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12 UNITED STATES DISTRICT COURT  
13 NORTHERN DISTRICT OF CALIFORNIA  
14 SAN JOSE DIVISION  
15

17 WAYNE COUNTY EMPLOYEES' RETIREMENT  
18 SYSTEM, Individually and On Behalf of All Others  
19 Similarly Situated,

Plaintiff,

20 v.

21 APPLOVIN CORPORATION, ADAM  
22 FOROUGH, HERALD CHEN, and  
23 MATTHEW STUMPF,

24 Defendants.

Case No.

CLASS ACTION

COMPLAINT FOR VIOLATIONS OF  
THE FEDERAL SECURITIES LAWS

DEMAND FOR JURY TRIAL



1 overall business” and that Google and Apple’s data privacy changes “have had a relatively muted  
2 aggregate impact on our overall results of operations.” AppLovin also attributed its use of artificial  
3 intelligence (“AI”) as a key driver of revenue growth and a strategic differentiator in its advertising  
4 business.

5 5. This complaint alleges that, during the Class Period, Defendants misled investors by:  
6 (1) failing to disclose that AppLovin’s revenue and profit growth were unsustainable because of the  
7 Company’s systematic exploitation of fraudulent advertising practices, including click spoofing and  
8 the use of a backdoor installation scheme to force unwanted apps on customers; (2) disclosing risks  
9 related to AppLovin’s breach of terms of service with third-party platforms that were materially false  
10 and misleading because they characterized adverse facts that had already materialized as mere  
11 possibilities; (3) falsely attributing AppLovin’s growth in revenue to the Company’s enhanced AXON  
12 2.0 digital ad platform and the use of “cutting-edge AI technologies” to more efficiently match  
13 advertisements to mobile games; and (4) as a result of the foregoing, making public statements about  
14 the Company’s business, operations, and prospects that were materially false and misleading.

15 6. On February 26, 2025, investors began to learn the truth about AppLovin’s fraudulent  
16 business practices when Culper Research and Fuzzy Panda Research published reports (the “Culper  
17 Report” and “Panda Report”) alleging several issues with AppLovin’s practices. The Culper Report  
18 alleged that AppLovin exploits app permissions to force-feed silent, backdoor app installations onto  
19 users’ phones, often through inadvertent clicks due to poor user experience design. The Culper Report  
20 also stated that AppLovin’s e-commerce program is a “smoke and mirrors game” that steals  
21 attribution for advertising from Meta to bolster its results. The Panda Report accused AppLovin of  
22 reverse-engineering Meta Platforms’ advertising data to target users and commit advertising fraud.  
23 The report highlighted “impossibly high CTRs (click-through rates)” of 30 percent to 40 percent,  
24 which are ten times the industry norms, attributing this to manipulative practices such as ads clicking  
25 on themselves or using design gimmicks to trigger forced shadow downloads. The Panda Report also  
26 alleged that AppLovin illegally tracks children’s data and serves sex ads to minors.

27 7. After the Culper Report and Panda Report were published, AppLovin’s stock price fell  
28 by 12.2 percent, dropping from \$377.06 to \$331.00 per share on February 26, 2025.

1 8. Then, on March 26, 2025, Muddy Waters Research published a report (the “Muddy  
2 Waters Report”) concluding that AppLovin systematically used proprietary third-party data in ways  
3 that violated the terms of service of Facebook, Google, Snap, Reddit, as well as other platforms,  
4 potentially leading to backlash and service blocking and threatening the sustainability of AppLovin’s  
5 revenue growth.

6 9. On this news, AppLovin’s stock price plummeted 20.1 percent, dropping from  
7 \$327.62 to \$261.70 per share on March 27, 2025.

8 10. As a result of Defendants’ wrongful acts and omissions, and the precipitous decline in  
9 the market value of the Company’s securities, Plaintiff and Class members have suffered significant  
10 losses and damages.

11 **JURISDICTION, VENUE, AND DIVISIONAL ASSIGNMENT**

12 11. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the  
13 Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder by the SEC  
14 (17 C.F.R. § 240.10b-5).

