

Shenzhen HiSpark Ad Media Co., Ltd. • Company Research • 08 / 23

"Not ad space, but prediction": how AppLovin turned media buying into a machine

HiSpark team • **October 2026** • nine dimensions • a performance-marketing case

AppLovin teardown

What it sells is not ad space, it is prediction

9 chapters

company analysis

Prediction

the product

In-house games

the test range

Use then sell

the cold start

Client trust

why games went

Verification

the hard risk

Download the platform checklist • applovin

Download the platform checklist

Talk to HiSpark

View all platforms

One-line conclusion: AppLovin has never sold ad slots. It sells prediction. The bet is that it can judge which user will spend money more accurately than the advertiser can.

That judgment explains its most counter-intuitive moves: building its own game studios to validate the buying model, then opening that model to every advertiser, then selling the games outright once the model matured.

This piece breaks AppLovin down across nine dimensions: company basics, the two-wheel model, the algorithm, revenue structure, product matrix, the strategic pivot, competition and controversy, what it means for teams running performance products, and a short summary.



AppLovin official homepage key visual · source applovin.com

AppLovin			
 AppLovin	A mobile advertising and user-acquisition platform. Started as a game studio in 2012, listed on Nasdaq in 2021, and later sold its games business to focus on advertising.		
	2012	2021	Prediction
	founded	listed	the product
	Company basics		
	Two-wheel model		
	Revenue structure		
	Product matrix		
	The pivot		
	Takeaways		



AppLovin official site: customer case visual (app creative) · source applovin.com

1. Company basics: from a game studio to a mobile ad platform

Stage	Timing	What happened
Start	2012	Entered through games, solving its own user-acquisition problem first
Platformisation	2015 to 2020	Productised its internal buying capability into user acquisition and monetization services for others
Listing	2021	Listed on Nasdaq and entered the public market

Expansion and focus	2021 to 2025	Bought attribution and connected-TV capabilities, then sold the games business and went all-in on advertising
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Four milestones in AppLovin's path

12012

22015 to 2020

32021

42021 to 2025

Use it yourself first, sell it to others second: the most stable cold start for a tool business (compiled by HiSpark)

The takeaway: AppLovin's path was use it yourself first, sell it to others second. It did not get into advertising because it liked the industry. It got in because buying users for its own games was expensive, so it turned that buying into a product.

2. The two-wheel model: games validate, the platform earns

Business	Role	Value to the other leg
Game studios	Build and publish in-house	Supplies real buying scenarios and user data to validate the model
Ad platform	Serves outside clients	Sells the validated model to every advertiser

