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IDEA

October 7, 2026 04:01 AM GMT

Roblox Corporation | North America

Build: 3 Thoughts on Gaming's AI Future and Who Could Benefit

We tested RBLX's AI game creation tool and came away more confident AI could democratize development and also increase the value of discovery. RBLX is well positioned for discovery, though scaled AI and consumer platforms could emerge as competitors. We outline our key takeaways and what to watch.

We Gained Access to RBLX's New Build Tool In September and Got a Glimpse of Gaming's AI-Driven Future: We have had the opportunity to experiment with RBLX's Build tool, using natural-language prompts to create, modify, and publish playable games directly in the Roblox app. While the product remains in beta, >100k people have already used Build to make games across three test markets, and we can see why. As shown below, simple prompts can generate fully playable experiences with no technical expertise required. We see this as a clear example of the AI-driven future of game development that we outlined in AI Game Creation: Innovation, Competition, and the Next $22bn Opportunity.

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Roblox Corporation (RBLX.N, RBLX UN)

Internet | United States of America

Stock Rating	**Overweight**
Industry View	**Attractive**
Price target	**$55.00**
Shr price, close (Oct 5, 2026)	$44.58
Mkt cap, curr (mm)	$31,953
52-Week Range	$141.86-33.88

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS ($)**	(1.55)	(1.26)	(0.57)	(0.47)
Prior EPS ($)**	-	-	-	-
P/E	NM	NM	NM	NM
EPS ($)§	(1.52)	(1.46)	(1.20)	(0.87)
Div yld (%)	-	-	-	-

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
§ = Consensus data is provided by Refinitiv Estimates
e = Morgan Stanley Research estimates

QUARTERLY EPS ($)

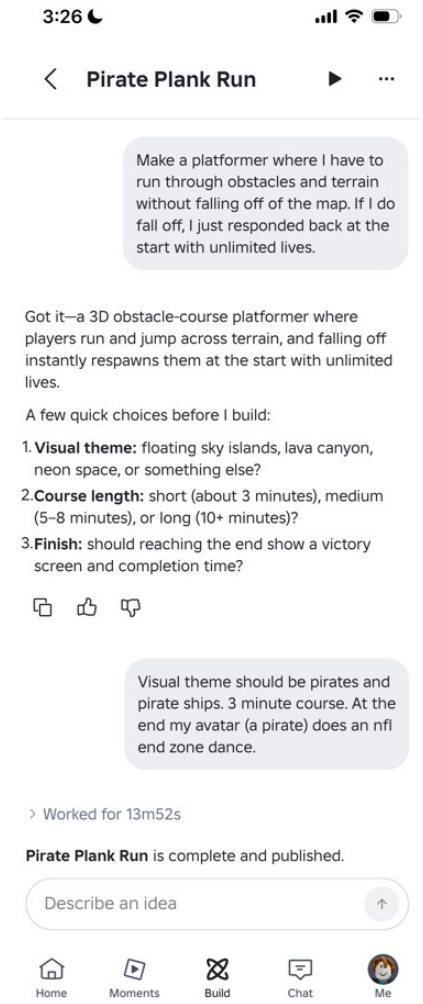
Quarter	2025	2026e Prior	2026e Current	2027e Prior	2027e Current
Q1	(0.32)	-	(0.37)a	-	(0.11)
Q2	(0.41)	-	(0.26)a	-	(0.11)
Q3	(0.37)	-	(0.28)	-	(0.11)
Q4	(0.45)	-	(0.35)	-	(0.23)

e = Morgan Stanley Research estimates, a = Actual Company reported data

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For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

Exhibit 1: A simple prompt creates a pirate-themed obstacle course in ~14 minutes...



Source: Roblox, Morgan Stanley Research

Exhibit 2: ...complete with multiple challenges and pirate décor, like cannons and a treasure chest.



