



## Roblox IPO Highlights Hidden Parabolic Potential in This Top TSX Stock

### Description

Last week's highly anticipated IPO of **Roblox** ([NYSE:RBLX](#)) has gone about as well as any investor could have expected. The first two trading days following the Roblox IPO, investors saw a two-day increase of more than 50%.

Indeed, many analysts and market participants foresaw this action. Coming into the IPO, the range for where shares would ultimately trade was a wide one. Indeed, any \$45 IPO with a \$30-\$120 expected trading range is expected to be a volatile one.

The heightened sentiment we've seen surrounding this IPO raises a few questions. For Canadian investors, one might want to know if there's a company with Roblox-like upside out there.

I think there is. It's **Spin Master** ([TSX:TOY](#)).

Let me explain.

### Why the Roblox IPO matters for Spin Master investors

Roblox is well known for its unique business model, allowing developers and players to create their own digital games. The Roblox community is strong, and the company's 31 million daily active users speaks to this.

More importantly, the company's core market segment is teens and tweens. The digital gaming market in this group has always been robust. However, given the impact the pandemic has on our ability (or willingness) to go to the park, movie theatre, mall, or any other "cool" hangout place these days (help me here; it's been a while) has provided a surge to gaming options for this group.

Here's where I think there are some serious parallels to draw between Roblox and Spin Master.

First, Spin Master's core target market is very similar in terms of age to that of Roblox.

Secondly, as I pointed out in a recent piece, Spin Master's [digital games segment](#) has driven the majority of its growth. In fact, this segment was up a whopping 400% this most recent quarter. The company's Toca Life World app has been a major driver of this growth.

Here's a summary from the app's description page of what Toca Life is all about:

"Want to give grandma a wild hairstyle? Bring a sloth to the Skate Park? Or just hang out with friends? If you thought it was fun to dive into a Toca Life app and do whatever you want then you were right. This is your own world where you build characters and create stories your way. Make storylines and discover that anything is possible today. "

That sounds eerily similar to the Roblox platform.

## Bottom line

We're all looking for a bit more excitement in our lives. Indeed, creating a virtual world where we can hang out with our friends is more prescient now than ever.

Roblox and Spin Master have both found incredible means of doing so. I think Spin Master's digital games segment is the key to its long-term growth potential. Additionally, on this basis, I think the company is severely undervalued compared to its larger peers right now.

There's more growth that needs to happen for investors to start buying into the Spin Master-Roblox comparison. However, I don't find such a comparison that far-fetched right now.

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### TICKERS GLOBAL

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

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