15 12. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C.  
16 § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

17 13. Venue is proper in this District pursuant to 28 U.S.C. §1391(b) and Section 27 of the  
18 Exchange Act (15 U.S.C. § 78aa) as the alleged misstatements and the subsequent damages took place  
19 in this judicial district and AppLovin is headquartered in this Judicial District. The intra-district  
20 assignment to the San Jose division of the Court is proper under Local Rule 3-2(e) because a  
21 substantial number of the events or omissions giving rise to the claims arose in Santa Clara County,  
22 where AppLovin is headquartered and the Defendants conduct business.

23 14. In connection with the acts, conduct and other wrongs alleged in this complaint,  
24 Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce,  
25 including but not limited to, the United States mails, interstate telephone communications and the  
26 facilities of the national securities exchange.

**PARTIES**

15. Plaintiff, as set forth in the accompanying Certification, which is incorporated by reference herein, purchased AppLovin securities during the Class Period and was damaged as the result of Defendants’ wrongdoing alleged in this complaint.

16. Defendant Adam Foroughi (“Foroughi”) was the Company’s Chief Executive Officer (“CEO”) at all relevant times.

17. Defendant Herald Chen (“Chen”) Herald Chen was the Company’s Chief Financial Officer (“CFO”) from November 2019 until his resignation, effective December 31, 2023.

18. Defendant Matthew Stumpf (“Stumpf”) has been the Company’s CFO since January 1, 2024.

19. Defendants Foroughi, Chen, and Stumpf are collectively referred to herein as the “Individual Defendants.”

20. The Individual Defendants possessed the power and authority to control the contents of AppLovin’s SEC filings, press releases, and other market communications. The Individual Defendants were provided with copies of AppLovin’s SEC filings and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or to cause them to be corrected. Because of their positions within AppLovin, and their access to material information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public, and that the positive representations being made were then materially false and misleading. The Individual Defendants are liable for the false statements and omissions pleaded herein.

21. The Company and the Individual Defendants are sometimes collectively, in whole or in part, referred to herein as the “Defendants.”

**SUBSTANTIVE ALLEGATIONS**

**Background**

22. AppLovin is a mobile gaming and advertising technology company. The Company’s major customers include a diverse range of advertisers, independent developer studios, large global internet platforms like Google and Facebook, and other companies involved in mobile gaming and e-

1 commerce markets. AppLovin has faced several challenges and made strategic adjustments in  
2 response to tightening privacy restrictions by platforms like Google Play Store and Apple Store.  
3 These changes reduced the availability and utility of data, potentially making their use in targeted  
4 advertising less effective for customers.

5 23. AppLovin generates revenue primarily through two segments: (1) Advertising  
6 Revenue, for which the Company earns fees from advertisers for placing ads on mobile applications  
7 owned by publishers; and (2) Apps Revenue, including revenue from in-app purchases and from  
8 clients purchasing digital advertising inventory within AppLovin's portfolio of apps. The Company's  
9 mobile gaming apps are generally free to play, and AppLovin generates revenue from in-app  
10 purchases made by users. The Company's software platforms are composed of a suite of services sold  
11 to other mobile app advertisers to purportedly grow and monetize their respective apps.

12 24. In the second quarter of 2024, the Company rolled out its e-commerce pilot program,  
13 which was designed to expand the Company's advertising capabilities beyond its core gaming  
14 vertical. AppLovin's e-commerce pilot program enables commercial vendors that sell products via  
15 websites to buy video ad inventory within mobile gaming and other apps. Users are then routed to  
16 the vendors' websites to complete their purchases.

17 25. AppLovin markets its AXON algorithm as a sophisticated AI-powered advertising  
18 engine designed to optimize user acquisition, ad targeting, and monetization for advertisers and  
19 publishers. AXON is a machine learning platform that purports to continuously improve its models  
20 by assessing vast amounts of data generated from AppLovin's network of over a billion daily active  
21 users. This data forms a feedback loop where ad impressions, user interactions, and conversion  
22 metrics are processed by AI to predict user behavior and identify high-value audiences.