Source: Roblox, Morgan Stanley Research

3 Reflections After Testing Roblox Build:

1. **Build Shows How Making Games Can Be Democratized...and That Should Make Discovery Even More Important:** In our testing, simple natural-language prompts produced playable experiences, which we could edit through additional instructions. **Lower barriers to make games should expand the number of creators and, ultimately, the supply of playable content**. Early adoption supports that thesis as >100k users have already created an experience with Build, ~9k games were published during initial testing, and 71% of Build creators had never previously used Roblox Studio. As the barriers to game creation continue to fall, **we believe discovery and personalization will become the critical sources of differentiation. The winning platforms will be the ones that surface the right games to the right players**, driving monetization for creators and engagement for consumers.
2. **RBLX Is Well Positioned to Fill the Discovery Gap, But There Could**

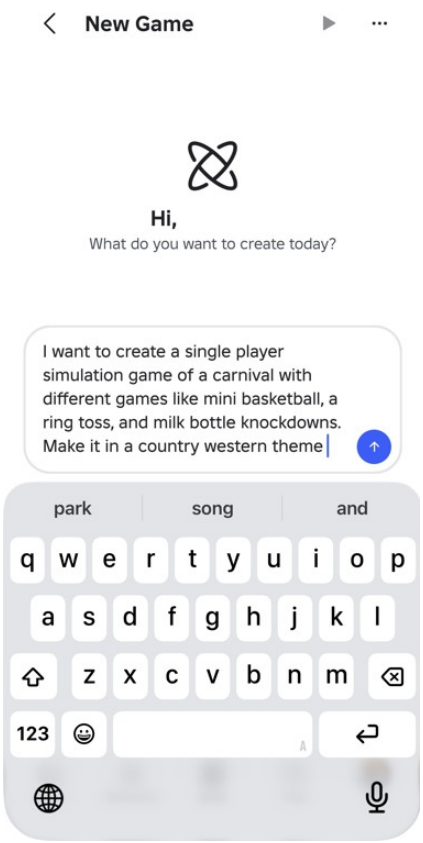
Ultimately Be Strong Competition: RBLX already combines creation with a scaled consumer audience, discovery, and monetization. That flywheel drives easier creation, brings more developers onto the platform, and leads to more/better content to attract users. **RBLX has proprietary data on the creation and consumption of >14mn experiences. This arguably gives it an edge, as it trains AI models** to not only build games but also recommend them to the right user. That said, we expect competition to intensify from here. **Other scaled consumer-facing platforms and AI leaders will likely compete in the UGC game platform business**. In our view, RBLX's existing creator/player flywheel and proprietary data provide meaningful advantages, but maintaining that position will require Build and the broader Roblox creation stack to keep pace with increasingly capable alternatives.

3. **We Believe RBLX's AI Training Investments Are Already In Expectations, While Creators Will Pay for Inference...But This Approach Has Trade-Offs:** RBLX is bearing the up-front cost of training models, and we believe this is already baked into investor expectations. That said, inference costs scale with usage and are already being passed on to creators, as **Build is only free up to a weekly cap. This friction opens an opportunity for competitors** that are willing or able to offer AI-driven game creation at lower or no cost. **The key question will be whether declining inference costs and improving model efficiency allow RBLX to become more capable without raising the cost** of creation, as users attempt to build more (and more complex) games.

What Are We Watching Next? 1) Adoption: Whether Build continues to expand the creator base as availability broadens, particularly among users who have never previously created on Roblox, and whether those new creators remain active over time. **2) Content Quality and Engagement:** Whether Build progresses from relatively simple experiences toward deeper games with stronger gameplay, retention, and monetization…and ultimately creates incremental engagement for Roblox. **3) Competition:** The emergence of competing AI creation tools, particularly those tied to scaled consumer-facing platforms that could offer their own creation, distribution, and discovery flywheels. **4) Economics:** How free usage limits and Robux pricing evolve as inference costs decline and whether AI creation can become increasingly capable without materially increasing costs for creators.



Exhibit 3: Game creation starts with a natural-language prompt...



