

ROBLOX CORP (RBLX) 3 7/8 05/01/30 Report

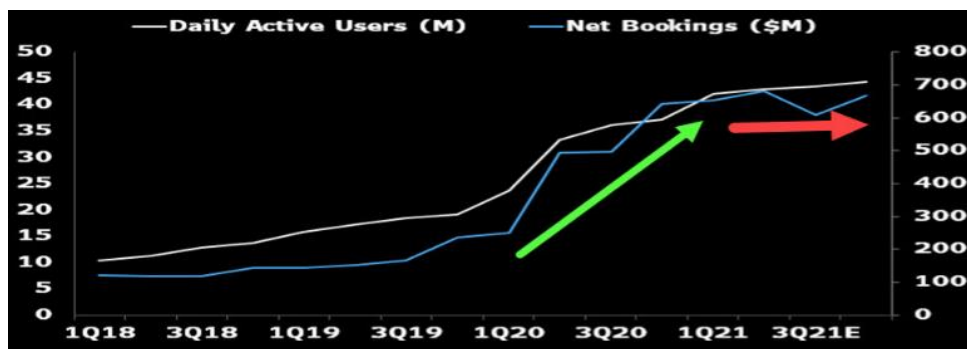
Background

Roblox Corporation provides entertainment products and services. The company designs and develops a wide range of online videogames such as internet three-dimensional and tutorial games for kids, teens, and adults worldwide.

Performance

Roblox's growth may cool as the global economy reopens with the shift away from summer gaming and towards the return to in-person education, which hampered the average hours of engagement per daily active user and bookings per user. Roblox's average hours of engagement per daily active user (DAU) growth slowed to 13.5% in 1Q from 21.2% in 2020 and down from peak growth of 35.6% in 2Q20, as social distancing measures began to ease. Average hours of engagement per DAU slipped further in April 2021 from 1Q21 levels and growth may remain under pressure as reopening continues.

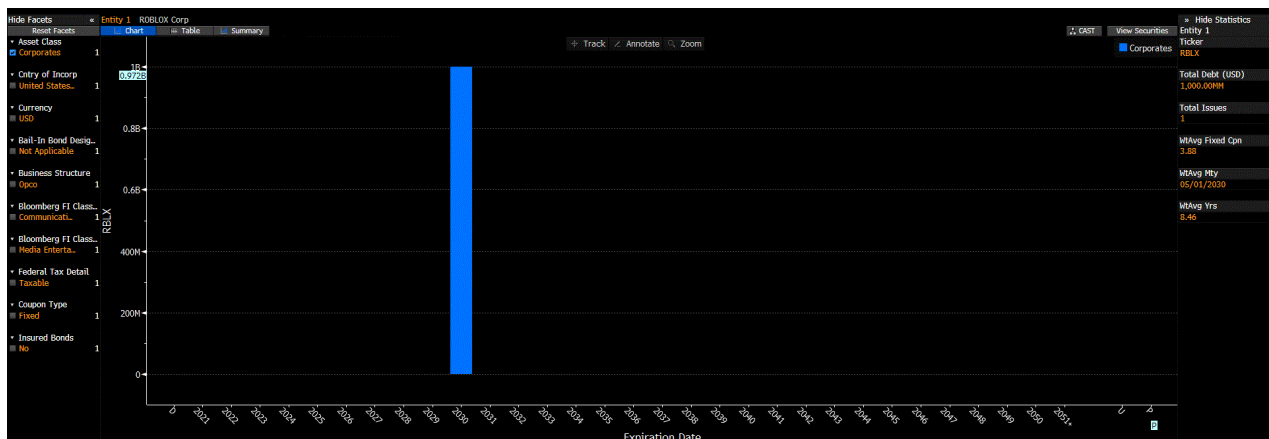
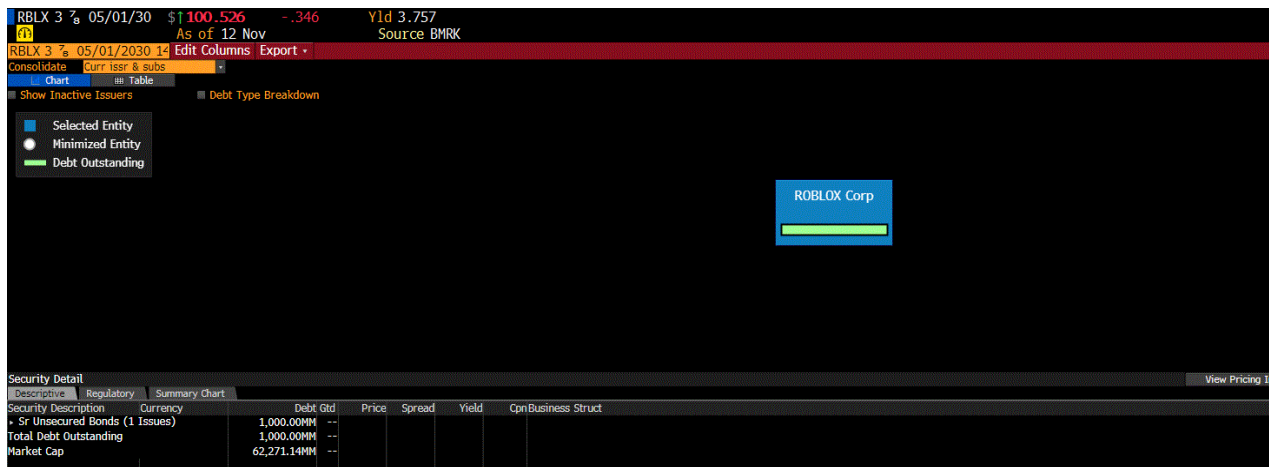
Roblox can at least meet consensus expectations for about 40% net bookings (spending by users) growth in 2021, fueled by continued strong user gains and modest expansion in average bookings per user, aided in part by rising uptake of subscriptions.



