



## Forget Roblox! 1 Canadian Company That May Emerge As a Top Rival

### Description

There's no shortage of hype when it came to the **Roblox** ([NYSE:RBLX](#)) IPO. The online gaming platform that's been all the rage with younger audiences and the pandemic has only served as a profound tailwind for the firm that could fuel an unfathomable magnitude of growth in the gaming universe.

The Roblox IPO was trading hands like hotcakes, with shares blasting off past US\$73 before pulling back modestly to US\$69 and change, where the stock sits today. Today, Roblox is a company that's worth just shy of US\$40 billion. And with ARK Capital's Cathie Wood punching her tickets to the hot issue, one has to wonder if the hyper-growth gaming play can bring her market-crushing innovation funds to the next level.

Unless you have a child or a young teenager, you probably have no idea what the deal is with Roblox, even if you consider yourself a gamer. The platform is essentially a co-experience platform, with numerous virtual shared spaces for players to hang out, chat, play games, or role-play.

Roblox is a compelling way to play what some like to refer to as "the metaverse." The number of virtual worlds is growing by the day. And although the firm's pandemic tailwinds could fade in late-2021 and early-2022, I think it'd be a mistake to count out the innovative metaverse play as it looks to build upon its strength in the post-pandemic environment.

### A longer growth runway that you might expect

There's no question that younger audiences comprise an overwhelming majority of Roblox's billions of users. While the company is winning over many fresh users by the day, one has to wonder what will happen to the firm's ambitious growth story once young gamers inevitably outgrow Roblox and "graduate" to more mature games.

With a ridiculously flexible platform, I think Roblox has what it takes to grow with today's generation of young gamers. Heck, I wouldn't at all be surprised if the firm can appease older audiences moving forward, as Roblox creators look to step their game up with incredible new and engaging content.

I'm a big believer in Roblox. That said, I cringe at the valuation and would much prefer to wait for shares to cool down before considering initiating a position. The stock trades at 53x sales, making the name far too rich for my liking.

## Forget Roblox: Take this stock for a Spin!

If you seek value, I'd like to point your attention to a similar digital children's entertainment play on this side of the border.

Enter **Spin Master** ([TSX:TOY](#)), a Canadian toymaker that's made a huge splash in the realm of the digital amid the pandemic. Spin may not be viewed as a direct competitor of Roblox, given its focus has primarily been on toys. That said, moving forward, I do see Roblox making a massive move into toys and Spin continuing to double-down in its move into digital.

In any case, both firms will be after the same target market, and I do believe Spin is capable of making a splash with its new management team and compelling digital business that could spark a major re-valuation to the upside in shares of Spin Master. Spin stock is still valued like a toy company. As the firm makes major strides in its digital business, count me as unsurprised if TOY stock starts commanding a blended multiple, somewhere between a toymaker and a gaming titan like Roblox.

Fellow Fool Chris MacDonald recently touted Spin's digital segment, [praising](#) the firm's Toca Life World app as a source of promising potential:

"Revenue in [the digital games segment] increased by more than 400% to a staggering \$31.8 million in the most recent quarter." wrote MacDonald.

## Foolish takeaway on Spin Master stock

Like Roblox, Spin has done well with its "freemium" app model. And I think the 400% pop in Spin's digital games could be just the start.

In numerous prior pieces, I stated that Spin Master was [a tech company](#) that just happened to make toys. Give it another few digitally-powered quarters, and I think Bay Street will start catching on.

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### TICKERS GLOBAL

1. NYSE:RBLX (Roblox)
2. TSX:TOY (Spin Master)

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## **Author**

joefrenette

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