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AppLovin

AppLovin Corporation (APP): 3Q26 Update

November 5, 2026

"Fixed, and Priced In" Downgrade to HOLD (from BUY) | Target $378 (from $329) | $360.78, 4.8% Upside

Q3 2026 Results

Revenue	**$2,185M**
Growth (y/y / q/q)	**55% / 13.6%**
Adj. EBITDA	**$1,842M**
% margin	**84.3%**
Free cash flow	**$1,418M**
FCF / Adj. EBITDA	**77%**
Diluted EPS	**$4.30**

Q4 2026 Guide

Revenue	**$2,365-2,395M**
Growth (y/y)	**43-44%**
Adj. EBITDA	**$1,995-2,025M**
% margin	**84-85%**

Valuation (11/5/26)

Share price	**$360.78**
Target (blended)	**$378**
Probability-weighted	**$373**
Bull / bear	**$526 / $209**
Market cap	**$119.5B**
Enterprise value	**$119.9B**
EV / FY27E EBITDA (base)	**13.3x**
Net debt / LTM EBITDA	**0.06x**

Model Changes (prior)

FY26E revenue	**$8,331M ($8,079M)**
FY27E growth	**30% (24%)**
FY27E margin	**83.0% (82.0%)**
Target	**$378 ($329)**

Description

AI-driven ad platform that sells performance ads inside mobile games and, since late 2025, for e-commerce and web advertisers. AXON picks the ad in each auction, and MAX runs the in-app bidding that much of its supply flows through.

Prior Call

BUY at $259.97 with a $329 target (10/28/26). The stock fell from a $738 high to a $225 low over a year of SEC and short-seller overhang, slowing growth and a weak summer.

Management

Adam Foroughi, Co-Founder & CEO
Matt Stumpf, CFO

Situation Overview

AppLovin reported Q3 on 11/4. Revenue of $2,185M (+55% y/y, +13.6% q/q) beat the top of guidance by $100M, Adj. EBITDA was $1,842M (84.3% margin), and the Q4 guide of $2,365-2,395M came in about $110M above where consensus implied. Management said the Q2 miss was its own doing and that a new generation of AXON models is only partly rolled out. The stock rose 10.7% in the 11/4 session before the release and traded at $360.78 on 11/5, $101 above my 10/28 benchmark of $259.97. Q3 cleared both revenue tests I set before the print, and I raised the model, but the stock moved more than my target did. **At $360.78 APP trades at 13.3x my base-case FY27 EBITDA, the peer median, so the discount my BUY case was built on is gone.**

Recommendation

Move to HOLD (from BUY) with a $378 target (from $329), 4.8% above $360.78. I wouldn't add at this price, but I wouldn't sell either. The base case sits right at the price, and the bull case ($526) depends on a model rollout management won't put a date on. If they guide Q1 2027 above $2.45B in February or the stock pulls back below $302, I'd go back to BUY, and a guide below $2.30B would get me to SELL.

Why I'm Not Chasing It

I think the business is in better shape than a month ago and my numbers went up, but the stock went up more. At $360.78 you need roughly 33% revenue growth next year to get to 13x FY27 EBITDA, which is a bit more than my base and a bit more than management's own long-term target. I do think my 30% is conservative, since it only needs Q1 2027 to come in flat with Q4, so I lean toward the bull case. But the price already pays for most of that, so I'm holding and not adding.

