



1Q24

Shareholder Letter

To Our AppLovin Shareholders:

The first quarter marked a strong start to 2024 with outstanding business performance driven by the continued improvement of our AXON technology. We were encouraged to see improvement in the app advertising market with another quarter of year-over-year market growth and a continued shift to real-time bidding. By continuing to innovate and improve our AXON technology, we remain committed to driving growth not just for our company, but for the entire ecosystem we support.

In the first quarter, we generated revenue of \$1.06 billion (+48% yr/yr), net income of \$236 million at a net margin of 22%, and Adjusted EBITDA of \$549 million (+101% yr/yr) at an Adjusted EBITDA margin of 52%. Net cash from operating activities was \$393 million, with free cash flow of \$388 million. At the end of 1Q24, we had \$436 million in cash and cash equivalents and approximately 329 million shares of our Class A common stock outstanding.

Our Software Platform revenue grew for the fifth consecutive quarter to a record \$678 million in Q1, representing 18% growth from last quarter (+91% yr/yr), with Adjusted EBITDA expanding 17% from last quarter to \$492 million (+125% yr/yr) at an Adjusted EBITDA margin of 73%.

During the first quarter, we repurchased and withheld a total of 14.9 million shares of our Class A common stock which, net of new share issuances during the quarter, reduced our total shares outstanding by approximately 3%. We have approximately \$500 million remaining under our \$1.25 billion share repurchase authorization as of May 8th.

Looking ahead to the second quarter of 2024, our outlook is as follows:

Financial Guidance Summary¹

	2Q24
Total Revenue	\$1,060 to \$1,080 million
Adjusted EBITDA	\$550 to \$570 million
Adjusted EBITDA Margin	52% - 53%

¹We have not provided the forward-looking GAAP equivalents for forward-looking non-GAAP metrics, specifically Adjusted EBITDA and Adjusted EBITDA margin, or a GAAP reconciliation as a result of the uncertainty regarding, and the potential variability of, reconciling items such as stock-based compensation expense. Accordingly, a reconciliation of these non-GAAP guidance metrics to their corresponding GAAP equivalents is not available without unreasonable effort. However, it is important to note that material changes to reconciling items could have a significant effect on future GAAP results. We have provided historical reconciliations of GAAP to non-GAAP metrics in tables at the end of this letter.

1Q24

Financial Overview

ALL COMPARISONS ARE TO 1Q23 UNLESS OTHERWISE NOTED.

Revenue was \$1.06 billion, an increase of 48%.

Software Platform revenue grew 91% to \$678 million. Segment Adjusted EBITDA increased 125% to \$492 million, a 73% margin.

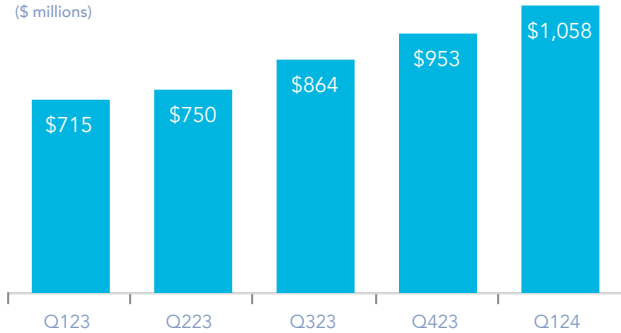
Apps revenue grew 5% to \$380 million. Segment Adjusted EBITDA increased 3% to \$57 million, a 15% margin.

Net Income was \$236 million, a net margin of 22% compared to a net loss of \$4.5 million and a net margin of -1%.