Roblox is leading the way in capturing the emerging opportunity of bringing live events into virtual 3D spaces, also known as the Metaverse, a market which has the potential to reach \$800 billion by 2024. Brand partnerships and live events such as concerts are near-term growth drivers while longer-term opportunities exist in virtual education and enterprise-collaboration software.

Roblox's integrated development, user-generated content and social platform positions it to capture a big slice of the emerging Metaverse market opportunity, given the company's early entry and scale advantages. Roblox appears ahead of competitors within this market with their 3D platforms spanning infrastructure and design software, user-generated content, social features, and ability to host live events.

Capital Structure



Roblox's equity market capitalization currently sits at 62,271.14 MM. The company has total outstanding debt of 1 senior unsecured bond, which is the bond being analyzed. There's nothing of concern to note regarding the capital structure, especially since it only recently went public with an IPO in March 2020. There's lots of room for growth for the company, and its debt is small relative to market cap (debt-to-equity ratio of 0.016), hence its growth shouldn't be hindered by restructuring or worries to repay debt at this point in time.

Outlook

Roblox is well placed to maintain a leading position in the emerging Metaverse market, fueled by early entry advantage and scale, technological investments, and international growth. Sales growth and profitability could at least meet or potentially exceed consensus expectations over the next few years, even as competition increases from rival game makers, social networks, and others.

Bond Description

RBLX 3 7/8 05/01/30 \$↑100.526 -.346 Yld 3.757	
As of 12 Nov Source BMRK	
RBLX 3 7/8 05/01/30 Cc Actions Settings	
94) No Notes 95) Buy 96) Sell	
25) Bond Description	26) Issuer Description
Pages	Issuer Information
11) Bond Info	Name ROBLOX CORP
12) Addtl Info	Industry Media Entertainment (BCLASS)
13) Reg/Tax	Security Information
14) Covenants	Mkt Iss PRIV PLACEME...
15) Guarantors	Ctry/Reg US Currency USD
16) Bond Ratings	Rank Sr Unsecured Series 144A
17) Identifiers	Coupon 3.875000 Type Fixed
18) Exchanges	Cpn Freq S/A
19) Inv Parties	Day Cnt 30/360 Iss Price 100.0000
20) Fees, Restrict	Maturity 05/01/2030
21) Schedules	MAKE WHOLE @50.000 until 11/01/24/ CALL 11/...
22) Coupons	Iss Sprd +234.00bp vs T 1 1/2 02/15/30
Quick Links	Calc Type (1)STREET CONVENTION
32) ALLQ Pricing	Pricing Date 10/26/2021
33) QRD Qt Recap	Interest Accrual Date 10/29/2021
34) TDH Trade Hist	1st Settle Date 10/29/2021
35) CACS Corp Action	1st Coupon Date 05/01/2022
36) CF Prospectus	
37) CN Sec News	
38) HDS Holders	
60) Send Bond	
	Identifiers
	FIGI BBG0135NKYG2
	CUSIP 771049AA1
	ISIN US771049AA15
	Bond Ratings
	Moody's Ba2
	S&P BB
	Composite BB
	Issuance & Trading
	Aggregated Amount Issued/Out
	USD 1,000,000.00 (M) /
	USD 1,000,000.00 (M)
	Min Piece/Increment
	2,000.00 / 1,000.00
	Par Amount 1,000.00
	Book Runner GS,JPM,MS
	Reporting TRACE

