



# BLK Pitch

## AppLovin Corp. (APP)

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August 2023

# AppLovin Corp. Background

## AppLovin Corp.

AppLovin (APP), a company with its headquarters in Palo Alto, California, and offices all around the world, develops tools to assist companies of all sizes in connecting with their target clients. For companies to reach, monetize, and expand their worldwide audiences, the firm offers end-to-end software and AI solutions.

AppLovin enables developers of all sizes to market, monetize, analyze and publish their apps through its mobile advertising, marketing, and analytics platforms (MAX, AppDiscovery, and SparkLabs). Lion Studios, run by AppLovin, collaborates with game designers to market and distribute their mobile games. In 2020, 49% of AppLovin's revenue came from businesses using its software and 51% from consumers making in-app purchases.

Pricing power:	Capital Intensity:	Cyclicality:	Capital Allocation:	Inventory:	Operating leverage:	Debt:
- AppLovin has a strong market position, and few competitors making their ability to adjust their prices while still in demand	- The Telecom companies by nature usually have low capex. Although it has picked up in last few years. Historically AppLovin has low capex intensity	-AppLovin is somewhat cyclical as it allows developers to advertise. Businesses tend to reduce spending when the end user is less likely to spend	- AppLovin uses Free Cash Flow to prepare budgets and for capital allocation		- AppLovin operating expenses for the quarter ending June 30, 2023 were \$0.619B, a 14.39% decline year-over-year. As of 2023, it is 37% of revenue.	- AppLovin has a total shareholder equity of \$1.5B and total debt of \$3.2B, which brings its debt-to-equity ratio to 210.9%, which is high

## Competitive Dynamics in the Telecommunications Industry:

Competition and Product Diversity	Product Efficacy and Pricing	Market Share and Consolidation	Influence of Third-Party Payors	Pricing Power and Innovation	Volatile Growth Portfolio
AppLovin Corp. (APP) faces competition from URX, Nend, & GoogleAdmob	AppLovin makes money from fees paid by mobile app advertisers or business clients that use its Software Platform to grow and monetize their apps. The company is integrating AI to upgrade their advertising algorithm	The telecom market is dynamic, with companies frequently entering and exiting. Mergers and acquisitions (M&A) have been a common strategy to consolidate market share. AppLovin acquisition of MoPub from Twitter for 1.1Bn. AppLovin has a market cap of \$14.89 Billion	In the telecom industry, third-party payors, such as government regulators, can exert significant influence. Regulatory decisions can impact pricing and competition.	Companies with highly effective and innovative services may have some pricing power. AppLovin is constantly innovating its services through the use of AI in the adtech industry	The telecom industry is known for its volatility, with rapid technological advancements and changing consumer preferences. AppLovin has some volatility (\$2 Week High/Low \$43.76/\$9.14)

## Summary

In summary, AppLovin (APP) reported a strong set of 2Q results that were ahead across key metrics and provided 3Q guidance that was ahead of consensus as well. There are a few risk with this company which include increased competition from URX and longer than anticipated optimization of Apps Business. But, despite challenges in the Apps segment, AppLovin's profitability and potential for \$1.2 billion in free cash flow make it attractive.