

AppLovin - Scaling the Flip Relationship

Internal ID: S&F-STR-062

Topic: Platform Strategy, Growth Strategy, Risk Management

Industry: Advertising

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Decision date and information cutoff: 2 April 2024

Decision scope: Governance and scaling of AppLovin's Flip relationship and any expansion beyond it

Case convention: This is an author-created management decision exercise. The assignment and proposed choices are hypothetical; company disclosures are historical. No private deliberations are represented.

The decision

On 2 April 2024, AppLovin and Flip announced that Flip would soon relaunch an advertising marketplace for merchants using AppLovin's AXON technology. AppLovin had already agreed to invest \$50 million in Flip's Series C, expected to represent about 4.1% of Flip's fully diluted ownership, and Flip had already entered a commercial agreement to use AXON. AppLovin's 2023 annual report also said AppLovin director Eduardo Vivas was expected to become Flip's chief operating officer and join its board. [S1] [S2]

The initial investment and commercial agreement are therefore fixed context for this decision exercise. The question is how to govern and scale the relationship as the marketplace develops, and whether to extend AppLovin's non-gaming ambitions beyond Flip. The public record does not establish that management faced this exact choice.

Assignment: Recommend how AppLovin should govern the existing Flip relationship and decide its next stage. Should it keep the effort focused on Flip while evidence develops, define conditions for a limited expansion beyond Flip, or pursue a broader non-gaming rollout? Identify the evidence, oversight arrangements and partner protections that should guide the decision. State what would change your recommendation. Use only information available on 2 April 2024.

Two businesses, one platform

AppLovin reports two segments. Its Software Platform includes AppDiscovery, the AXON recommendation engine, MAX mediation and bidding, Adjust measurement, and Wurl connected-TV services. The company also owns more than 200 mobile games in its Apps segment. AppDiscovery accounts for the vast majority of Software Platform revenue. In the company's description, AppDiscovery generally charges advertisers for installs and shares revenue with publishers, typically on an impression basis. AppLovin presents data and advertiser demand across its platform as a feedback loop that can improve AXON recommendations; that is management's explanation, not an independently estimated causal effect. [S1]

The segments moved in different directions in 2023. Software Platform revenue was \$1.842 billion, up 76% from 2022, while Apps revenue was \$1.441 billion, down 18%. The annual report says the Software Platform comparison primarily reflected \$209.6 million in publisher bonuses

recorded as a reduction to prior-year revenue, and also cites AppDiscovery installations up 17% and net revenue per installation up 35%. Management separately linked fourth-quarter platform growth and advertiser spending to AppDiscovery and AXON. It attributed the Apps decline to optimization begun in 2022, including a smaller game-studio footprint and reduced user-acquisition spending. These are the company's reported figures and explanations; they do not isolate AXON's causal contribution or predict results in commerce. [S1] [S2]

AppLovin's annual report described a longer-term objective of providing tools to non-gaming mobile-app verticals such as e-commerce and social media. It also identified reliance on mobile operating systems and distribution platforms, privacy and tracking changes, and advertiser and publisher concentration as risks. The strategic case for extending the platform sits beside questions about whether the capabilities transfer and whether partners will trust the platform as it expands. [S1]

What AppLovin and Flip announced

The February 2024 annual report disclosed that AppLovin had agreed to invest \$50 million in Flip Shop's Series C preferred stock, expected to represent about 4.1% fully diluted ownership, and that Flip had entered a commercial agreement to use AXON. The report said AppLovin director Eduardo Vivas was expected to become Flip's COO and serve on its board. The filing provides no detailed commercial terms or description of safeguards for the relationship. These disclosures identify matters for oversight; they do not establish impropriety. [S1]

On 2 April, the companies announced that Flip would "soon" relaunch a merchant advertising marketplace using AXON and AXON Connect. The release described Flip as a social-shopping service built around video product reviews, shoppable discovery and one-click checkout. It said the investment was part of a \$144 million Series C at a \$1.05 billion pre-money valuation. [S3]

AppLovin's release said Flip's brands could reach AppLovin's audience of about 1.4 billion daily active users and predicted stronger advertising performance, returns and sales. These are company-reported reach and performance claims. The release does not define the 1.4 billion figure's deduplication, eligible inventory or reachable share, and no independent results or realized Flip marketplace outcomes were available by the cutoff. The marketplace launch was described as upcoming. [S3]