Two wheels: games validate, the platform earns

1Game studios

2Ad platform

3Why it works

4Why it ends

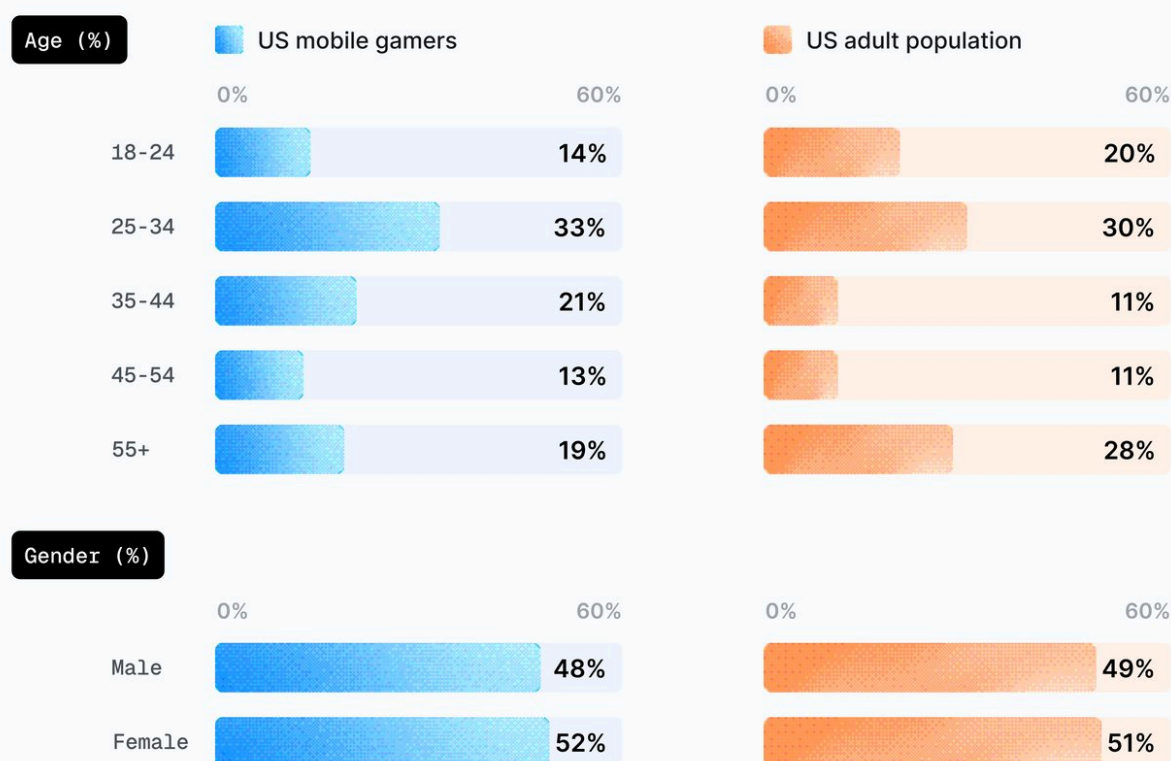
The in-house games were never the business, they were the test range (compiled by HiSpark)

Core judgment: the in-house games are not a business, they are a test range.

The hard part of any buying model is not compute speed, it is **where the labels come from** — who actually paid, and who merely downloaded. Owning the games gave AppLovin the cleanest closed-loop data, so the model could iterate on real scenarios. Once the model got good enough, it could monetise independently of its own products.

That is also why selling the games later was defensible: a test range loses its value once the model matures, and keeping it drags on margin.

Mobile gamers mirror the US population



Data: Kantar, Mobile Gaming: The New Mainstream Consumer Channel Report

AppLovin official site: game audience data visual · source applovin.com

3. The algorithm: turning media buying into a prediction problem

Traditional buying thinks in auctions: whoever bids highest wins the impression. AppLovin thinks in predictions: estimate how much revenue this user will generate, then work backwards to what you are willing to pay.

Dimension	Traditional buying	Predictive buying
Core question	What is this slot worth?	What is this user worth?
Basis for decisions	Historical averages, audience labels	Predicted value of an individual user
Data required	Impressions and clicks	The full chain from impression to payment
Team shape	Media ops heavy	Algorithms and data heavy

From auctions to predictions

Predict the value of an individual user *the core*

Full chain from impression to payment *data requirement*

Historical averages and audience labels *what it replaces*

Manual campaign tuning *what it replaces*

Estimate what a user is worth, then work backwards to the bid (compiled by HiSpark)

The implication is counter-intuitive: the stronger the algorithm team, the fewer media-ops roles you need. That is why the headcount profile of a company like this looks nothing like a traditional ad agency.

4. Revenue structure: software overtakes games

Stage	Rough shape	What drove it
Games-led	Games were the bigger share	In-house titles generated the top line
Platform catching up	The ad platform grew faster	Advertisers validated the model's performance
Platform-led	Software became the main source of revenue and profit	A higher-margin business took a bigger share
Focused	Games sold	Resources concentrated on the ad platform

Four stages of the revenue mix

Games-led *games dominant*

Platform catching up *ads growing faster*

Platform-led *software leads revenue*

Focused *games sold*

Games are a content business, an ad platform is an efficiency business (compiled by HiSpark)

The margin gap between software and games is the key to valuing this company.

