# 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.
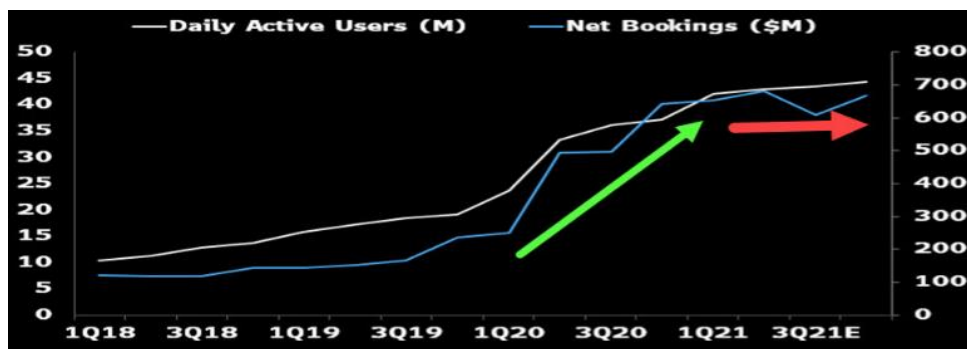


Roblox is leading the way in capturing the emerging opportunity of bringing live events into virtual 3D spaces, also known as the Metaverse, a market which has the potential to reach $800 billion by 2024. Brand partnerships and live events such as concerts are near-term growth drivers while longer-term 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
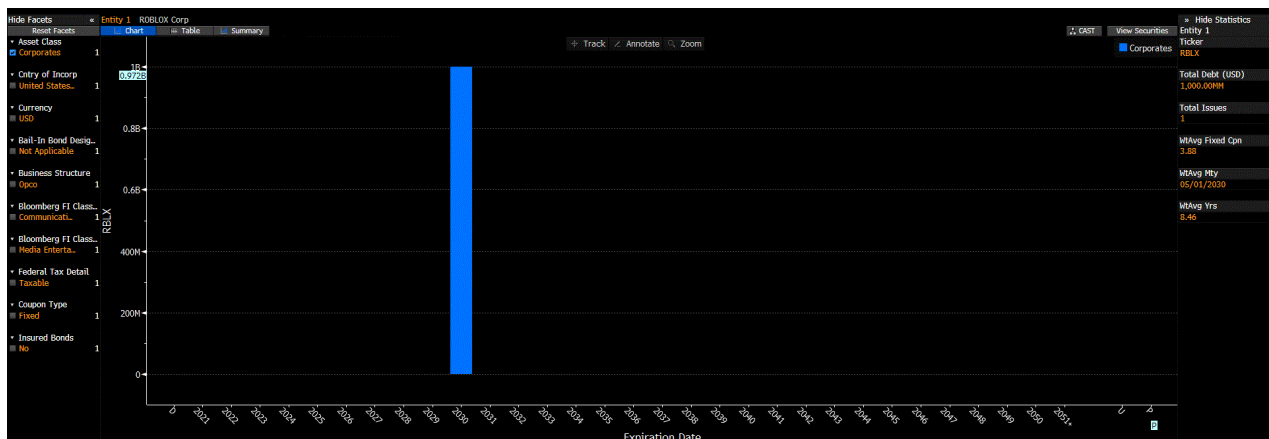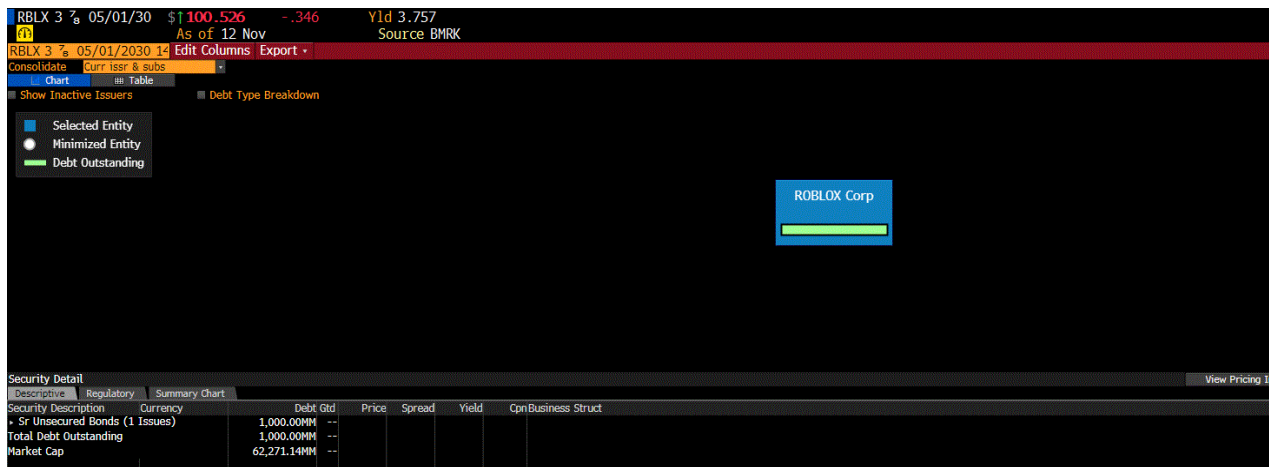
Roblox's equity market capitalization currently sits at 62,271.14 MM. The company has total outstanding debt of 1 senior unsecured bond, which is the bond being analyzed. There's nothing of concern to note regarding the capital structure, especially since it only recently went public with an IPO in March 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

