of \$45.00, to close at \$69.50 per share on March 10, 2021.

#### **May 2021 Statements**

36. On May 10, 2021, after the NYSE closing bell, Roblox issued a press release that included its Q1 2021 financial results (the "Q1 2021 Release"). In the press release, Roblox reported Q1 2021 bookings of \$652.3 million and Q1 2021 revenue of \$387.0 million. Both figures showed significant year-over-year growth. In addition, April 2021 bookings were estimated between \$242 million and \$245 million, up 7%-9% sequentially from March 2021 bookings of \$225.3 million.

37. The related earnings call was held on May 11, 2021 (the "May 2021 Call") before the NYSE opening bell. On the call, Defendant Guthrie discussed April 2021 bookings in the following statement:

If you look at April, what you will see is bookings looks to be the highest growth of all of the numbers. Partly that's because bookings took a while to get going, vis-a-vis users and engagement last year

and partly, I think it's because we just have, when you get down to that, those are the most clearly, the most engaged users are the ones that end up becoming payers and so we're just seeing really high conversion and monetization characteristics as we head into the rest of the year.

38. On the May 2021 Call, Defendant Baszucki discussed the Company's "impressive growth" with the following explanation:

And what has driven our growth historically has been a dual loop and it's unique to this class of platforms is a loop around great content. The higher the quality of the content, the bigger the economy. The bigger the economy, the larger teams are able to make content mix it up and coming UGC creators. And better content, the more people come to the platform, but that content then serve as a foundation for a second viral loop, where the more my friends on the platform, the more exciting is your need to come to the platform and hang out play, work, learn experienced entertainment within that content. So, it's yes to all of those. All of these work together in to viral loops to drive our growth.

39. Defendant Baszucki also responded to an analyst's questions about Roblox's future expenditures during the May 2021 Call. In pertinent part, he stated:

**And then as trust and safety and infrastructure and then everything else we're just really, really careful about spending and that model is really efficient for us over the years.** It's been a really great new economics and we've, I guess in a situation where we haven't had to spend a lot of money to drive user growth. That organic signal is one that tells us that the product is doing well. And so I don't think you should expect to see us change that over the next few years.

40. Defendant Baszucki further discussed positive trends in bookings per daily active user with the statement below:

[T]his system has turned out to be enormously powerful and as different countries have come online, whether that's the US and Canada, or whether it's Philippines, Brazil and Russia, in all of these countries over time, we've seen the combination of amazing content and the players becoming more embedded in our platform and **driving higher and higher bookings per DAU.**

In reaction to the disclosures in ¶¶ 36-40, the price of Roblox Class A common stock increased by 21% to close at \$77.65 per share on May 11, 2021.

41. On May 13, 2021, Roblox filed with the SEC a quarterly report on Form 10-Q for the quarter ended March 31, 2021, which was signed by Defendant Guthrie. The Form 10-Q contained the financial information provided in the Q1 2021 Release.

### **August 2021 Statements**

42. On August 16, 2021, after the NYSE closing bell, Roblox issued a press release that included its Q2 2021 financial results (the “Q2 2021 Release”). In the press release, Roblox reported Q2 2021 bookings of \$665.5 million and Q2 2021 revenue of \$454.1 million. Both figures showed double-digit year-over-year growth. In addition, July 2021 bookings were estimated between \$221 million and \$224 million, up 10% to 11% sequentially from June 2021 bookings of \$201.7 million.

43. The related earnings call was held on August 17, 2021 (the “August 2021 Call”) before the NYSE opening bell. During the call, Defendants downplayed the negative impact of COVID re-openings on the Company’s business. For example, Defendant Guthrie stated:

So, our modeling assumption was that COVID would go away 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 “re-opening”, especially in the U.S. [a]nd Canada and the United Kingdom, and some of that’s reflected in engagements, though, substantially higher than it was in 2019 on a year-over-year basis, flat to slightly down. **And then now in July [2021], it looks like some of those trends are reversing themselves.**

44. Later during the call, Defendant Guthrie clarified that positive growth trends in July 2021 were occurring in all regions, including the United States. Defendant Guthrie also assured

investors that usage and spending trends between the over 13 and under 13 audiences were “incredibly similar.”