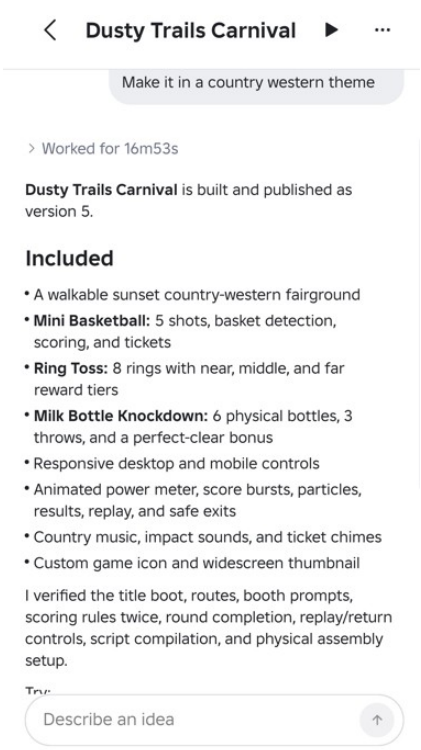
Source: Roblox, Morgan Stanley Research

Exhibit 4: ...as Build outlines a plan and tracks progress.



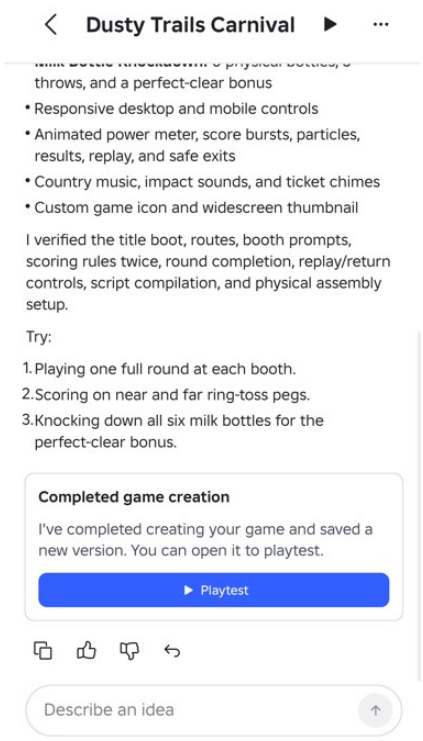
Source: Roblox, Morgan Stanley Research

Exhibit 5: A single prompt creates a playable carnival in ~17 minutes.



Source: Roblox, Morgan Stanley Research

Exhibit 6: Build notifies users when the game is ready to playtest.



Source: Roblox, Morgan Stanley Research

Exhibit 7: The result is a playable 3D carnival...



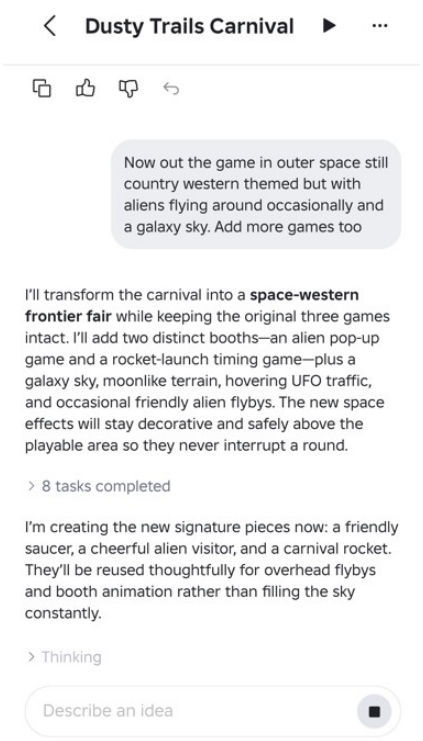
Source: Roblox, Morgan Stanley Research

Exhibit 8: ...complete with embedded games and live scores.