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

## Credit Ratings

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

| Security | | Price | Yield | Spread | Diff | Low | Range | High | Avg | +/- .. | #SDs |
|---|---|---|---|---|---|---|---|---|---|---|---|
| NWSA 3 ⅞ 05/15/29 $↑101.142 | | -.357 | | Yld 3.598 | | | | | | | |
| As of 12 Nov | | | | Source BMRK | | | | | | | |
| **RBLX 3 ⅞ 05/01/30** | Actions ▾ | Export | | Settings ▾ | | | | | | | |
| | | | | | | | | 9) Buy | 98) Sell | | |
| <Add Security> | 4) 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 | ◆Avg ●Now | High | Avg | +/- .. | #SDs |
| Avg of Comparables | ◉ | | 4.84 | 368 | -94 | -113 | | -87 | -101 | 7 | 0.7 |
| 12) RBLX 3 ⅞ 05/01/30 | | 100.31 | 3.81 | 274 | | | | | | | |
| 13) NWSA 3 ⅞ 05/15/29 | ◉ⓘ | 101.08 | 3.61 | 259 | 15 | 2 | | 33 | 18 | -3 | -0.4 |
| 14) TGNA 7 ¼ 09/15/27 | ◉ⓘ | 116.48 | 4.05 | 292 | -18 | -37 | | -14 | -27 | 9 | 1.0 |
| 15) TGNA 7 ¾ 06/01/27 | ◉ⓘ | 118.17 | 4.06 | 296 | -22 | -42 | | -8 | -28 | 6 | 0.5 |
| 16) LAMR 3 ⅝ 01/15/31 | ◉ⓘ | 98.61 | 3.81 | 248 | 26 | 3 | | 38 | 18 | 8 | 0.6 |
| 17) AMCX 4 ¼ 02/15/29 | ◉ⓘ | 100.72 | 4.06 | 306 | -32 | -64 | | -32 | -50 | 18 | 1.5 |
| 18) UVN 4 ½ 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 ¼ 01/15/29 | ◉ⓘ | 98.76 | 4.45 | 322 | -48 | -76 | | -45 | -62 | 14 | 1.3 |
| 21) PLTK 4 ¼ 03/15/29 | ◉ⓘ | 98.57 | 4.48 | 324 | -50 | -69 | | -37 | -54 | 4 | 0.4 |
| 22) VIAC 6 ¼ 02/28/57 | ◉ⓘ | 114.50 | 3.24 | 216 | 58 | 35 | | 59 | 46 | 12 | 1.4 |
| 23) OUT 4 ⅝ 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 ¾ 10/15/30 | ◉ⓘ | 98.78 | 4.92 | 362 | -88 | -107 | | -79 | -94 | 6 | 0.5 |
| 26) TWTR 3 ⅞ 12/15/27 | ◉ⓘ | 104.75 | 2.98 | 184 | 90 | 76 | | 106 | 89 | 1 | 0.1 |
| 27) LGF 5 ½ 04/15/29 | ◉ⓘ | 103.10 | 4.71 | 371 | -97 | -141 | | -94 | -118 | 21 | 1.5 |
| 28) SBGI 4 ⅛ 12/01/30 | ◉ⓘ | 93.25 | 5.06 | 375 | -101 | -115 | | -61 | -85 | -16 | -1.0 |
| 29) STGW 5 ⅝ 08/15/29 | ◉ⓘ | 103.34 | 4.83 | 379 | -105 | -153 | | -103 | -129 | 24 | 1.3 |