45. During the August 2021 Call, Defendant Baszucki highlighted Roblox’s commitment to child user safety. Specifically, he stated:

And we’ve also been very, very hard at work with the philosophy that we’re building a unified platform that **is both safe, civil, and educational for six-year-olds**, while simultaneously very interesting for 22-year-olds.

46. On August 16, 2021, Roblox filed with the SEC a quarterly report on Form 10-Q for the quarter ended June 30, 2021, which was signed by Defendant Guthrie. The Form 10-Q contained the financial information provided in the Q2 2021 Release.

#### **November 8-9, 2021 Statements**

47. On November 8, 2021, after the NYSE closing bell, Roblox issued a press release that included its Q3 2021 financial results (the “Q3 2021 Release”). In the press release, Roblox reported Q3 2021 bookings of \$637.8 million and Q1 2021 revenue of \$503.9 million. Both figures exceed analysts’ expectations. In addition, October 2021 bookings were estimated between \$177 million and \$179 million, up 30% to 34% from the same period in 2020. Further, the press release reported “Hours Engaged” for the quarter at 11.2 billion, a 28% year-over-year increase. In press release, Defendant Baszucki made the following comment: “Engagement is our north star . . . people of all ages from across the globe chose to spend over 11 billion hours on Roblox.” Defendant Guthrie added that “all of our core metrics [including bookings] . . . displayed strong year-over-year growth despite lapping COVID-impacted periods and back-to-school seasonality.”

48. The related earnings call was held on November 9, 2021 (the “November 2021 Call”) before the NYSE opening bell. On the call, Defendant Baszucki discussed how Roblox was

protecting younger users from inappropriate content as Roblox becomes mainstream for older audiences. He stated:

We're already doing this, and I see the metrics every week. They are already really good, and they keep getting better and better. It's really the top priority on the platform. I feel we're in a really good position in that we're starting from a difficult place, which is creating a civil society for people of all ages. And then as we bring more and more older players onto the platform, we're carefully adding small amounts of freedom in certain situations, while always respecting our core foundation of safety and stability. So, it's a top priority. We're already doing it. We already have a lot of older people on the platform. Over half of our people are over 13 plus. And so, this is something we're doing and we'll continue to do better and better as we go.

49. During the November 2021 Call, Defendant Baszucki touted the success of the Company's strategy to grow its older user base. He explained how Roblox was protecting younger users from inappropriate content while the Company was targeting older audiences. In pertinent part, he stated:

First, I want to highlight right now we don't have any only 13 and up experiences. We have 28% of the top thousand experiences having a majority of 13-plus but those are still experiences that are open to all ages. We talked a lot about aging up. We're right in the middle of it, and we're right in the middle of very solid growth in our 17 through 24-year-old cohort. The exciting thing about these - the older cohorts on our platform is there's a lot of light space there. We've historically started with younger players.

50. On the call, Defendant Guthrie assured investors that user cohorts in Roblox's core markets were continuing to show an increase in spending. Specifically, he stated:

Generally, our trends with monetization over a very long period of time are that those payer cohorts tend to increase in monetization over a very long period of time. **So, we go back to core markets like U.S. and Canada, we still have growth in our payer cohorts going all the way back to 2016**, and we expect that we're going to see the same behavior in international markets and particularly in Asia Pacific experiences.



In reaction to the disclosures in ¶¶ 47-50, Roblox Class A common stock jumped 42% to \$109.52 per share on November 9, 2021, a record high closing price at the time.