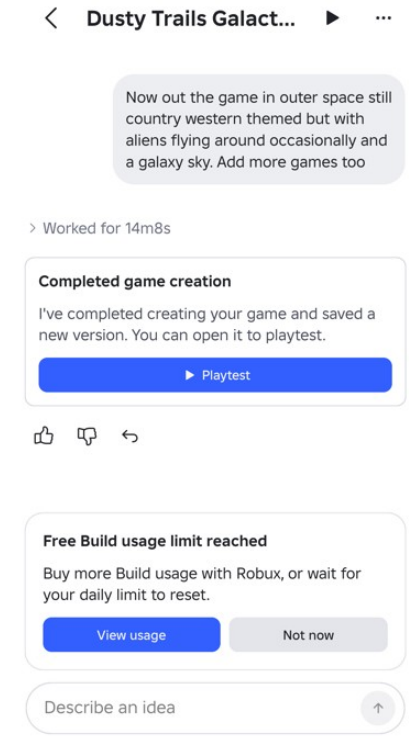
Source: Roblox, Morgan Stanley Research

Exhibit 9: Users can edit existing games with additional prompts...



Source: Roblox, Morgan Stanley Research

Exhibit 10: ...with updated versions ready in minutes.



Source: Roblox, Morgan Stanley Research

Exhibit 11: The same carnival, now set in space.



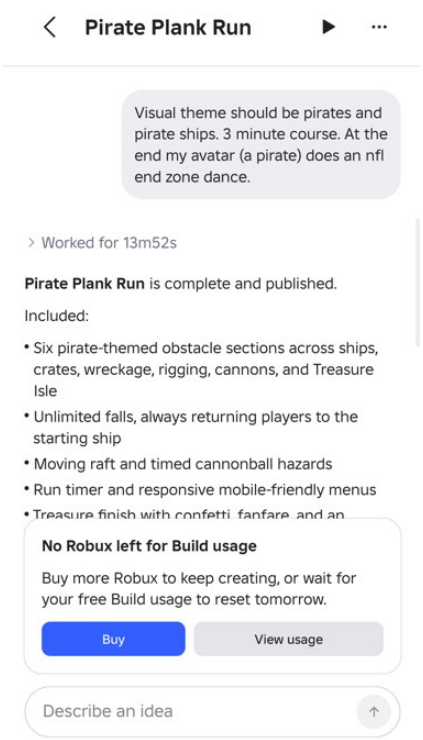
Source: Roblox, Morgan Stanley Research

Exhibit 12: The update adds game and updated visuals.



Source: Roblox, Morgan Stanley Research

Exhibit 13: Another prompt creates a pirate-themed obstacle course in ~14 minutes...



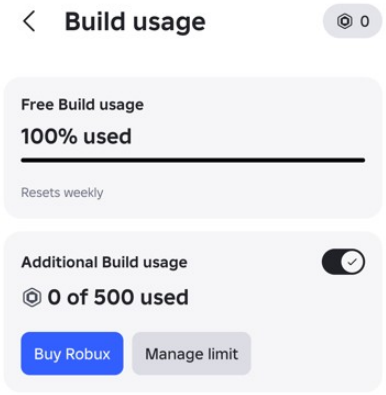
Source: Roblox, Morgan Stanley Research

Exhibit 14: ...complete with multiple obstacles and an in-game timer.



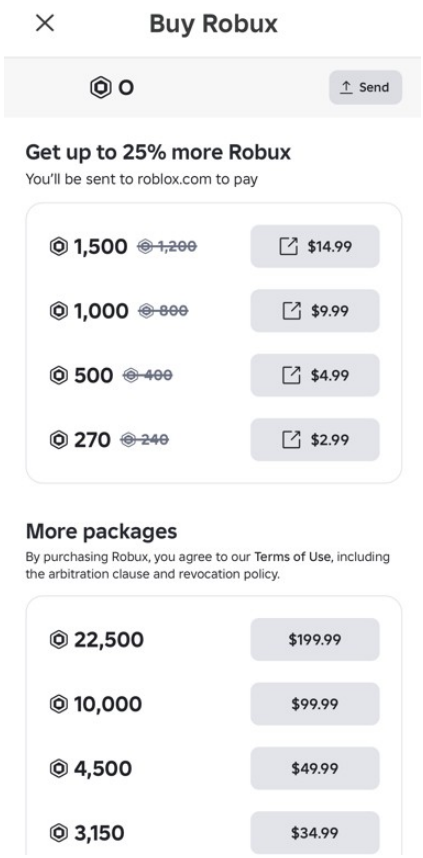
Source: Roblox, Morgan Stanley Research

Exhibit 15: Free Build usage is capped...