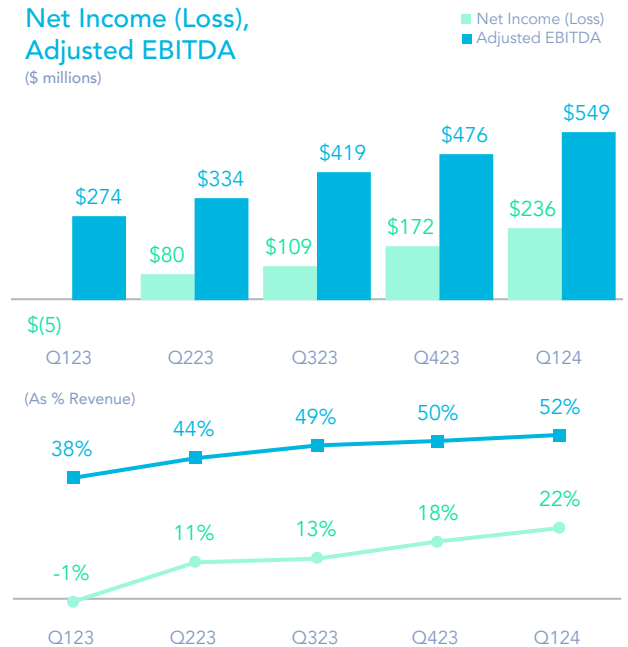
Adjusted EBITDA increased 101% to \$549 million, an Adjusted EBITDA margin of 52%.

Cash Flow: We generated \$393 million of net cash from operating activities and \$388 million of Free Cash Flow.

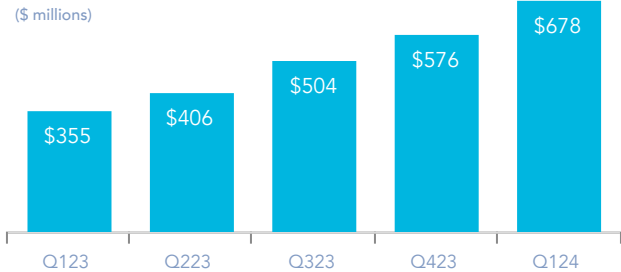
Revenue
(\$ millions)



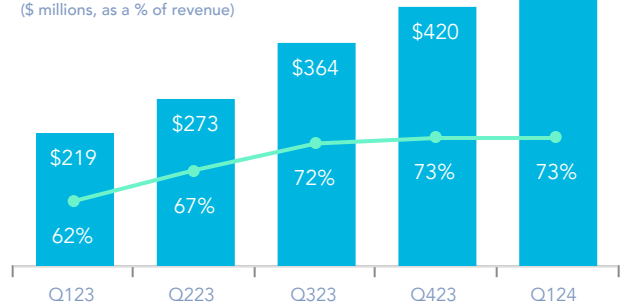
**Net Income (Loss),
Adjusted EBITDA**
(\$ millions)



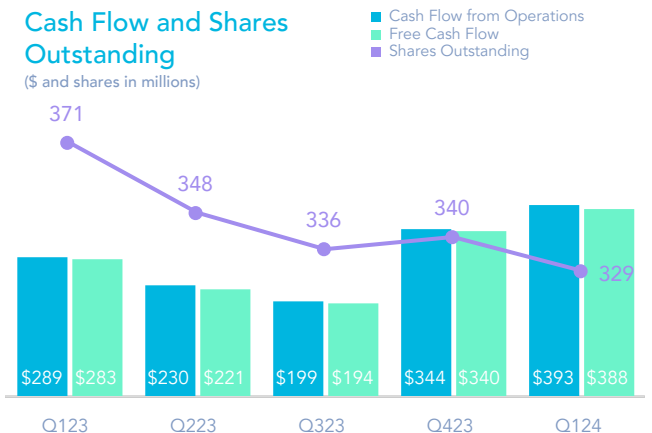
Software Platform Revenue
(\$ millions)