- Issuer: ROBLOX CORP (RBLX)
- Price: 100.526
- Coupon: 3.875
- Maturity: 05/01/2030
- Yield: 3.757
- Par: 1,000.00 MM

Credit Ratings

RBLX US Equity		Company Tree Ratings		RBLX 3 7/8 05/01/30 \$↑100.526 -.346	
ROBLOX Corp		ROBLOX Corp		As of 12 Nov	
1) Bloomberg Default Risk DRSK »		1) Bloomberg Default Risk DRSK »		RBLX 3 7/8 05/01/30 C Company Tree Ratings	
Moody's		Moody's		2) RBLX 3 7/8 05/01/30 Ba2	
2) Outlook	STABLE	3) Outlook	STABLE	4) Long Term Rating	Ba2
3) Long Term Rating	Ba2	5) LT Corp Family Rating	Ba2	6) Senior Unsecured Debt	Ba2
4) LT Corp Family Rating	Ba2	7) Probability of Default	Ba1	8) Spec Grade Liquidity Rtg	SGL-1
5) Senior Unsecured Debt	Ba2	9) Standard & Poor's	BB	10) RBLX 3 7/8 05/01/30	3(65%)
6) Probability of Default	Ba1	11) Issue Recovery Rating	STABLE	12) Outlook	BB
7) Spec Grade Liquidity Rtg	SGL-1	13) LT Foreign Issuer Credit	BB	14) LT Local Issuer Credit	BB
8) Standard & Poor's	BB				
9) Outlook	STABLE				

Both the company and the issued bond received a Ba2 rating from Moody's and BB from Standard & Poor's. Clearly, both are non-investment grade and speculative, but Bloomberg believes their outlooks are stable, especially given the default risk probability.

Default Risk



The 1-year default probability of Roblox is a mere 0.0093%. This establishes the viability of this investment despite the non-investment grade credit ratings of the company and the bond.