Pre-Print Tests vs. Q3 Results *tests set 10/28/26*

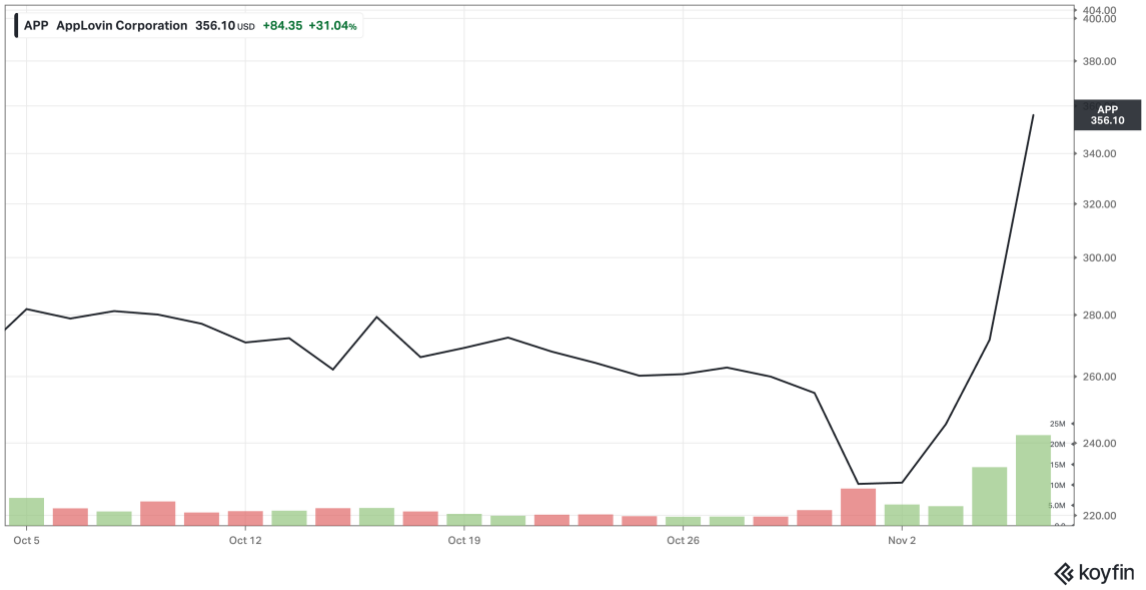
Test	Pre-print bar	Actual
Q3 revenue	Above $2,085M (top of guide)	$2,185M, +55% y/y, +13.6% q/q
Q3 Adj. EBITDA margin	83% or better	84.3% ($1,842M)
Q4 revenue guide	About $2.27B (implied by consensus)	$2,365-2,395M, +43-44% y/y
E-commerce disclosure	Advertiser count or spend	Spend up double digits q/q, triple digits y/y; no dollars

Scenario Values *$ per share; valuation date 12/31/26; 10.8% WACC*

Scenario (weight)	Perpetuity	Exit multiple	FY27E multiple	Blended	vs. $360.78
Bull (25%)	$502	$639	$481 (16x)	$526	+46%
Base (50%)	**$382**	**$429**	**$351 (13x)**	**$378**	**+5%**
Bear (25%)	$217	$211	$204 (9x)	$209	-42%
Probability-weighted				**$373**	**+3%**

Quarter & Call Review

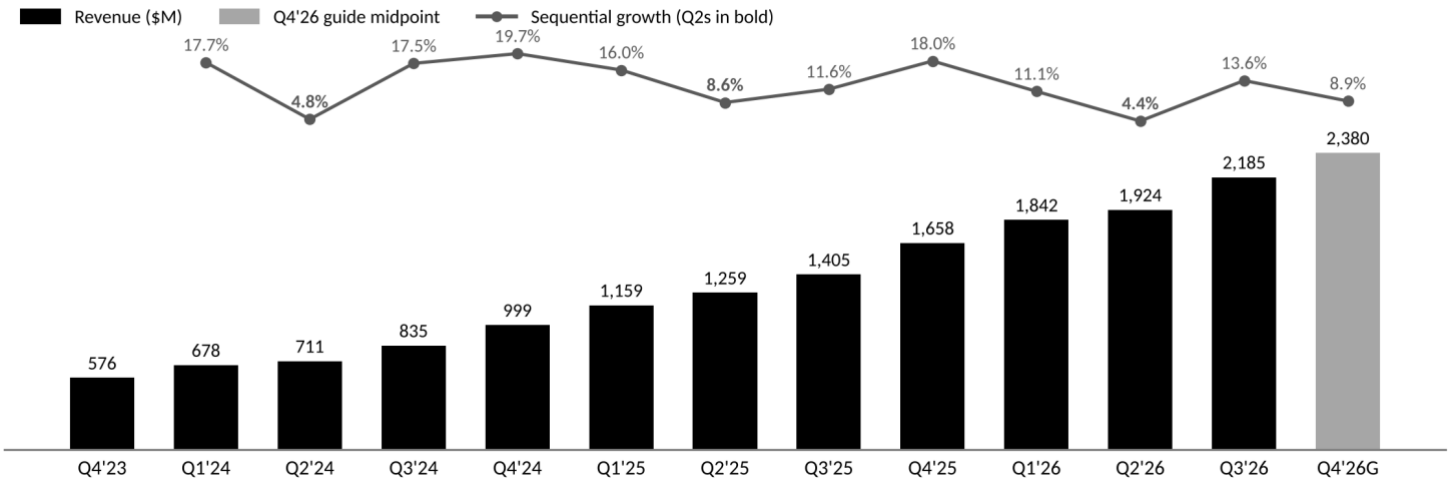
Share Price, Last Month *daily close and volume through 11/5/26*



The Quarter

Revenue came in $100M above the top of guidance, the Q4 guide was about $110M above where consensus implied, and 87% of the extra revenue fell through to EBITDA. The 10-Q puts almost all of the growth in price: net revenue per installation was up 55% and installs only 2%. AppLovin doesn't split gaming from consumer, so I'm taking management's word that most of the beat came from gaming (up nearly 50%) and that consumer is still the smaller piece, growing triple digits off a base they won't size.