**Software Platform
Adjusted EBITDA**
(\$ millions, as a % of revenue)



**Cash Flow and Shares
Outstanding**
(\$ and shares in millions)



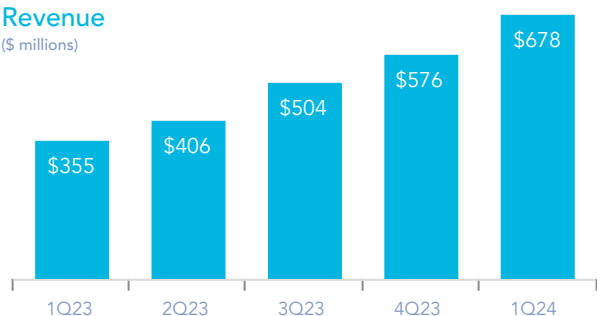
Note: Totals may not sum due to rounding

¹ Adjusted EBITDA, Adjusted EBITDA margin, and Free Cash Flow are non-GAAP measures. Please see "Non-GAAP Financial Measures" and the reconciliation from GAAP to non-GAAP measures in the Appendix.

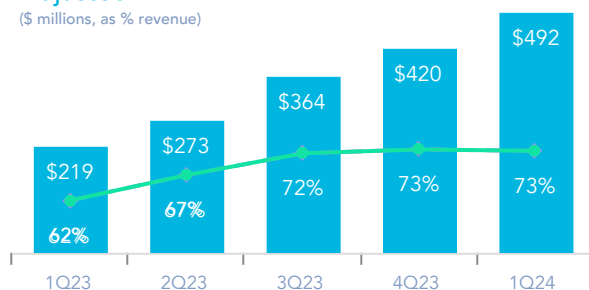
Software Platform Update

Our Software Platform segment grew significantly in the first quarter with Software Platform revenue of \$678 million, up 91% year-over-year driven by further improvement of our AXON technology, which continues to benefit from ongoing self-learning, additional data, and engineering enhancements. Our technology improvements contributed to greater return on ad spend (ROAS) for our advertisers, leading to increased investment. Continued discipline and a relatively fixed cost-base led to exceptional flow-through from revenue to Software Platform Adjusted EBITDA during the quarter, with year-over-year growth of 125% to \$492 million at an Adjusted EBITDA margin of 73%.

Software Platform Revenue
(\$ millions)



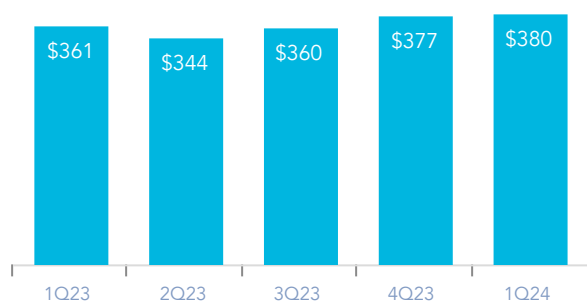
Software Platform Adjusted EBITDA
(\$ millions, as % revenue)



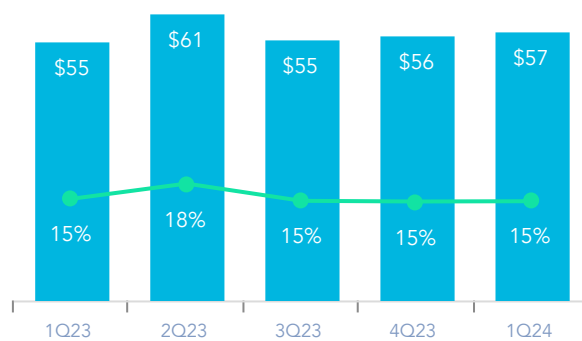
Apps Update

In the first quarter, our Apps segment revenue grew 5% year-over-year while our Apps Adjusted EBITDA was \$57 million at an Adjusted EBITDA margin of 15%, benefiting from the improved performance of AXON since our launch in 2Q23. While no longer a strategic focus for our business, we continue to expect stability in this segment.

Apps Revenue
(\$ millions)



Apps Adjusted EBITDA
(\$ millions, as % revenue)



Conclusion

We're proud of the continued momentum our team has achieved through the first quarter of the new year. As we approach the first anniversary of our AXON launch, we are just beginning to explore its full potential.