Comparables

NWSA 3 7/8 05/15/29 \$↑101.142 -.357 Yld 3.598
As of 12 Nov Source BMRK

RBLX 3 7/8 05/01/30 Actions Export Settings 93 Buy 90 Sell

<Add Security> Edit Filters Comp Bonds Issuer Bonds

Spread Analysis Bond Data Spread Type Z-Spd Date Range 10/27/21 - 11/12/21 C

Comparable Bonds View Difference In Comparable Z-Spreads Over date range

Security	Price	Yield	Spread	Diff	Low	Range	High	Avg +/-	#SDs
Avg of Comparables		4.84	368	-94	-113		-87	-101	7 0.7
12) RBLX 3 7/8 05/01/30	100.31	3.81	274						
13) NWSA 3 7/8 05/15/29	101.08	3.61	259	15	2		33	18	-3 -0.4
14) TGNA 7 3/4 09/15/27	116.48	4.05	292	-18	-37		-14	-27	9 1.0
15) TGNA 7 3/4 06/01/27	118.17	4.06	296	-22	-42		-8	-28	6 0.5
16) LAMR 3 5/8 01/15/31	98.61	3.81	248	26	3		38	18	8 0.6
17) AMCX 4 1/4 02/15/29	100.72	4.06	306	-32	-64		-32	-50	18 1.5
18) UVN 4 1/2 05/01/29	101.40	4.15	313	-39	-64		-18	-45	6 0.4
19) RRD 8.82 04/15/31	133.29	4.45	316	-42	-73		-42	-60	18 1.8
20) OUT 4 1/4 01/15/29	98.76	4.45	322	-48	-76		-45	-62	14 1.3
21) PLTK 4 1/2 03/15/29	98.57	4.48	324	-50	-69		-37	-54	4 0.4
22) VIAC 6 1/4 02/28/57	114.50	3.24	216	58	35		59	46	12 1.4
23) OUT 4 1/8 03/15/30	100.04	4.62	344	-70	-88		-52	-72	2 0.2
24) TGNA 5 09/15/29	101.52	4.70	356	-82	-103		-77	-91	9 0.8
25) GTN 4 3/4 10/15/30	98.78	4.92	362	-88	-107		-79	-94	6 0.5
26) TWTR 3 7/8 12/15/27	104.75	2.98	184	90	76		106	89	1 0.1
27) LGF 5 1/2 04/15/29	103.10	4.71	371	-97	-141		-94	-118	21 1.5
28) SBGI 4 1/2 12/01/30	93.25	5.06	375	-101	-115		-61	-85	-16 -1.0
29) STGW 5 5/8 08/15/29	103.34	4.83	379	-105	-153		-103	-129	24 1.3
30) GTN 5 3/8 11/15/31	101.88	5.09	382	-108	-138		-103	-119	11 0.9
31) SSP 5 3/8 01/15/31	100.48	5.29	407	-133	-177		-133	-156	23 1.6
32) RRD 8 1/2 04/15/29	145.23	1.92	70	204	121		204	165	39 1.5
33) MHED 5 3/4 08/01/28	97.77	6.16	497	-223	-242		-219	-228	5 0.5
34) SBGI 5 1/2 02/15/27	95.07	6.24	515	-241	-244		-199	-223	-18 -1.3
35) SBGI 5 1/2 03/01/30	94.00	6.45	517	-243	-254		-208	-228	-15 -1.1
36) LINTA 8 3/4 02/01/30	109.28	6.76	551	-277	-292		-252	-281	4 0.3
37) LINTA 8 3/4 07/15/29	110.20	6.77	555	-281	-295		-258	-276	-6 -0.5
38) CBSR 6 3/4 03/31/29	100.27	6.67	567	-293	-309		-274	-297	4 0.3
39) NATCIN 5 7/8 04/15/28	93.15	7.23	606	-332	-365		-299	-343	11 0.6

From the above table, the computed average of the comparables' Z-spreads is 368 bps. The bond's Z-spread sits at 274 bps, which is lower than the average by 94 bps. Hence, the bond is slightly overvalued relative to bonds offered by comparable peers. However, it does compensate for its price through the company's low default probability, which can't necessarily be said about all its peers.

RBLX 3 7/8 05/01/30 Corp Export to Excel

ROBLOX Corp Periodicity Quarterly Currency USD Edit Peers Customize Fields

Summary	vs History	vs Peers	Issuer Ratings (CRPR)			
Valuation Multiples		Better	Moodys	Ba2	Outlook	STABLE
Market Metrics	Better	Worse	S&P	BB	Outlook	STABLE
Credit Ratios	Neutral	Neutral	Fitch	N.A.	Outlook	N.A.

News Research vs History 3 Years vs Peers

Metrics	Current	History	Change	Low	Range	High	Average	Difference	History
Valuation Multiples									
1) CDS / Leverage	--	--	--	--	--	--	--	--	--
12) OAS / Leverage	--	--	--	--	--	--	--	--	--
13) EV/EBITDA	--	--	--	11.9		33.8	22.1	--	--
14) Price to Book Ratio	73.6		6.8 B	2.8		27.6	8.3	65.3 B	
Market Metrics									
15) 1-Yr Implied Volatility	64.5		-28.5 B	30.9		89.0	48.3	16.2 W	
16) 5 Year Bid CDS Spread	--	--	--	--	--	--	--	--	--
17) Bid OAS	--	--	--	--	--	--	--	--	--
18) Dividend Yield	--	--	--	0.0		2.4	0.5	--	--
Credit Ratios									
19) Secured Debt/EBITDA	--	--	--	--	--	--	--	--	--
20) Unsecured Debt/EBITDA	--	--	--	1.0		1.4	1.2	--	--
21) Subordinated Debt/EBITDA	--	--	--	--	--	--	--	--	--
22) Total Debt/EBITDA	--	--	--	1.0		1.4	1.2	--	--
23) EBITDA / Tot Int Exp	--	--	--	-881.1		34.1	-203.7	--	--
24) Net Debt / EBITDA	--	--	--	-2.3		0.6	-1.0	--	--

Looking at the average of the comparables' price-to-book ratio, which was 8.3, the company's price-to-book ratio was massively overpriced at 73.6. This was a difference of 65.3, indicating that the company's stock was greatly overvalued. However, this could also be an indication of optimism and public belief in the company's potential growth and performance in the future.