Games are a content business whose revenue swings with product cycles. An ad platform is an efficiency business, and once it works it scales.

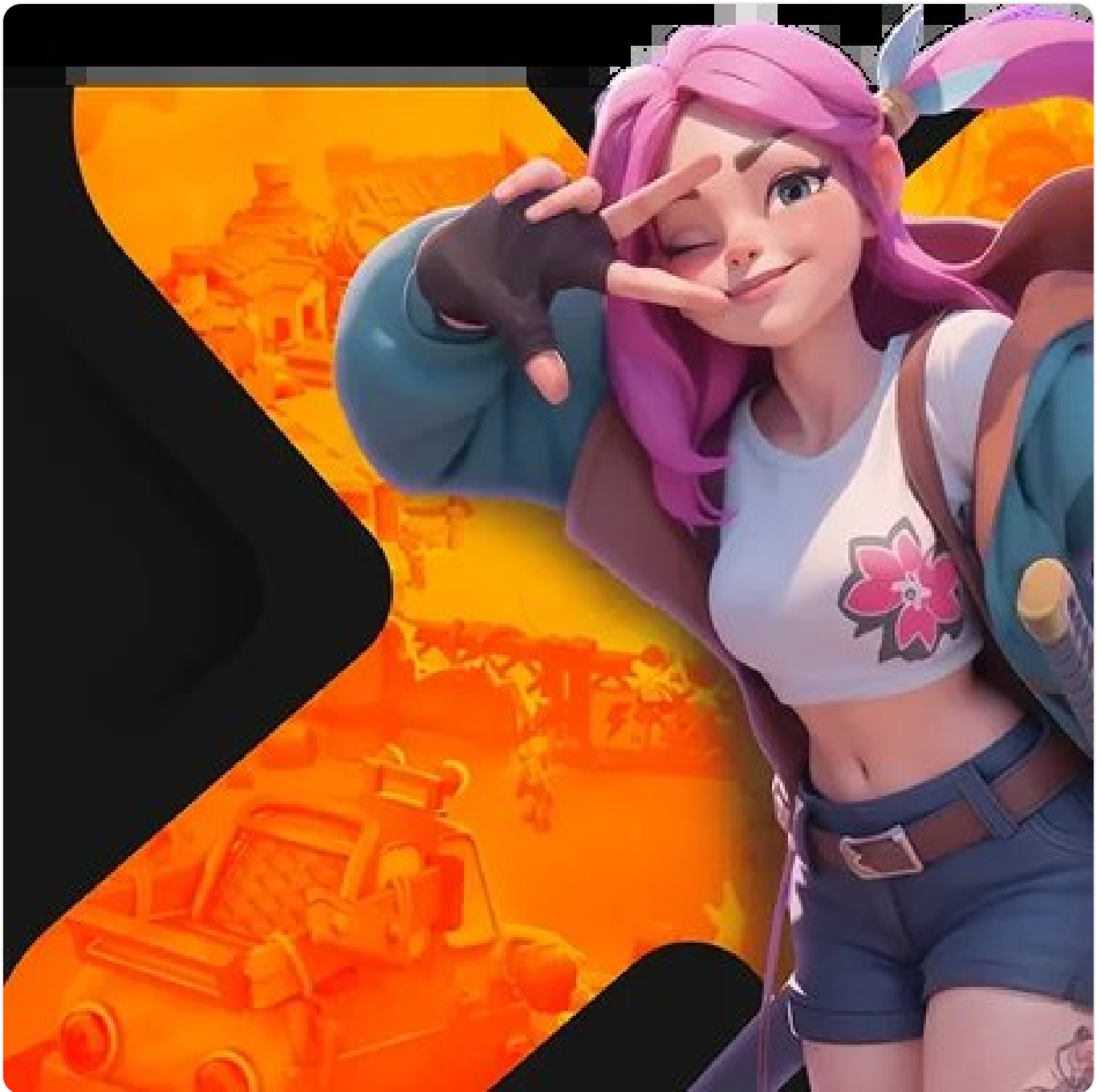


AppLovin official site: customer case visual (app creative) · source [applovin.com](https://www.applovin.com)