We look forward to sharing our progress throughout the year and we thank you for your continued support.

Regards,



Adam Foroughi, CEO



Matt Stumpf, CFO

Appendix

This shareholder letter contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “going to,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential,” or “continue,” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, priorities, plans, or intentions. Forward-looking statements in this letter to shareholders include, but are not limited to, statements regarding our future financial performance, including our expected financial results and guidance, and growth prospects; our expectations regarding improvements to our AXON technology; our expectations regarding the benefits of our Software Platform to and the growth of our advertising partners; our expectations regarding the growth of our advertising partners and the growth of advertising spending and the advertising ecosystem; and our expectations regarding the performance of our Apps segment. Our expectations and beliefs regarding these matters may not materialize, and actual results in future periods are subject to risks and uncertainties, including changes in our plans or assumptions, which could cause actual results to differ materially from those projected. These risks include our inability to forecast our business due to our limited operating history, the macroeconomic environment, fluctuations in our results of operations, our ability to execute on our operational and financial priorities, our ability to scale our Software Platform to support new users, the competitive advertising and mobile app ecosystems, and our inability to adapt to emerging technologies and business models. The forward-looking statements contained in this letter are also subject to other risks and uncertainties, including those more fully described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. Additional information will also be set forth in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2024. The forward-looking statements in this letter are based on information available to us as of the date hereof, and we disclaim any obligation to update any forward-looking statements, except as required by law.

Non-GAAP Financial Metrics

To supplement our financial information presented in accordance with generally accepted accounting principles in the United States ("GAAP"), this shareholder letter includes certain financial measures that are not prepared in accordance with GAAP, including Adjusted EBITDA, Adjusted EBITDA margin, and Free Cash Flow. A reconciliation of each such non-GAAP financial measure to the most directly comparable GAAP measure can be found below.

We define Adjusted EBITDA for a particular period as net income (loss) before interest expense and loss on settlement of debt, interest income and other, net (excluding certain recurring items), provision for (benefit from) income taxes, amortization, depreciation and write-offs and as further adjusted for non-operating foreign exchange (gains) losses, stock-based compensation expense, acquisition-related expense and transaction bonuses, restructuring costs, impairment and loss in connection with sale of long-lived assets, loss (gain) on extinguishments of acquisition-related contingent consideration, lease modification and abandonment of leasehold improvements, change in the fair value of contingent consideration, and loss on disposal of long lived assets. We define Adjusted EBITDA margin as Adjusted EBITDA divided by revenue for the same period.

We define Free Cash Flow as net cash provided by operating activities less purchases of property and equipment and principal payments on finance leases. We subtract both purchases of property and equipment and payment of finance leases in our calculation of Free Cash Flow because we believe these items represent our ongoing requirements for property and equipment to support our business, regardless of whether we utilize a finance lease to obtain such property or equipment.

We believe that the presentation of these non-GAAP financial measures provides useful information to investors regarding our results of operations and operating performance, as they are similar to measures reported by our public competitors and are regularly used by securities analysts, institutional investors, and other interested parties in analyzing operating performance and prospects.

Adjusted EBITDA and Adjusted EBITDA margin are key measures we use to assess our financial performance and are also used for internal planning and forecasting purposes. We believe Adjusted EBITDA and Adjusted EBITDA margin are helpful to investors, analysts, and other interested parties because they can assist in providing a more consistent and comparable overview of our operations across our historical financial periods. We use Adjusted EBITDA and Adjusted EBITDA margin in conjunction with GAAP measures as part of our overall assessment of our performance, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies, and to communicate with our board of directors concerning our financial performance. We use Free Cash Flow in addition to GAAP measures to help manage our business and prepare budgets and annual planning, and we believe Free Cash Flow provides useful supplemental information to help investors understand underlying trends in our business and our liquidity.