Revenue and Sequential Growth *$ in millions; continuing operations; Q4'26 at guide midpoint*



Look at the Q2s. They've been AppLovin's softest sequential quarter in each of the last three years (4.8%, 8.6% and 4.4%), so some of what got called a broken model in August was just the calendar. Management owned the miss anyway, and I don't want to explain all of it away, but 4.4% looks a lot less alarming next to 2024's 4.8%.

The Q4 guide is the more interesting number. It implies 8-10% sequential growth, against 19.7% and 18.0% in the last two Q4s, in the quarter that's supposed to get bigger as e-commerce grows. When Jefferies asked about it, the CFO said they guide to what they know. I think the guide is light, and a beat like Q3's would make the bull case a lot easier to believe.

Costs grew a lot faster than revenue. R&D was up 132% to $102M and SBC up 149% to $84M, which management tied to training compute and new model development. Margins still rose to 84.3% because data center costs fell as a share of revenue, taking cost of revenue down to 11% of sales from 12%. Free cash flow was $1.4B, 77% of EBITDA, after cash tax timing had pulled Q2 down to 53%.

The Call

Adam Foroughi (CEO) said the Q2 miss was the company's own doing, since rivals were growing at the same time, and that a new generation of AXON models is now partly rolled out. He says the new architecture has much more room to optimize than AXON 2.0 and works best where data is thin, which is where consumer advertisers sit, but he wouldn't give a timeline or a cadence. That may well be right, but it's also exactly what you'd say one quarter after a miss, and I can't check it from the outside. The per-install numbers did move the way you'd expect if he's right, though. I left the rollout out of the base case and put it in the bull case, where it does most of the work.

Two things on the call cut the other way. Adam said a bigger e-commerce Q4 will be followed by a weaker Q1, because the same advertiser who spends heavily over the holidays pulls back in January. That's real, but AppLovin's Q1s have grown 11-18% sequentially in each of the last three years on gaming's post-holiday push, and my base case only needs Q1 2027 flat with Q4. The other was a UBS analyst saying some gaming advertisers are moving budget to rivals because they expect e-commerce bidders to push up auction prices. Adam's answer was that return on ad spend is higher than it was three years ago and that the advertisers who talk to analysts probably aren't the ones succeeding. He might be right, and it's also what every platform says about channel checks. If the check is right it will show up as slower gaming growth, so that's the number I'm watching.

Capital allocation got more interesting. Net leverage is under 0.1x and the CFO said the long-term level is about 1x, which is roughly $6.6B of debt capacity on top of the new $3.6B buyback authorization. He called the Q3 buyback step-up opportunistic, and the timing doesn't look great so far: August and September repurchases averaged about $317 and $311 a share, and the stock closed at $245.51 on 11/3. Adam also floated buying data or customer relationships to speed up e-commerce and pointed to MoPub as the model. I'd want to see the price before getting excited, given how much of the multiple already assumes consumer works.

The 10-Q also added a new class action, filed 9/16, alleging the company misled investors about how fast the models were improving and about the timeline for an ad-generation tool, plus a derivative suit on 10/7. There's no loss contingency booked and not much signal yet, but I'll keep an eye on it, especially since the complaint is about the same kind of rollout story management is telling now.

Model & Valuation

What I Changed

I raised FY27 base growth from 24% to 30% and put FY26 on actuals plus the Q4 guide. I left the multiples, WACC method and scenario weights unchanged, so the whole change in target comes from the cash flows and the 9/30 balance sheet. Overall, I consider these to be conservative tweaks, and I remain more bullish than the numbers suggest. I can see a path to $450-500 if the model rollout keeps landing, which is about what 15x on bull-case FY27 EBITDA of $10.0B gives.