23 **Materially False and Misleading Statements Issued During the Class Period**

24 26. The Class Period begins on May 10, 2023, the day after AppLovin issued a shareholder  
25 letter in connection with the filing of its financial results for the first quarter and fiscal year ended  
26 March 31, 2023 (the "Q1 2023 Shareholder Letter"). In the Q1 2023 Shareholder Letter, AppLovin  
27 stated that "*Our solid financial performance in the first quarter was driven by our market leading*  
28 *solutions which led to record quarterly Software Platform revenue of \$355 million, an increase of*

1 **16% over the prior quarter.”** The Q1 2023 Shareholder Letter attributed the increase in revenue in  
2 part to improvements in its core advertising technology:

3 In the first quarter, we achieved our highest quarterly Software Platform  
4 revenue at \$355 million, growing 199% year-over-year (8% growth after  
5 excluding the impact of publisher bonuses in the prior year period). ***The 8%  
6 increase in revenue was primarily driven by partial stabilization in the  
7 mobile app ad market and continued improvements in our core advertising  
8 technology resulting in higher revenue per install from our advertising  
9 solutions, and a modest contribution from our acquisition of Wurl.***

7 27. On the next day, AppLovin filed a quarterly report on Form 10-Q with the SEC,  
8 reporting the Company’s financial and operating results for the first quarter ended March 31, 2023  
9 (the “Q1 2023 10-Q”). The Q1 2023 10-Q assured investors that the third-party platforms’  
10 implementation of increased privacy controls “has not had a significant impact on our overall  
11 business” and that Google and Apple’s data privacy changes “have had a relatively muted aggregate  
12 impact on our overall results of operations.”

13 28. The Q1 2023 10-Q also contained the following risk factor concerning the Company’s  
14 reliance on third-party platforms:

15 ***We rely on third-party platforms to distribute our Apps and collect revenue,  
16 and if our ability to do so is harmed, or such third-party platforms change  
17 their policies in such a way that restricts our business, increases our  
18 expenses, or limits the information we derive from our Apps, our business,  
19 financial condition, and results of operations could be adversely affected.***

18 The mobile app ecosystem depends in part on a relatively small number of  
19 third-party distribution platforms, such as the Apple App Store, the Google  
20 Play Store, and Facebook, some of which are direct competitors. We derive  
21 significant revenue from the distribution of our Apps through these third-  
22 party platforms and almost all of our IAPs are made through the payment  
23 processing systems of these third-party platforms. We are subject to the  
24 standard policies and terms of service of such third-party platforms, which  
25 generally govern the promotion, distribution, content, and operation of  
26 applications on such platforms.

24 This risk factor was false or misleading because AppLovin’s systematic violation of terms of service  
25 with Apple, Google, and Meta Platforms was already making the Company’s revenue unsustainable.  
26 Therefore, this very risk had materialized during the Class Period.

27 29. During the corresponding earnings call held that same day, Defendant Foroughi  
28 detailed the improvements made to the AXON platform and the development of AXON 2.0:

1 Upgrading from AXON 1 to 2 is no different than OpenAI moving from  
2 ChatGPT 3 to 4. Our models can always be improved, and our entire business  
3 is powered by the evolution of our technology. *The enhancements to our  
4 machine learning and AI are not a onetime thing, but a series of upgrades  
5 over time. As we make these, there is the potential for significant lifts to  
6 both revenue and cash flow. We are currently in the midst of a staged  
7 rollout of AXON 2, and we are very excited about the long-term potential  
8 of this new technology for our partners and our business.*

9 30. On August 9, 2023, the Company published a shareholder letter announcing the  
10 Company's financial results for the second quarter ended June 30, 2023 (the "Q2 2023  
11 Shareholder Letter"). Specifically, the Q2 2023 Shareholder Letter stated the following, in relevant  
12 part:

13 We had a strong second quarter, exceeding the high end of our revenue,  
14 Adjusted EBITDA and margin guidance. *Outperformance was driven  
15 primarily by the successful roll-out of our latest AI- based advertising  
16 engine, AXON 2.0 which powers our AppDiscovery platform.* The Software  
17 Platform business achieved record revenue, increasing a solid 14% from last  
18 quarter to \$406 million, and record Adjusted EBITDA, increasing 25% from  
19 last quarter to \$273 million, yielding a 67% Adjusted EBITDA margin and  
20 generating over 80% of total Adjusted EBITDA. Additionally, our Apps  
21 business continued to deliver stable Adjusted EBITDA during the quarter of  
22 \$61 million with a healthy 18% Adjusted EBITDA margin.

