

<b>Company: Roblox Ticker: RBLX</b> Current price: \$41.85 Sector: : Communication Services Industry: Electronic Gaming & Multimedia			
Target Price: __\$45.81	TTM P/E: N/a	Beta: 0.95__	Market Cap: _25.33 Billion__
Stop Loss: 33.6	Forward P/E: N/A	Credit Rating: A-	Avg Vol (12M): 13,160,000
52 Week High/Low: 53.88/21.65	EPS: -1.53	Rating Outlook: A-	Dividend Yield: -

#### Company Background:

Roblox operates an online video game platform that lets young gamers create, develop, and monetize games (or “experiences”) for other players. The firm effectively offers its developers a hybrid of a game engine, publishing platform, online hosting and services, marketplace with payment processing, and social network. The platform is a closed garden that Roblox controls, earning revenue in multiple places while benefiting from outsourced game development. Unlike traditional video game publishers, Roblox is more focused on the creation of new tools and monetization techniques for its developers than creating new games or franchises. Roblox is increasingly focused on creating a “metaverse” that moves beyond games toward experiences like concerts, education, and even business management. Although Roblox had their IPO on March 10, 2021, the company and its online presence have been evolving since 2006.

#### Industry Outlook:

- ❖ Interactive Home Entertainment’s (IHE) sub-industry outlook is positive. IHE is synonymous with video game sales but today is also driven by revenue from console and subscription bundles, in-game purchases of digital objects, in-game advertising, online video game development platforms (e.g., Roblox and Minecraft), E-sports, and related content, services, and merchandise. While growth in 2021 has leveled off, it is not falling off, and we view the pandemic as having permanently boosted the industry’s interest in and commercial growth long-term. While the major video game developers reacted slowly to disruptive forces like the rise of mobile gaming and “free-to-play” business models (e.g., the wildly popular game “Fortnite”), they now appear to be learning to capitalize on these trends rather than be harmed or even threatened by them. We contend that advances in interactive video entertainment are not a zero-sum game; there will likely be many new winners as IHE grows. We believe it is critical to keep the “big picture” in mind.

#### Investment Thesis:

- ❖ Long pipeline growth fed by DAU(Daily Average User) growth, improving demographics, rising global incomes, 5G, growing interest in coding, and a “gold rush” of creative digital expression
- ❖ Two distinct network effects – social graph of players and a developer community
- ❖ Expansion potential – training, education, fitness, etc.
- ❖ Strong management

#### 3-5 take away from last quarter investor call transcript:

- ❖ “We continue to focus on innovation, and we're very pleased with our results from Q4 and the early signal in January. We have enormous headroom in our business. We have the whole company focused on one product, one platform. And in the midst of a fair amount of turmoil over the last year, we continue to hire and build an amazing team with amazing people.” - David Baszucki -- *Chief Executive Officer*
- ❖ “Some of the countries in APAC and Western Europe are not as mature as the U.S. as far as our user growth. But I would highlight the U.S., which has been traditionally where we got our start continues to show amazing growth and continues to show growth in the 9 through 12 segment, which is really where we’ve got our start. So there’s underlying growth that is worldwide as we focus on frequency.”  
- David Baszucki -- *Chief Executive Officer*
- ❖ “Our intention is to continue to find innovative and cool ways for the devs to monetize on the platform through various sources of bookings and monetization. And yes, normally, I would expect that, that's one number that I can tell you will go up as a percentage of bookings this quarter and throughout the course of the year. So I'll go back up to where we have been, which is like that 22%, 23% range, and we'll still try to push through higher numbers. So what you're seeing in Q4 was unintended leverage because of the top line.” - Mike Guthrie -- *Chief Financial Officer*

Financial performance:					Discounted Cash Flow:		
	2019	2020	2021	2022		2018-2022	2023-2031
Revenue (Mil.)	508.4	923.9	1,919.2	2,225.1	Avg Revenue Growth	68%	22%
Operating Profit (Mil.)	(76.4)	(266.1)	(390.6)	(923.8)	Avg Gross Margin	18.92%	16%
Net Income (Bil.)	(71.0)	(253.3)	(491.7)	(930.6)	Avg EBITDA Margin	(21.82%)	18.75%
Revenue Growth (%)	56.4%	82%	108%	16%	Avg NOPLAT Margin	(26.4%)	11.6%
D/E	11%	6%	15%	6%	Avg FCF/Margin	11.22%	18.7%
EPS (USD \$)	-0.44	-1.39	-0.97	-1.55	Tax Rate	8.4%	8.4%
PE Ratio	-	-	-	-	WACC	3.5%	10.2%
Current Ratio	1.2x	1.2x	1.7x	1.5x	Perpetuity Growth Rate	2%	2%
ROE	(95.9%)	(276.1%)	(142.8%)	(208.1%)	<b>Analyst Opinion</b>		
ROA	(7.3%)	(12.8%)	(7.6%)	(11.6%)	Buy:	Hold:	Sell:
Dividend/share	-	-	-	-		Rating	Target
FCF(\$)	181	1,380	3,767	3,695	S&P Net Advantage	BUY	\$48
					Morningstar	Buy	\$65
					Yahoo Finance	Hold	\$42

Relative Valuation:												Total Return %			
Company Information		Financial Metrics		Valuation Metrics				Operational Metrics					RBL X	Industry Sec(xlc)	S&P 500
Ticker	Firm	Market Cap	BV of Equity	P/Sales	P/B	P/E	P/FCF	Gross Margin	ROI	ROE	ROA	YTD			
ATVI	Activision Blizzard	66B	24.51	8.3	3.44	43.98	29.34	70.5%	6.3%	8.2%	5.9%	2022	(72.2%)	(38.22%)	(19.44%)
TTWO	Take-2 interactive	19.3B	56.85	4.01	2.03	-	173.7	54.3%	11.2%	-5%	-2.8%	Last 3years	(39.36%)	30.66%	56.25%
ES	Electronic Arts	31.5B	27.36	4.28	4.31	31.85	32.93	76.4%	8.8%	13.6%	7.8%	Last 5 years	N/A	10.66%	52.48%

-Prepared by MSFRM Fund 2 (3/29/23) using Bloomberg, S&P Net Advantage, Morningstar, Yahoo Finance