Model Changes *base case unless noted*

Input	Before (10/28)	After (11/5)	Why
FY26E revenue	$8,079M (+47%)	$8,331M (+52%)	9M actual $5,951M plus Q4 guide midpoint
FY26E Adj. EBITDA margin	83.2%	84.3%	9M actual $5,013M plus Q4 guide midpoint
FY27E revenue growth (base / bull / bear)	24% / 33% / 10%	30% / 40% / 15%	Base = management's long-term target; bear = Q4 guide annualized, so no sequential growth all year
FY27E Adj. EBITDA margin	82.0%	83.0%	Q3 was 84.3%, but management will keep buying training compute
FY31E Adj. EBITDA margin	80.0%	81.0%	Same fade, from a higher start
SBC (% of sales)	4.5%	4.0%	4.3% over 9M26, 3.9% in Q3
Net debt adjustments	($207M)	($78M)	Cash $3,174M and Tripledot $298M at 9/30
Diluted shares	337.0M	332.5M	331.3M outstanding at 10/31 plus 1.1M dilutive awards

My base FY27 revenue of $10,830M is about 7% above where Street estimates sat before the print. I expect estimates to move toward my number, but the price already roughly assumes they will.

What the Price Needs

At $360.78, the 13x multiple I use on FY27 EBITDA needs about $9.2B of EBITDA to get back to today's price. At an 83% margin that's roughly 33% revenue growth next year, a bit more than my 30% base and a bit more than management's long-term target. I think that's a fair price for a business that keeps beating its guide, which is why this is a HOLD and not a SELL. The base case comes out at $378 blended and $373 probability-weighted, using the same methods and weights as before (25% perpetuity DCF, 25% exit-multiple DCF at 12x FY31E, 50% 13x FY27E, 10.8% WACC), and the scenario table on page 1 shows each one by case.

The bigger change is the risk/reward. Before the print the bull case was worth 77% upside and the bear case 29% downside. Now they're about the same size (+46% and -42%) and the base case barely clears the price. On the higher beta a lot of coverage lists use (13.9% WACC) the blended value drops to $338, below today's price, where before the print that same view still had the stock cheap at $297 against $260. The bear case is also only a growth stall at the Q4 run rate. A rule change from Apple or Google aimed at how AXON uses data would be worse than that, and none of my scenarios price it.

The Multiple

I've changed my mind on the multiple, at least partly. In October I put the discount down to platform risk and reliance on gaming, and neither went away this quarter. But Q3 showed the Q2 slowdown was AppLovin's own fault and fixable, consumer spend is growing triple digits, and the growth gap with peers widened to 30% at an 83% margin against about 22% and 41% for the peer median. On growth-adjusted comps, peers trade at about 0.5x EV/EBITDA per point of growth, which would put APP near 15x FY27E. Reddit is the caution here: it grows about as fast (33%) and trades at 13.5x.

I keep 13x in the target anyway, because raising the multiple on the day the stock jumps 33% is how a target ends up chasing the price. At 15x the blended value would be about $405, 12% above the price, and the exit-multiple DCF alone gives $429. That is where I think the stock can go if the model rollout keeps landing, and it's why I'm comfortable holding.

What Would Change My Mind

The big one is the Q1 2027 guide in February. My base case needs about $2,395M, 30% above Q1 2026's $1,842M, and anything well above that tells me the Q4 guide was light.

Monitoring & Triggers

Signal	Now	Back to BUY	Down to SELL
Q1 2027 revenue guide	Base needs ~$2,395M (+30%)	Above $2.45B (+33%) with margin at 83%+	Below $2.30B (+25%)
Adj. EBITDA margin	84.3% in Q3; 84-85% guide	-	Guide below 80%
Gaming growth	Nearly 50% y/y	-	Slows as e-commerce bidders arrive (the UBS check)
Consumer disclosure	Growth ranges only	First dollar figure for consumer revenue	-
Legal and platform	9/16 class action; 10/7 derivative suit	-	Platform or court finding against AXON's data practices
Share price	$360.78	Below $302 (20% under target)	Above $454 (20% over target)

Appendix

Appendix #1. Model: Base / Bull / Bear Projections

AppLovin Corporation - Projection Model (Base / Bull / Bear)

$ in millions except per share; calendar years; continuing operations (Apps business sold June 2025).