Evidence and uncertainty at the cutoff

Evidence	What it establishes	What it does not establish
2023 segment revenue: Software Platform \$1.842bn (+76%); Apps \$1.441bn (–18%)	AppLovin reported strong platform growth alongside a smaller Apps business.	AXON's causal contribution, Flip economics, or likely commerce results. The annual report identifies a \$209.6m prior-year publisher-bonus comparison effect. [S1] [S2]
AppDiscovery installations +17% and net revenue per installation +35% in 2023	The company reported growth in two AppDiscovery measures versus 2022.	Incremental advertiser profit or transfer of those results to merchant sales. [S1]
Flip investment, AXON agreement and expected executive/board role	The relationship and governance connection were disclosed before the marketplace announcement.	The detailed contract, data rights, decision rights, performance obligations or controls. [S1]
Flip marketplace announcement and 1.4bn daily-active-user claim	The partners announced an upcoming AXON-powered merchant marketplace and AppLovin described its potential reach.	Actual unique/reachable audience, merchant adoption, incremental sales, lift, retention or return. [S3]
Unity reported 2023 Grow Solutions revenue of \$1.328bn, up from \$674.9m	A competitor described growth in an adjacent advertising business.	A comparable growth benchmark: Unity attributed much of the increase to the ironSource acquisition and reported about \$72m of returned legacy incentives. It also said increased ad competition negatively affected Grow revenue. [S4]

AppLovin's report says AppDiscovery produces most Software Platform revenue, making the company's existing mobile-app advertising base central to any diversification argument. Its owned game portfolio may also matter to how outside partners view platform neutrality. Unity's reported results point to competition and changing economics, but acquisition, product mix and accounting differences prevent a direct comparison. Neither company's statements provide an independent measure of how AXON would perform in social commerce. [S1] [S4]

The choice

Three broad paths are available for discussion. AppLovin could keep the relationship tightly focused on Flip and use the first marketplace activity to learn before extending the model. It could define evidence and governance conditions for adding a small number of other non-gaming partners or categories. Or it could pursue a broader rollout, using Flip as an early route into commerce while investing in wider partner adoption. Each path has costs: a narrow approach may limit learning and growth; a staged approach requires credible measurement and may slow expansion; a broader approach could test the platform's reach faster but increase execution and partner-trust demands.

No public source gives the partnership's detailed economics, an expansion budget, validated user reach, or campaign-level incremental outcomes. The \$50 million investment is an equity investment, not a disclosed marketing or expansion budget. The company's segment growth and management explanations do not determine which path creates the most value.

Decision prompt: What governance and evaluation conditions should apply to the existing Flip relationship? How far, if at all, should AppLovin extend the approach beyond Flip? Specify the evidence that should count as success, the risks that deserve monitoring, and the facts that

would cause you to slow, broaden or redesign the effort.

Sources and conventions

All facts and attributed positions are limited to public information available by 2 April 2024. Company-reported metrics and forecasts are labeled as such. No later launch, performance, financial result or management decision is included. “Daily active users” and potential reach are reproduced as the company’s claims; no deduplicated or eligible audience is inferred.

[S1]: [AppLovin FY2023 Form 10-K](#), filed 26 February 2024, Item 1 “Business” and “Growth Strategy” (printed pp. 44 and relevant business descriptions); Risk Factors; Note 17 “Subsequent Events” (printed p. 104 / SEC HTML ¶¶3660-63). Note 17 records the \$50m investment agreement, expected ~4.1% ownership, AXON commercial agreement, and expected Eduardo Vivas Flip COO/board roles. [S2]: AppLovin FY2023 Form 10-K, Item 7, “Software Platform” discussion (printed p. 51 / SEC HTML ¶1844): FY2023 revenue comparison, publisher bonuses, AppDiscovery installations and net revenue per installation. Management’s Q4 and Apps explanations: [Q4 and FY2023 Shareholder Letter](#), 14 February 2024, printed pp. 5-6 and segment data p. 18. [S3]: [AppLovin and Flip announcement](#), 2 April 2024, announcement ¶¶1-5, “About Flip,” and forward-looking statement. [S4]: [Unity FY2023 Form 10-K](#), filed 29 February 2024, Item 7, Grow Solutions revenue and discussion (printed p. 45 / SEC HTML ¶¶1314-25). Unity’s explanations are attributed and are not a like-for-like benchmark.