51. On November 9, 2021, after the NYSE closing bell, Roblox filed with the SEC a quarterly report on Form 10-Q for the quarter ended September 30, 2021, which was signed by Defendant Guthrie. The Form 10-Q contained the financial information provided in the Q3 2021 Release.

#### **November 16, 2021 Statements**

52. On November 16, 2021, after the NYSE closing bell, Roblox held its Investor Day event. During this event, Defendant Buszicki stated “on our users, amazing user growth. Q3 [2021] and October [2021] results were amazing. . . . And then finally, this foundation of safety and civility, which is what everything rests on.”

53. At the event, Defendant Donato assured investors that Roblox’s younger user base in North America was continuing to grow. He specifically stated, “This penetration rate shows an audience distribution curve in the U.S. and Canada over the last two years, Q3 ‘19 to right now, and you’ll see two things. One, you’ll see continued progress in terms of acquiring users in our core 9- to 12-year-old segment . . .”

54. Also at the event, Defendant Jacobs weighed in on Roblox’s safety measures. She stated in pertinent part, the following points:

When we think about our vision for safety and civility, we’re building a dynamic set of systems that support personalization across multiple dimensions. What safe for one person isn’t safe for another, and that’s why we’re architecting civility in this way. To start, we have our Roblox platform policies that define what isn’t allowed for anyone anywhere. This is our baseline for safety, and we’ll always maintain it. Hate and discrimination, bullying and harassment simply have no place here.

Next, we layer on country and location-specific requirements so that our global audience can connect and experience seamlessly without worrying about local laws and regulations. Then we work with our developers to create experience guidelines so that users can make informed choices about what kind of content they want to interact with on the platform. And we complement that with age gating for certain content to ensure that users are engaging with things that are appropriate for them.

To cap it all off, we give our users tools to set their own individual preferences, things like customized tech filters and parental controls as a final layer of personalization for safety.

55. The statements in ¶¶ 29-54 were false or misleading because they failed to disclose that: (1) the Roblox platform had insufficient content controls and lacked user spending restrictions; (2) these inadequate controls enabled younger Roblox users to play games with inappropriate content and make excessive, unauthorized Robux purchases; (3) a material portion of Roblox's bookings and revenue growth was due to these excessive, unauthorized Robux purchases; (4) fourth quarter 2021 and 2022 bookings would be negatively impacted by Roblox's planned rollout of enhanced parental controls; and (5) based on the foregoing, the Company's bookings and revenue growth was unsustainable throughout the Class Period.

56. In addition, the Prospectus and Roblox's periodic filings with the SEC during the Class Period were required to disclose the adverse facts and circumstances detailed above under applicable SEC rules and regulations. Specifically, Item 303 of SEC Regulation S-K, 17 C.F.R. §229.303(b)(2)(ii) ("Item 303"), required the Company to "[d]escribe any known trends or uncertainties that have had or that are reasonably likely to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations." Moreover, Item 105 of Regulation S-K, 17 C.F.R. §229.105 ("Item 105"), required disclosure of "the material factors that ma[d]e an investment in [Roblox] speculative or risky" and an explanation of "how [the] risk affecte[d] [Roblox]." Defendants' failure to disclose slowing growth in daily active users, hours

engaged, bookings, and average bookings per daily active user in connection with its under-13 cohort violated Item 303 because they represented known trends and uncertainties that were likely to have a material unfavorable impact on the Company's business and financial results. Furthermore, Defendant's failure violated Item 105, because these adverse facts created significant risks that were not disclosed even though they were some of the most significant facts that made an investment in Roblox speculative or risky.

## **VII. DISCLOSURES OF ROBLOX'S MISCONDUCT CAUSE INVESTOR LOSSES**

57. The truth about Roblox's unsustainable bookings and revenue growth was revealed to investors on February 15, 2022, after the NYSE's closing bell, when Roblox issued a press release disclosing poor Q4 2021 results. Roblox reported Q4 2021 bookings at \$770.1 million, well short of the \$786.8 million analyst consensus target. Key performance indicators on audience size and engagement both showed sequential and year-over-year declines. Further, the press release reported Hours Engaged for the quarter at 10.8 billion, a decline from Q3 2021. Roblox's slowing growth trend continued into 2022 as January bookings was estimated between \$220 million and \$223 million, a range that analysts called "very weak."