	Historicals		Base Case						Bull Case						Bear Case					
For the year ended Dec. 31	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**	**FY29E**	**FY30E**	**FY31E**	**FY26E**	**FY27E**	**FY28E**	**FY29E**	**FY30E**	**FY31E**	**FY26E**	**FY27E**	**FY28E**	**FY29E**	**FY30E**	**FY31E**
Net Sales																				
AppLovin Ads revenue	3,224	5,481	8,331	10,830	13,105	15,201	17,025	18,388	8,446	11,824	15,135	18,162	20,705	22,775	8,316	9,563	10,233	10,744	11,174	11,509
% change		*70.0%*	*52.0%*	*30.0%*	*21.0%*	*16.0%*	*12.0%*	*8.0%*	*54.1%*	*40.0%*	*28.0%*	*20.0%*	*14.0%*	*10.0%*	*51.7%*	*15.0%*	*7.0%*	*5.0%*	*4.0%*	*3.0%*
Total Net Sales	**3,224**	**5,481**	**8,331**	**10,830**	**13,105**	**15,201**	**17,025**	**18,388**	**8,446**	**11,824**	**15,135**	**18,162**	**20,705**	**22,775**	**8,316**	**9,563**	**10,233**	**10,744**	**11,174**	**11,509**
% change		*70.0%*	*52.0%*	*30.0%*	*21.0%*	*16.0%*	*12.0%*	*8.0%*	*54.1%*	*40.0%*	*28.0%*	*20.0%*	*14.0%*	*10.0%*	*51.7%*	*15.0%*	*7.0%*	*5.0%*	*4.0%*	*3.0%*
Adj. EBITDA																				
AppLovin Ads revenue	2,412	4,512	7,023	8,989	10,811	12,465	13,876	14,894	7,125	9,992	12,789	15,256	17,289	18,904	7,008	7,555	7,879	8,166	8,381	8,632
% margin	*74.8%*	*82.3%*	*84.3%*	*83.0%*	*82.5%*	*82.0%*	*81.5%*	*81.0%*	*84.4%*	*84.5%*	*84.5%*	*84.0%*	*83.5%*	*83.0%*	*84.3%*	*79.0%*	*77.0%*	*76.0%*	*75.0%*	*75.0%*
Total Adj. EBITDA	**2,412**	**4,512**	**7,023**	**8,989**	**10,811**	**12,465**	**13,876**	**14,894**	**7,125**	**9,992**	**12,789**	**15,256**	**17,289**	**18,904**	**7,008**	**7,555**	**7,879**	**8,166**	**8,381**	**8,632**
% margin	*74.8%*	*82.3%*	*84.3%*	*83.0%*	*82.5%*	*82.0%*	*81.5%*	*81.0%*	*84.4%*	*84.5%*	*84.5%*	*84.0%*	*83.5%*	*83.0%*	*84.3%*	*79.0%*	*77.0%*	*76.0%*	*75.0%*	*75.0%*
Unlevered Free Cash Flow																				
Adj. EBITDA			7,023	8,989	10,811	12,465	13,876	14,894	7,125	9,992	12,789	15,256	17,289	18,904	7,008	7,555	7,879	8,166	8,381	8,632
Stock-based compensation			(333)	(433)	(524)	(608)	(681)	(736)	(338)	(473)	(605)	(726)	(828)	(911)	(416)	(478)	(512)	(537)	(559)	(575)
% of sales			*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*
Depreciation & amortization			(133)	(173)	(210)	(243)	(272)	(294)	(135)	(189)	(242)	(291)	(331)	(364)	(133)	(153)	(164)	(172)	(179)	(184)
% of sales			*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*	*1.6%*
EBIT (after SBC)			**6,556**	**8,383**	**10,077**	**11,614**	**12,922**	**13,864**	**6,652**	**9,329**	**11,942**	**14,239**	**16,129**	**17,628**	**6,459**	**6,924**	**7,204**	**7,457**	**7,643**	**7,872**
Cash taxes on EBIT			(1,115)	(1,425)	(1,713)	(1,974)	(2,197)	(2,357)	(1,131)	(1,586)	(2,030)	(2,421)	(2,742)	(2,997)	(1,163)	(1,246)	(1,297)	(1,342)	(1,376)	(1,417)
tax rate			*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*18.0%*	*18.0%*	*18.0%*	*18.0%*	*18.0%*	*18.0%*
Capital expenditures			(25)	(32)	(39)	(46)	(51)	(55)	(25)	(35)	(45)	(54)	(62)	(68)	(25)	(29)	(31)	(32)	(34)	(35)
% of sales			*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*
(Increase) / decrease in net working capital			(428)	(375)	(341)	(315)	(274)	(204)	(445)	(507)	(497)	(454)	(381)	(311)	(425)	(187)	(100)	(77)	(64)	(50)
% of change in sales			*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*
Unlevered Free Cash Flow			**5,123**	**6,723**	**8,193**	**9,523**	**10,673**	**11,542**	**5,186**	**7,390**	**9,612**	**11,601**	**13,275**	**14,617**	**4,979**	**5,615**	**5,940**	**6,177**	**6,348**	**6,555**
% of sales			*61.5%*	*62.1%*	*62.5%*	*62.6%*	*62.7%*	*62.8%*	*61.4%*	*62.5%*	*63.5%*	*63.9%*	*64.1%*	*64.2%*	*59.9%*	*58.7%*	*58.0%*	*57.5%*	*56.8%*	*57.0%*

APP model, Model sheet.