5. Product matrix: a four-part loop

Product line	Step	What it does
User acquisition	Find users	Puts ads in front of the people most likely to pay
Monetization aggregation	Sell inventory	Gets developers a higher price for their ad space
Attribution	Measure	Works out which channel actually created value
Connected TV	Extend reach	Carries mobile capabilities onto the TV screen

Together the four form a loop: find users, sell inventory, measure results, extend reach. A loop means data does not leak out, and it means an advertiser who integrates rarely leaves.



AppLovin official site: customer case visual (gaming app) · source applovin.com

6. The pivot: selling the games to focus on advertising

Selling the in-house games business is the single most instructive decision this company made.

There were three layers to it. **The first is margin structure**: software margins are far higher than games. **The second is client trust**: when a platform is both an advertiser

and an ad vendor, other game companies worry that their data is being used to improve a competitor's products. **The third is the valuation logic:** public markets have long paid a higher multiple for pure platforms than for content businesses.

One general lesson for product teams: when a business turns from validating a hypothesis into maintaining a stock, its strategic value has already moved on.



[NECTARSLEEP.COM/BEDROOM-SETS/LUMEA-BEDROOM-SET](https://nectarsleep.com/bedroom-sets/lumea-bedroom-set)



7. Competition and controversy

Rival type	How they compete	Pressure on AppLovin
Giant ad platforms	Take budget with ecosystem and traffic scale	Large-client budgets get split
Independent peers	Compete for the same developers	Bidding pushes traffic costs up
Developers building their own	Top studios build in-house buying systems	The best clients leave

Controversy is part of this company too. Short sellers have questioned its data and reporting metrics in recent years, and the company has denied the claims. **For an observer this is a reminder that the performance of predictive buying is very hard to verify from outside**, so advertisers can only judge by their own conversion data. It also means the cost of trust in this category runs higher than the cost of technology.



AppLovin official site: customer case visual (app creative) · source applovin.com

8. What it means for us: five questions for a performance product

Question	How to ask it	AppLovin's answer
Data source	Do you have clean, real labels?	In-house products supply closed-loop data
Nature of the business	Are you selling slots or predictions?	Predictions. The slot is worth little
Portfolio choice	Keep the test range?	Sell it once the model matures

Client trust	Will you compete with clients?	Sell the games and remove the conflict
Cost structure	Can traffic cost fall?	Amortise it through a higher conversion rate

The last row is the core: in a buying business, the only sustainable way to hold costs down is to convert better than your peers.

9. Summary

1. **Identity:** AppLovin is a predictive buying platform. Its real product is judging the future value of a user.
2. **Structure:** in-house games were a test range, and could be sold once validation was done.
3. **Path:** use it yourself, then sell it to others — the most reliable cold start for a tool-shaped business.
4. **Risk:** performance cannot be verified from outside, so the cost of trust exceeds the cost of technology.

What is inside:

- The five questions to ask about a performance product
- A breakdown of the use-it-then-sell-it cold-start path
- A self-check list for the monetization architecture of an overseas product

Sources: compiled and analysed from public information, with reference to AppLovin's official site. Timelines and revenue mix ratios are orders of magnitude rather than precise figures; please refer to the company's latest filings and official announcements. Judgments in chapters 2 through 8 are the author's opinions based on public materials, not statements of fact. Data and views are for reference only.

本文关于平台产品与业务边界的事实以 **AppLovin 官方网站** 的公开信息为参考，检索与整理日期为 2026-10-24。文章为独立行业分析，不构成平台承诺或投资建议。



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