| 30) GTN 5 ⅜ 11/15/31 | ◉ⓘ | 101.88 | 5.09 | 382 | -108 | -138 | | -103 | -119 | 11 | 0.9 |
| 31) SSP 5 ⅜ 01/15/31 | ◉ⓘ | 100.48 | 5.29 | 407 | -133 | -177 | | -133 | -156 | 23 | 1.6 |
| 32) RRD 8 ½ 04/15/29 | ◉ⓘ | 145.23 | 1.92 | 70 | 204 | 121 | | 204 | 165 | 39 | 1.5 |
| 33) MHED 5 ¾ 08/01/28 | ◉ⓘ | 97.77 | 6.16 | 497 | -223 | -242 | | -219 | -228 | 5 | 0.5 |
| 34) SBGI 5 ⅛ 02/15/27 | ◉ⓘ | 95.07 | 6.24 | 515 | -241 | -244 | | -199 | -223 | -18 | -1.3 |
| 35) SBGI 5 ⅛ 03/01/30 | ◉ⓘ | 94.00 | 6.45 | 517 | -243 | -254 | | -208 | -228 | -15 | -1.1 |
| 36) LINTA 8 ¼ 02/01/30 | ◉ⓘ | 109.28 | 6.76 | 551 | -277 | -292 | | -252 | -281 | 4 | 0.3 |
| 37) LINTA 8 ½ 07/15/29 | ◉ⓘ | 110.20 | 6.77 | 555 | -281 | -295 | | -258 | -276 | -6 | -0.5 |
| 38) CBSR 6 ¾ 03/31/29 | ◉ⓘ | 100.27 | 6.67 | 567 | -293 | -309 | | -274 | -297 | 4 | 0.3 |
| 39) NATCIN 5 ⅞ 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 ⅞ 05/01/30 Corp | | | 1) Export to Excel | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ROBLOX Corp | | Periodicity Quarterly ▾ | | Currency USD ▾ | 2) Edit Peers | 3) Customize Fields | | | |
| Summary | vs History | vs Peers | 4) 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. | | |
| 5) News    6) Research | vs History | 3 Years ▾ | | | | vs Peers | | | |
| Metrics | Current | History | Change | Low | Range | High | Average ▾ | Difference ▾ | History |
| **Valuation Multiples** | | | | | | | | | |
| 11) CDS / Leverage | -- | | -- | -- | | -- | -- | -- | |
| 12) OAS / Leverage | -- | | -- | -- | | -- | -- | -- | |
| 13) EV/EBITDA | -- | | -- | 11.9 | | 33.8 | 22.1 | -- | |
| 14) Price to Book Ratio | 73.6◪ | ‿�ᴌ | 6.8 B | 2.8 | | 27.6 | 8.3 | 65.3 B | ⌐ᴌᴌᴌ |
| **Market Metrics** | | | | | | | | | |
| 15) 1-Yr Implied Volatility | 64.5 | ‿ᴌ | -28.5 B | 30.9 | | 89.0 | 48.3 | 16.2 W | ‿ᴌ |
| 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/EBI... | -- | | -- | -- | | -- | -- | -- | |
| 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



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.



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.