Liquidity and Trade History

PCS	Firm Name	Bid Px / Ask Px	Bid Yld / Ask Yld	BSz(M) x ASz(M)	Time
TRAC	FINRA - TRACE	100.500 / Last Trd	3.763 / Last Trd	x Last Trd	d11/12
BVAL	BVAL (Score: 9)	100.309 / 100.473	3.806 / 3.769	x	11/12
EXCH	EXCHANGE TRADED	100.500 / Last Trd	3.763 / Last Trd	x Last Trd	d11/12
BMRK	BBG REALTIME EVAL	100.419 / 100.633	3.781 / 3.733	2000 x Indic Sz	11/12
	Last Trade	100.500	3.763	1,000	11/12
EDFA	ED&F MAN	98.850 / 101.490	4.037 / 3.544	125 x 1500	22:01
BGN	BLOOMBERG GENERIC ...	100.194 / 101.060	3.831 / 3.639	x	11/12
TRCM	FINRA TRAC 1MM+/5...	101.125 / Last Trd	3.625 / Last Trd	1000+ x Last Trd	d11/10
TRST	FINRA TRACE (<=1MM...	100.790 / Last Trd	3.699 / Last Trd	88 x Last Trd	d11/12
TRL1	FINRA TRACE (>=1MM...	100.500 / Last Trd	3.763 / Last Trd	1000+ x Last Trd	d11/12
TRMB	FINRA TRACE (>=500...	100.500 / Last Trd	3.763 / Last Trd	1000+ x Last Trd	d11/12
TRMT	FINRA TRACE (>=250...	100.500 / Last Trd	3.763 / Last Trd	1000+ x Last Trd	d11/12

Using the available data from the table above, the average bid-ask spread for this bond was about -0.971. Given how relatively low it is, we can assume the bond is fairly liquid.

Date	Price	Last	Vol(M)	Trds	Buy	Sell	Net	Dealer to Aff. Vol(M)	D->D	Vol(M)
Total	100.500		498,694 *	186	192,721 *	143,188 *		18,680 *	40,238 *	103,865 *
11/12/21	100.500		1,000	1	0	1,000		0	0	0
11/10/21	101.125		15,208 *	13	10,208 *	2,500		0	0	2,500
11/09/21	101.375		54,193 *	12	38,123 *	16,071 *		0	0	0
11/08/21	100.500		13,033 *	5	8,650 *	4,382 *		0	0	0
11/05/21	100.380		33,455 *	11	13,497 *	8,478 *		0	3,614 *	7,865 *
11/04/21	100.250		8,102 *	2	4,209 *	3,893 *		0	0	0
11/03/21	100.000		8,322 *	2	3,991 *	4,331 *		0	0	0
11/02/21	99.785		16,585 *	11	1,320	4,264 *		0	0	11,001 *
11/01/21	99.490		8,972 *	5	0	4,236 *		0	500	4,236 *
10/29/21	99.711		10,576 *	7	5,236 *	5,340 *		0	0	0
10/28/21	99.875		56,169 *	18	26,016 *	7,472 *		0	7,472 *	15,208 *
10/27/21	99.875		273,079 *	99	81,471 *	81,221 *		18,680 *	28,652 *	63,055 *

Looking at the trade history, we can see that this bond's trading has been fairly active within the last 15 days.

Assessment

Overall, this bond seems like a very viable investment. Roblox is showing lots of potential for future growth and their capital structure is well structured. Both the company and the bond have stable credit outlooks and very low default probability within the next year. Despite the bond's slight overvaluation concerning its Z-spread, the low default probability is a

strong advantage of this offering. Moreover, given the fair liquidity of this bond shown through its relatively low bid-ask spread and its active trading history, this bond could be acquired without extensive difficulty in finding a fitting price and/or willing seller.

Recommendation

If not currently investing in this bond, slight **BUY** recommendation depending on portfolio needs and offering availability.

If currently investing in this bond, strong **HOLD** recommendation.