These measures have certain limitations in that they do not include the impact of certain expenses that are reflected in our consolidated statement of operations that are necessary to run our business. Our definitions may differ from the definitions used by other companies and therefore comparability may be limited. In addition, other companies may not publish these or similar metrics. Thus, our non-GAAP financial measures should be considered in addition to, not as substitutes for, or in isolation from, measures prepared in accordance with GAAP.

Key Metrics

We review the following key metrics on a regular basis to evaluate the health of our business, identify trends affecting our performance, prepare financial projections, and make strategic decisions.

Quarterly Key Metrics

Monthly Active Payers (MAPs). We define a MAP as a unique mobile device active on one of our apps in a month that completed at least one In-App Purchases (IAP) during that time period. A consumer who makes IAPs within two separate apps on the same mobile device in a monthly period will be counted as two MAPs. MAPs for a particular time period longer than one month are the average MAPs for each month during that period. We estimate the number of MAPs by aggregating certain data from third-party attribution partners. Some of our apps do not utilize such third-party attribution partners, and therefore, our MAPs figure for any period does not capture every user that completed an IAP on our apps. We estimate that our counted MAPs generated approximately 99% of our IAP revenue during the three months ending March 31, 2024, and as such, management believes that MAPs are still a useful metric to measure the engagement and monetization potential of our games.

Average Revenue Per Monthly Active Payer (ARPMAP). We define ARPMAP as (i) the total IAP Revenue derived from our Apps in a monthly period, divided by (ii) MAPs in that same period. ARPMAP for a particular time period longer than one month is the average ARPMAP for each month during that period. ARPMAP shows how efficiently we are monetizing each MAP.

	1Q 2024	1Q 2023
Monthly Active Payers (millions)	1.8	1.8
Average Revenue per Monthly Active Payer (ARPMAP)	\$48	\$46

Our key metrics are not based on any standardized industry methodology and are not necessarily calculated in the same manner or comparable to similarly titled measures presented by other companies. Similarly, our key metrics may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology. The numbers that we use to calculate MAPs and ARPMAP are based on internal data. While these numbers are based on what we believe to be reasonable judgments and estimates for the applicable period of measurement, there are inherent challenges in measuring usage and engagement. We regularly review and may adjust our processes for calculating our internal metrics to improve their accuracy.

AppLovin Corporation

Condensed Consolidated Balance Sheets

(in thousands, except for share and per share data)

(unaudited)

	March 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 436,336	\$ 502,152
Accounts receivable, net	1,035,372	953,810
Prepaid expenses and other current assets	136,180	160,201
Total current assets	1,607,888	1,616,163
Property and equipment, net	172,994	173,331
Goodwill	1,827,197	1,842,850
Intangible assets, net	1,198,122	1,292,635
Other assets	456,316	434,208
Total assets	<u>\$ 5,262,517</u>	<u>\$ 5,359,187</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 390,079	\$ 371,702
Accrued and other current liabilities	256,402	278,861
Short-term debt	35,563	215,000
Deferred revenue	80,480	78,559
Total current liabilities	762,524	944,122
Long-term debt	3,489,891	2,905,906
Other non-current liabilities	249,898	252,830
Total liabilities	4,502,313	4,102,858
Stockholders' equity:		
Preferred stock, \$0.00003 par value—100,000,000 shares authorized, no shares issued and outstanding as of March 31, 2024 and December 31, 2023	—	—
Class A and Class B Common Stock, \$0.00003 par value—1,700,000,000 (Class A 1,500,000,000 and Class B 200,000,000) shares authorized, 328,958,886 (Class A 273,916,065 and Class B 55,042,821) and 339,886,712 (Class A 268,774,090 and Class B 71,112,622) shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	11	11
Additional paid-in capital	1,420,895	2,134,581
Accumulated other comprehensive loss	(83,896)	(65,274)
Accumulated deficit	(576,806)	(812,989)
Total stockholders' equity	760,204	1,256,329
Total liabilities and stockholders' equity	<u>\$ 5,262,517</u>	<u>\$ 5,359,187</u>