58. During the related earnings call on the morning of February 16, 2022, analysts inquired about Roblox's slowdown in bookings growth. At times during the call, Defendants gave vague responses and were not able to provide details relating to the Company's under-13 user cohort. On the call, Defendant Guthrie stated that "the slower growth would be core markets, U.S., the core age demographic in the U.S., under 13." He also confirmed that younger users would no longer be the growth engine for Roblox's bookings. Finally, Defendants declined to provide investors with Q1 2022 financial guidance beyond January 2022. In reaction to these disclosures, the price of Roblox stock plummeted by 26.5% to close at \$53.87 per share on February 16, 2022.

59. Analysts immediately lowered their price targets on Roblox stock citing the sudden deceleration in bookings growth. For example, Benchmark cut its price target from \$70.00 to \$45.00 per share. In its research report, Benchmark expressed its concern about slowing growth in Roblox's under-13 user cohort in the following excerpt:

[Roblox] reported disappointed [Q4 2021] financial results, with both audience size and player engagement declining in key geographies and demographics. We anticipate lingering weakness in U.S. and Canada, and **in their core under-13 player group**, as engagement normalizes and play experiences decay. We are concerned management's desire to drive growth through older demographic and brand advertisements could ultimately create a toxic community experience and further open opportunities for user abuse.

60. Benchmark also connected Roblox's growth deceleration to parental restrictions and scrutinized Individual Defendants' credibility in the following note:

We think the [Roblox] brand is vulnerable to **a user abuse narrative that has begun to materialize and could begin to erode parental confidence in the platform, which could further discourage parents from supporting their child's play experience on [Roblox]**. We are not impressed with managements' grasp of the business and found them to be disingenuous and confused on their earnings call as they seemed to struggle to understand their own data. **We suspect the deceleration in growth was likely not a surprise to management and note meaningful insider sales** with the estimated value of stock sales in [fiscal year 2021] including CEO [Bazsucki]-\$235M, CFO [Guthrie]-\$122M, and CBO [Donato]-\$157M.

61. Later in the report, Benchmark reiterated its concern about the parents restricting their children's spending on Roblox's platform in the following excerpt:

We are not convinced that [Roblox] offers a safe play environment and worry over the potential for child abuse. We believe most children do not personally pay for their game experience and are therefore more easily open to switching games, **and because parents are not directly investing in the service, are less emotionally connected and can easily throttle back spend.**

62. In reaction to the Company's February 2022 disclosures, other analysts significantly cut their price targets on Roblox stock. BTIG lowered its price target on Roblox stock from \$133.00 to \$99.00 per share citing weak January [2022] metrics and the slowdown in bookings growth as the culprits. Likewise, Jefferies cut its price target from \$70.00 to \$60.00 per share, noting that January [2022] "produced the most bifurcated results yet since going public" with strong Daily Active User growth being paired against the Company's weakest net bookings growth.

63. As a result of Defendants' wrongful acts and omissions, and the resulting decline in the market value of Roblox's stock, Plaintiff and the rest of the Class (as defined below) have suffered significant losses and damages.

#### **VIII. ADDITIONAL SCIENTER ALLEGATIONS**

64. As alleged herein, Defendants acted with scienter in that Defendants knew, or recklessly disregarded, that the documents and public statements they issued and disseminated to the investing public in the name of the Company, or in their own name, during the Class Period were materially false and misleading. Defendants knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements and documents as primary violations of the federal securities laws. Defendants, by virtue of their receipt of information reflecting the true facts regarding Roblox, and their control over and/or receipt and/or modification of Roblox's materially false and misleading statements, were active and culpable participants in the fraudulent scheme alleged herein.