Source: Roblox, Morgan Stanley Research

Exhibit 16: ...with additional usage paid for in Robux.



Source: Roblox, Morgan Stanley Research

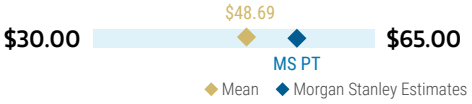
Risk Reward – Roblox Corporation (RBLX.N)

RBLX

PRICE TARGET $55.00

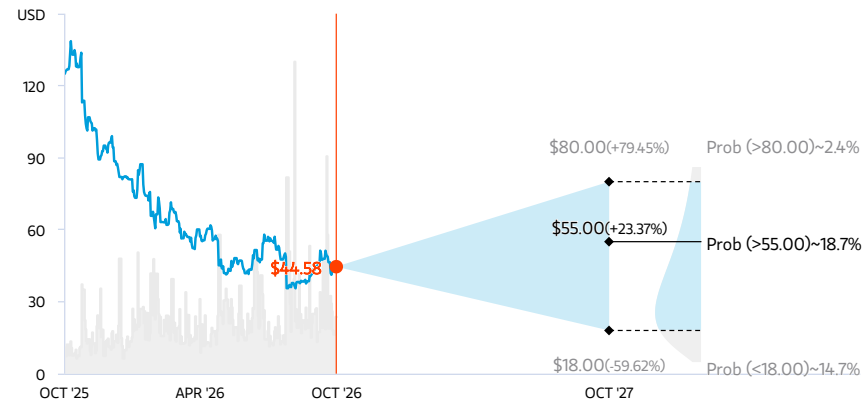
Price Target is based on a 17x target multiple of our average '27/'28 EBITDA. which represents a premium to the peer regression implied multiple, a significant premium on a growth adjusted basis that we think is warranted by industry leading user-generated and AI-enabled game creation with optionality to multiply its audience from here.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



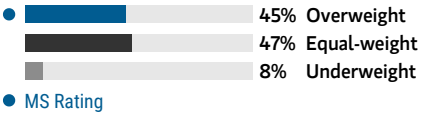
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 5 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- We are bullish on RBLX given the company's long user growth runway, high engagement, robust UGC-driven flywheel, and optionality to grow large/margin-accretive incremental revenue streams including advertising and ecommerce.
- We see clear call options around RBLX's ability to scale incremental revenue streams on the platform, including advertising and ecommerce, which could accelerate growth and be highly margin accretive.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Technology Diffusion: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $80.00

19x Bull Case Average '27/'28 EBITDA

User growth and monetization are boosted by strong traction across geographies and new verticals like advertising/ecommerce ramp significantly faster than expected. EBITDA grows at a ~29% '25-'28 CAGR as higher margin verticals scale. Investments in platform improvements and developer payouts are offset by top-line growth.

BASE CASE $55.00

17x Base Case Average '27/'28 EBITDA

RBLX drives continued user growth, particularly by growing penetration in new geographies and channels. Advertising grows modestly and offers optionality to grow margin-accretive incremental revenue over time. Management continues to execute against balancing growth and profitability, leading to EBITDA margins of mid-20% by 2028.

BEAR CASE $18.00

8x Bear Case Average '27/'28 EBITDA

RBLX drives modest user growth, leading to slower than expected bookings growth. Macro weakness pressures monetization and slows the ramp of platform extensions. Investments in platform extension and developer payouts are greater than expected, particularly as the company competes for content creator talent. Trust and safety issues are a persistent issue for the company and create an overhang on investor sentiment.