AppLovin Corporation

Condensed Consolidated Statements of Operations

(in thousands, except share and per share data)

(unaudited)

	Three Months Ended March 31,	
	2024	2023
Revenue	\$ 1,058,115	\$ 715,405
Costs and expenses:		
Cost of revenue	294,148	261,960
Sales and marketing	226,687	202,976
Research and development	155,323	144,851
General and administrative	42,398	44,571
Total costs and expenses	<u>718,556</u>	<u>654,358</u>
Income from operations	339,559	61,047
Other income (expense):		
Interest expense	(74,182)	(74,511)
Other income, net	2,568	10,111
Total other expense, net	<u>(71,614)</u>	<u>(64,400)</u>
Income (loss) before income taxes	267,945	(3,353)
Provision for income taxes	31,762	1,165
Net income (loss)	<u>236,183</u>	<u>(4,518)</u>
Less: Net income attributable to participating securities	\$ 1,451	\$ —
Net income (loss) attributable to common stock—Basic	<u>\$ 234,732</u>	<u>\$ (4,518)</u>
Net income (loss) attributable to common stock—Diluted	<u>\$ 234,784</u>	<u>\$ (4,518)</u>
Net income (loss) per share attributable to Class A and Class B common stockholders:		
Basic	<u>\$ 0.70</u>	<u>\$ (0.01)</u>
Diluted	<u>\$ 0.67</u>	<u>\$ (0.01)</u>
Weighted average common shares used to compute net income (loss) per share attributable to Class A and Class B common stockholders:		
Basic	<u>335,794,739</u>	<u>373,160,029</u>
Diluted	<u>348,596,295</u>	<u>373,160,029</u>

AppLovin Corporation

Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Three Months Ended March 31,	
	2024	2023
Operating Activities		
Net income (loss)	\$ 236,183	\$ (4,518)
Adjustments to reconcile net income (loss) to operating activities:		
Amortization, depreciation and write-offs	112,667	128,208
Stock-based compensation	95,253	82,966
Other	8,540	9,139
Changes in operating assets and liabilities:		
Accounts receivable	(84,836)	65,614
Prepaid expenses and other assets	26,813	(17,549)
Accounts payable	18,056	9,722
Accrued and other liabilities	(19,897)	15,080
Net cash provided by operating activities	<u>392,779</u>	<u>288,662</u>
Investing Activities		
Purchase of non-marketable equity securities	(28,333)	(16,834)
Other investing activities	(3,302)	3,859
Net cash used in investing activities	<u>(31,635)</u>	<u>(12,975)</u>
Financing Activities		
Repurchases of stock	(752,224)	(64,897)
Principal repayments of debt	(668,972)	(8,327)
Payment of withholding taxes related to net share settlement	(80,144)	(19,167)
Payments of licensed asset obligation	—	(15,254)
Proceeds from issuance of debt	1,072,330	—
Proceeds from exercise of stock options	9,782	2,906
Other financing activities	(5,384)	(6,676)
Net cash used in financing activities	<u>(424,612)</u>	<u>(111,415)</u>
Effect of foreign exchange rate on cash and cash equivalents	(2,348)	1,137
Net increase (decrease) in cash and cash equivalents	<u>(65,816)</u>	<u>165,409</u>
Cash and cash equivalents at beginning of the period	502,152	1,080,484
Cash and cash equivalents at end of the period	<u>\$ 436,336</u>	<u>\$ 1,245,893</u>

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Reconciliation of Net Cash Provided By Operating Activities to Free Cash Flow (in thousands)

The following table provides a reconciliation of net cash provided by operating activities to Free Cash Flow for the periods presented:

	Three Months Ended				
	1Q23	2Q23	3Q23	4Q23	1Q24
Net cash provided by operating activities	\$ 288,662	\$ 229,794	\$ 199,066	\$ 343,988	\$ 392,779
Less:					
Purchase of property and equipment	(70)	(3,749)	(183)	(244)	(227)
Principal payments on finance leases	(5,447)	(5,468)	(5,276)	(3,979)	(4,959)
Free Cash Flow	\$ 283,145	\$ 220,577	\$ 193,607	\$ 339,765	\$ 387,593
Net cash used in investing activities	\$ (12,975)	\$ (42,217)	\$ (15,833)	\$ (6,804)	\$ (31,635)
Net cash used in financing activities	\$ (111,415)	\$ (556,698)	\$ (724,154)	\$ (170,524)	\$ (424,612)

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Reconciliation of Net Income (Loss) to Adjusted EBITDA

(in thousands)

The following table provides our Adjusted EBITDA and Adjusted EBITDA margin and a reconciliation of Net Income (Loss) to Adjusted EBITDA for the periods presented:

	Three Months Ended				
	1Q23	2Q23	3Q23	4Q23	1Q24
Revenue	\$ 715,405	\$ 750,165	\$ 864,256	\$ 953,261	\$ 1,058,115
Net income (loss)	\$ (4,518)	\$ 80,357	\$ 108,639	\$ 172,233	\$ 236,183
<i>Net Margin</i>	(1)%	11 %	13 %	18 %	22 %
Interest expense and loss on settlement of debt	74,511	50,987	78,583	71,584	74,182
Other (income) expense, net	(9,771)	(15,817)	(771)	18,528	(3,397)
Provision for income taxes	1,165	15,445	586	6,663	31,762
Amortization, depreciation and write-offs	128,208	119,892	121,797	119,111	112,667
Loss on disposal of long lived assets	—	—	—	—	1,646
Non-operating foreign exchange loss (gain)	(672)	126	(613)	(65)	106
Stock-based compensation	82,966	81,253	110,839	88,049	95,253
Acquisition-related expense	517	247	231	52	369
Restructuring costs	1,292	1,024	—	—	—
Total adjustments	278,216	253,157	310,652	303,922	312,588
Adjusted EBITDA	\$ 273,698	\$ 333,514	\$ 419,291	\$ 476,155	\$ 548,771
<i>Adjusted EBITDA Margin</i>	38 %	44 %	49 %	50 %	52 %

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Segment Information

(in thousands)

The following table provides selected financial data for our reportable segments for the periods indicated:

	1Q23	2Q23	3Q23	4Q23	1Q24
Revenue:					
Software Platform	\$ 354,758	\$ 406,063	\$ 504,452	\$ 576,489	\$ 678,370
Apps	360,647	344,102	359,804	376,772	379,745
Total Revenue	\$ 715,405	\$ 750,165	\$ 864,256	\$ 953,261	\$1,058,115
Segment Adjusted EBITDA:					
Software Platform	\$ 218,694	\$ 272,886	\$ 364,117	\$ 420,008	\$ 492,020
Apps	55,004	60,628	55,174	56,147	56,751
Total Segment Adjusted EBITDA	\$ 273,698	\$ 333,514	\$ 419,291	\$ 476,155	\$ 548,771
Interest expense and loss on settlement of debt	(74,511)	(50,987)	(78,583)	(71,584)	(74,182)
Other income (expense), net	9,771	15,817	771	(18,528)	3,397
Amortization, depreciation and write-offs	(128,208)	(119,892)	(121,797)	(119,111)	(112,667)
Loss on disposal of long lived assets	—	—	—	—	(1,646)
Non-operating foreign exchange gain (loss)	672	(126)	613	65	(106)
Stock-based compensation	(82,966)	(81,253)	(110,839)	(88,049)	(95,253)
Acquisition-related expense	(517)	(247)	(231)	(52)	(369)
Restructuring costs	(1,292)	(1,024)	—	—	—
Income (loss) before provision for tax	\$ (3,353)	\$ 95,802	\$ 109,225	\$ 178,896	\$ 267,945
Segment Adjusted EBITDA Margin:					
Software Platform	62 %	67 %	72 %	73 %	73 %
Apps	15 %	18 %	15 %	15 %	15 %