65. Defendants knew or recklessly disregarded the false and misleading nature of the information they caused to be disseminated to the investing public. The fraudulent scheme described herein could not have been perpetrated during the Class Period without the knowledge

and complexity of, or at least the reckless disregard by, personnel at the highest levels of the Company, including the Individual Defendants.

66. The Individual Defendants, because of their positions with Roblox, controlled the contents of Roblox's public statements during the Class Period. The Individual Defendants were each provided with or had access to the information alleged herein to be false and misleading prior to or shortly after its issuance and had the ability and opportunity to prevent its issuance or cause it to be corrected. Because of their positions and access to material, non-public information, the Individual Defendants knew or recklessly disregarded that the adverse facts specified herein had not been disclosed to and were being concealed from the investing public and that the positive representations that were being made were false and misleading. As a result, each of the Defendants is responsible for the accuracy of Roblox's corporate statements and is, therefore responsible and liable for the representations contained therein.

67. Roblox acknowledged that the Company closely monitored its growth metrics on a consistent basis. Specifically, the Prospectus stated, "[w]e regularly review metrics, including our DAUs, hours engaged, and average bookings per DAU, or ABPDAU, to evaluate growth trends, measure our performance, and make strategic decisions." Therefore, the Individual Defendants knew or recklessly disregarded that bookings growth was significantly decelerating throughout the Class Period.

68. Defendants and Company insiders had the motive and opportunity to commit securities fraud. While the price of Roblox Class A common stock was artificially inflated, Company insiders, including Defendants Baszucki, Guthrie, and Donato sold substantial amounts of their Company shares at fraud-inflated prices during the Class Period. Specifically, Defendant Baszucki sold 2.5 million shares of his Company stock for more than \$200 million in proceeds.

Defendant Guthrie sold 1.6 million shares of his Company stock for more than \$120 million in proceeds. And Defendant Donato sold 2.0 million shares of his Company stock for more than \$150 million in proceeds. A substantial amount of these insider sales occurred toward the later part of the Class Period when the Company's stock was trade near all-time highs.

## **IX. LOSS CAUSATION**

69. During the Class Period, as detailed herein, Roblox and the Individual Defendants made false and misleading statements and omissions, and engaged in a scheme to deceive the market. These false and misleading statements and omissions artificially inflated the price of Roblox Class A common stock and operated as a fraud or deceit on the Class (as defined below). Later, when Defendants' prior misrepresentations and fraudulent conduct were disclosed to the market, Roblox's Class A common stock price fell significantly. As a result of their purchases of Roblox Class A common stock during the Class Period, Plaintiff and other members of the Class suffered economic loss, i.e., damages, under the federal securities laws.

## **X. CLASS ACTION ALLEGATIONS**

70. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons or entities that purchased or otherwise acquired Roblox Class A common stock during the Class Period (the "Class"). Excluded from the Class are Defendants and their families, and directors and officers of Roblox and their families and affiliates.

71. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. As of November 1, 2023, Roblox had 573,650,725 shares of A common stock outstanding, owned by hundreds or thousands of investors.

72. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) Whether Defendants violated the Exchange Act;
- (b) Whether Defendants' statements and/or actions misrepresented material facts;
- (c) Whether Defendants' statements and/or actions omitted material necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) Whether Defendants knew or recklessly disregarded that their statements, actions, and/or omissions were false and misleading;
- (e) Whether Defendants' misconduct impacted the price of Roblox Class A common stock;
- (f) Whether Defendants' conduct caused the members of the Class to sustain damages; and
- (g) The extent of damages sustained by Class members and the appropriate measure of damages.

73. Plaintiff's claims are typical of those of the Class because Plaintiff and the Class sustained damages from Defendants' wrongful conduct.

74. Plaintiff will adequately protect the interests of the Class and has retained counsel experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

75. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.