Risk Reward – Roblox Corporation (RBLX.N)

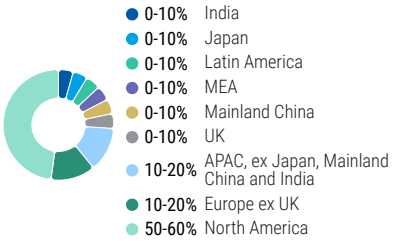
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Bookings ($, mm)	6,788	6,914	8,093	9,681
EBITDA ($, mm)	1,715	1,343	1,833	2,637
EBITDA Margin (%)	25.3	19.4	22.7	27.2

INVESTMENT DRIVERS

- User engagement higher than platform peers
- User generated content flywheel
- Platform call options such as advertising

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 BEST	24 Month Horizon	4/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster than expected user additions and/or lower churn
- Better operating leverage against platform investment
- Faster traction on call options such as int'l or advertising

RISKS TO DOWNSIDE

- Platform trust and safety issues could impair ability to acquire/retain users
- The user growth runway could be shorter than hoped
- Competition for developer talent could increase

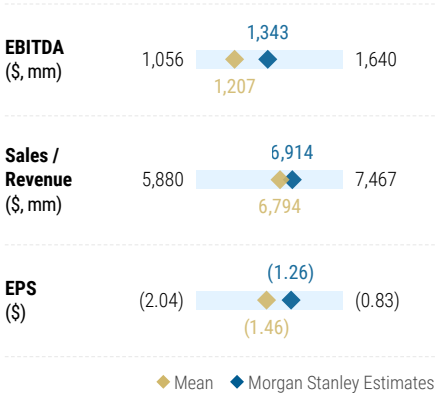
OWNERSHIP POSITIONING

Inst. Owners, % Active	66.2%
HF Sector Long/Short Ratio	2.2x
HF Sector Net Exposure	9.9%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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Global Stock Ratings Distribution

(as of September 30, 2026)

The Stock Ratings described below apply to Morgan Stanley's Fundamental Equity Research and do not apply to Debt Research produced by the Firm.

For disclosure purposes only (in accordance with FINRA requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

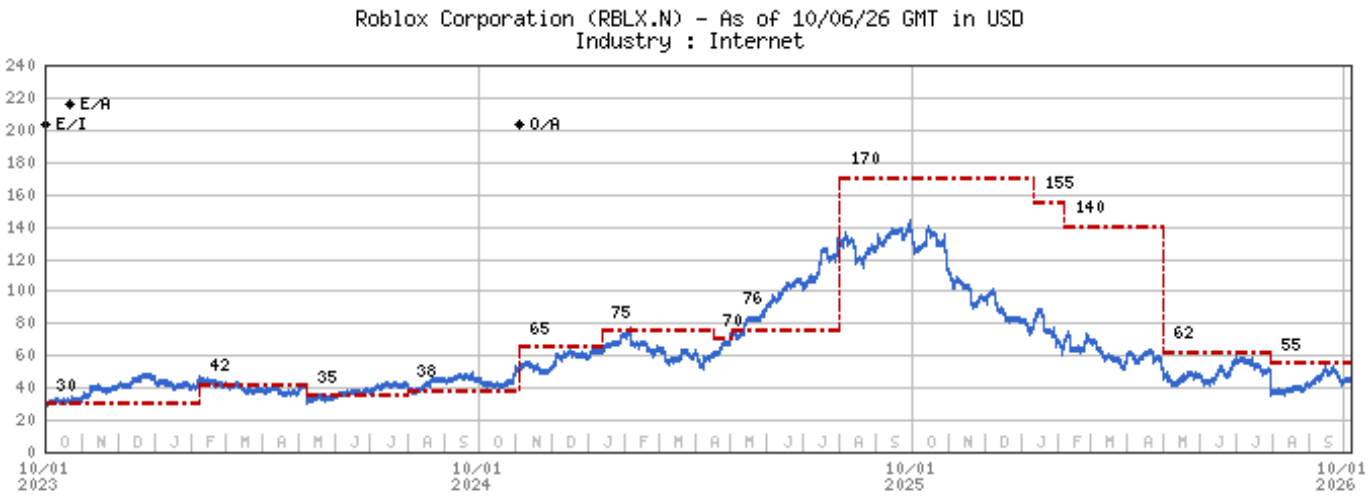
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 10/1/21 : O/I; 2/16/22 : E/I; 1/19/23 : U/I; 8/10/23 : E/I; 10/22/23 : E/A; 11/4/24 : O/A