Appendix #2. Model: Base Case Sensitivities

AppLovin Corporation - Base Case Sensitivities

Implied share price ($); base case cash flows.

Exit multiple DCF: WACC vs. exit EV / EBITDA

WACC \ Exit multiple	10.0x	11.0x	12.0x	13.0x	14.0x
9.79%	389.94	418.02	446.10	474.19	502.27
10.29%	382.36	409.81	437.26	464.71	492.16
10.79%	374.97	401.81	428.65	455.49	482.32
11.29%	367.78	394.01	420.25	446.49	472.73
11.79%	360.76	386.42	412.08	437.73	463.39

Perpetuity DCF: WACC vs. terminal growth

WACC \ Terminal growth	2.00%	2.50%	3.00%	3.50%	4.00%
9.79%	394.02	415.05	439.18	467.14	499.93
10.29%	369.56	387.72	408.37	432.06	459.52
10.79%	347.91	363.71	381.55	401.83	425.10
11.29%	328.61	342.47	357.99	375.51	395.43
11.79%	311.32	323.54	337.14	352.39	369.60

APP model, Sensitivity sheet.

Appendix (cont.)

Appendix #3. Model: Valuation Summary

AppLovin Corporation - Valuation Summary

$ in millions except per share; valuation as of 12/31/2026; share price as of 11/5/2026 (intraday).

Implied share price	Perpetuity	Exit multiple	FY27E multiple	Blended	Upside	Weight
Base Case	381.55	428.65	351.26	**378.18**	*4.8%*	50.0%
Bull Case	502.18	639.24	480.62	525.66	*45.7%*	25.0%
Bear Case	217.30	211.27	204.29	209.29	*(42.0%)*	25.0%
Probability-weighted				**372.83**	**3.3%**	**100.0%**

Valuation inputs	Base	Bull	Bear
WACC	10.79%	10.79%	10.79%
Terminal growth rate	3.00%	3.50%	2.50%
Exit EV / EBITDA (FY31E)	12.0x	15.0x	9.0x
Near-term EV / EBITDA (FY27E)	13.0x	16.0x	9.0x
Scenario weight	50.0%	25.0%	25.0%

Method weights	Weight
Perpetuity growth DCF	25.0%
Exit multiple DCF	25.0%
FY27E multiple	50.0%

Enterprise value to equity value	Amount
Senior notes (principal)	(3,550)
Cash and cash equivalents	3,174
Equity-method investment (Tripledot)	298
Net adjustments to enterprise value	**(78)**
Diluted shares (M)	332.5
Current share price	360.78

Base Case

For the year ended Dec. 31	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Unlevered free cash flow	5,123	6,723	8,193	9,523	10,673	11,542
Share of period in valuation window	*0.00*	*1.00*	*1.00*	*1.00*	*1.00*	*1.00*
Cash flow in valuation window	-	6,723	8,193	9,523	10,673	11,542
Discount period (mid-period)	*0.00*	*0.50*	*1.50*	*2.50*	*3.50*	*4.50*
Discount factor	*1.000*	*0.950*	*0.858*	*0.774*	*0.699*	*0.631*
PV of cash flow	-	6,388	7,026	7,370	7,456	7,278

Valuation	Perpetuity	Exit multiple	FY27E multiple
PV of discrete cash flows	35,518	35,518	
Terminal value (undiscounted)	152,587	178,727	
PV of terminal value	91,410	107,069	
Enterprise value	**126,928**	**142,587**	**116,858**
Net adjustments to enterprise value	(78)	(78)	(78)
Equity value	**126,850**	**142,510**	**116,780**
Implied share price	**381.55**	**428.65**	**351.26**
Upside / (downside)	*5.8%*	*18.8%*	*(2.6%)*
Terminal value share of EV	*72.0%*	*75.1%*	
Implied exit multiple / implied perpetuity growth	*10.2x*	*4.1%*	

APP model, Valuation sheet; bull and bear blocks not shown.