## **XI. INAPPLICABILITY OF STATUTORY SAFE HARBOR**

76. Roblox’s “Safe Harbor” warnings accompanying its forward-looking statements issued during the Class Period were ineffective to shield those statements from liability.

77. Defendants are also liable for any false and misleading forward-looking statements pleaded herein because, at the time each such statement was made, the speaker knew the statement was false or misleading and the statement was authorized and/or approved by an executive officer of Roblox who knew that the statement was false. None of the historic or present-tense statements made by Defendants were assumptions underlying or relating to any plan, projection, or statement of future economic performance, as they were stated to be such assumptions underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by Defendants expressly related to, or stated to be dependent on, those historic or present-tense statements when made.

## **XII. PRESUMPTION OF RELIANCE**

78. At all relevant times, the market for Roblox Class A common stock was an efficient market for, among other things, the following reasons:

(a) Roblox Class A common stock met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient market;

(b) As a regulated issuer, Roblox filed periodic public reports with the SEC and the NYSE;

(c) Roblox regularly and publicly communicated with investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) Roblox was followed by several securities analysts employed by major brokerage firm(s) who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firm(s) and which were distributed to the sales force and certain customers of their respective brokerage firm(s). Each of these reports was publicly available and entered the public marketplace.

79. As a result of the foregoing, the market for Roblox Class A common stock promptly digested current information regarding Roblox from publicly available sources and reflected such information in the price of Roblox Class A common stock. Under these circumstances, all purchasers of Roblox Class A common stock during the Class Period suffered similar injury through their purchase of Roblox Class A common stock at artificially inflated prices and the presumption of reliance under the fraud-on-the-market doctrine applies.

80. Further, at all relevant times, Plaintiff and other Class members relied on Defendants to disclose material information as required by law. Plaintiff and other Class members would not have purchased or otherwise acquired Roblox Class A common stock at artificially inflated prices if Defendants had disclosed all material information as required by law. Thus, to the extent that Defendants concealed or improperly failed to disclose material facts concerning the Company and its business, Plaintiff and other Class members are entitled to a presumption of reliance in accordance with *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128, 153 (1972).

### **XIII. CLAIMS FOR RELIEF UNDER THE EXCHANGE ACT**

#### **COUNT I**

##### **For Violations of Section 10(b) of the Exchange Act and SEC Rule 10b-5 (Against All Defendants)**

81. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

82. During the Class Period, Defendants disseminated or approved the false statements specified above, which they knew or recklessly disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

83. Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 in that they:

- (a) Employed devices, schemes, and artifices to defraud;
- (b) Made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- (c) Engaged in acts, practices, and a course of business that operated as a fraud or deceit upon Plaintiff and others similarly situated in connection with their purchases of Meta securities during the Class Period.

84. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Roblox Class A common stock. Plaintiff and the Class would not have purchased Roblox Class A common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements.

85. As a direct and proximate result of these Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of Roblox Class A common stock during the Class Period.

## **COUNT II**

### **For Violations of Section 20(a) of the Exchange Act (Against the Individual Defendants)**

86. Plaintiff repeats and realleges the allegations contained in ¶¶ 1-80 as if fully set forth herein.

87. The Individual Defendants acted as controlling persons of Meta within the meaning of Section 20(a) of the Exchange Act. By virtue of their positions and their power to control public statements about Meta, the Individual Defendants had the power and ability to control the actions of Roblox and its employees. By reason of such conduct, Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act.

#### **XIV. PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Federal Rule of Civil Procedure 23;
- B. Awarding Plaintiff and the members of the Class damages with interest;
- C. Awarding Plaintiff's reasonable costs, including attorneys' fees; and
- D. Awarding such equitable, injunctive, or other relief as the Court may deem just and proper.

#### **XV. JURY DEMAND**

Plaintiff demands a trial by jury.

Dated:

Respectfully submitted,

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