Price Target History: 8/17/21 : 88; 11/17/21 : 150; 1/19/22 : 115; 2/16/22 : 65; 4/26/22 : 32; 5/26/22 : 27; 6/15/22 : 25; 8/10/22 : 32; 10/17/22 : 35; 12/15/22 : 27.5; 1/19/23 : 24; 2/16/23 : 26; 8/10/23 : 30; 2/8/24 : 42; 5/9/24 : 35; 8/1/24 : 38; 11/4/24 : 65; 1/12/25 : 75; 4/16/25 : 70; 5/2/25 : 76; 8/1/25 : 170; 1/12/26 : 155; 2/6/26 : 140; 5/1/26 : 62; 7/31/26 : 55

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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INDUSTRY COVERAGE: Internet

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/05/2026)
Brian Nowak, CFA		
Alphabet Inc. (GOOGL.O)	O (08/11/2015)	$346.47
Amazon.com Inc (AMZN.O)	O (04/24/2015)	$251.40
DoorDash Inc (DASH.O)	O (02/21/2024)	$191.77
Instacart (CART.O)	E (01/29/2024)	$45.67
Lyft Inc (LYFT.O)	E (10/24/2019)	$15.73
Meta Platforms Inc (META.O)	O (03/20/2023)	$741.90
Pinterest Inc (PINS.N)	O (07/20/2025)	$20.06
Reddit Inc (RDDT.N)	O (12/08/2024)	$150.42
Snap Inc. (SNAP.N)	E (07/22/2024)	$5.61
Uber Technologies Inc (UBER.N)	++	$69.48
Matthew Cost		
Airbnb Inc (ABNB.O)	E (09/16/2026)	$164.07
AppLovin Corp (APP.O)	O (04/10/2025)	$281.97
Booking Holdings Inc (BKNG.O)	O (02/23/2026)	$158.33
Compass, Inc. (COMP.N)	E (01/12/2026)	$9.29
Criteo SA (CRTO.O)	E (01/26/2016)	$14.50
DoubleVerify Holdings Inc (DV.N)	E (06/25/2024)	$13.44
Expedia Inc. (EXPE.O)	U (09/16/2026)	$260.17
Liftoff Mobile Inc. (LFTO.O)	E (06/29/2026)	$15.26
MNTN Inc (MNTN.N)	E (06/16/2025)	$10.08
Opendoor Technologies Inc (OPEN.O)	E (07/24/2023)	$2.31
Playtika Holding Corp (PLTK.O)	E (11/27/2022)	$2.18
Roblox Corporation (RBLX.N)	O (11/04/2024)	$44.58
Take-Two Interactive Software (TTWO.O)	O (02/01/2018)	$203.46
Trade Desk Inc (TTD.O)	E (09/10/2025)	$11.98

Unity Software Inc (U.N)	O (09/02/2024)	$45.68
Webtoon Entertainment Inc (WBTN.O)	E (07/22/2024)	$10.46
Yelp Inc (YELP.N)	U (01/10/2019)	$18.50
Zillow Group Inc (Z.O)	E (04/18/2018)	$27.41
Nathan Feather		
Bumble Inc. (BMBL.O)	E (03/08/2021)	$2.55
Chewy Inc (CHWY.N)	O (10/31/2023)	$18.22
Duolingo Inc (DUOL.O)	E (02/27/2026)	$147.10
eBay Inc (EBAY.O)	O (04/18/2024)	$107.14
Etsy Inc (ETSY.N)	E (07/20/2025)	$70.89
FIGS, Inc. (FIGS.N)	E (02/29/2024)	$13.63
Grindr Inc. (GRND.N)	O (07/01/2026)	$13.54
Match Group Inc (MTCH.O)	E (04/18/2024)	$40.33
Peloton Interactive, Inc. (PTON.O)	U (09/08/2026)	$5.01
Revolve Group Inc (RVLV.N)	E (10/20/2024)	$21.05
WW International Inc (WW.O)	E (08/01/2025)	$14.87

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