23 31. On August 9, 2023, the Company submitted its quarterly report for the period ended  
24 June 30, 2023 on a Form 10-Q filed with the SEC (the "Q2 2023 10-Q"). The Q2 2023 10-Q assured  
25 investors that the third-party platforms' implementation of increased privacy controls "has not had a  
26 significant impact on our overall business" and that Google and Apple's data privacy changes "have  
27 had a relatively muted aggregate impact on our overall results of operations."

28 32. The Q2 2023 10-Q contained substantially the same risk factor concerning the  
Company's reliance on third-party platforms, *supra*. This risk factor was false or misleading because  
AppLovin's systematic violation of terms of service with Apple, Google, and Meta Platforms was  
already making the Company's revenue unsustainable. Therefore, this very risk had materialized  
during the Class Period.

33. On November 8, 2023, the Company published a shareholder letter announcing the  
Company's financial results for the third quarter ended September 30, 2023 (the "Q3 2023

1 Shareholder Letter”). Specifically, the Q3 2023 Shareholder Letter stated the following, in relevant  
2 part:

3 We are thrilled to announce another quarter of solid execution leading to very  
4 strong financial results. We exceeded the high-end of our quarterly guidance  
5 thanks to our incredible team and unwavering commitment to growing the  
6 mobile app ecosystem. ***Our success this quarter was primarily driven by the  
7 continued performance of AXON 2.0, the AI-based advertising engine  
8 behind our AppDiscovery platform.*** Total revenue for the third quarter was  
9 \$864 million (+21% yr/ yr), net income was \$109 million at a net margin of  
10 13%, and Adjusted EBITDA was \$419 million (+63% yr/yr) at an Adjusted  
11 EBITDA margin of 49%. During the quarter, we generated \$199 million of  
12 net cash from operating activities and \$194 million of Free Cash Flow. At the  
13 end of the third quarter, we had \$332 million of cash and cash equivalents.

14 [...]

15 ***During the quarter we benefited from the full quarter impact of our initial  
16 AXON 2.0 launch, continued improvements of our technology and an  
17 increase in advertiser spend as our clients saw the improved performance  
18 of our new AI- enhanced advertising engine.*** Software Platform Adjusted  
19 EBITDA grew 91% year-over-year to \$364 million at an Adjusted EBITDA  
20 margin of 72%.

21 34. On November 8, 2023, the Company submitted its quarterly report for the period  
22 ended September 30, 2023 on a Form 10-Q filed with the SEC (the “Q3 2023 10-Q”). The Q3 2023  
23 10-Q assured investors that the third-party platforms’ implementation of increased privacy controls  
24 “has not had a significant impact on our overall business” and that Google and Apple’s data privacy  
25 changes “have had a relatively muted aggregate impact on our overall results of operations.”

26 35. The Q3 2023 10-Q contained substantially the same risk factor concerning the  
27 Company’s reliance on third-party platforms, *supra*. This risk factor was false or misleading because  
28 AppLovin’s systematic violation of terms of service with Apple, Google, and Meta Platforms was  
already making the Company’s revenue unsustainable. Therefore, this very risk had materialized  
during the Class Period.

36. On February 14, 2024, the Company published a shareholder letter announcing the  
Company’s financial results for the fourth quarter and full year ended December 31, 2023 (the  
“Q4 2024 Shareholder Letter”). Specifically, the Q4 2024 Shareholder Letter stated the following,  
in relevant part:

1 In 2023 we released our advanced AXON 2.0 technology, optimized our  
2 gaming studios, and invested in new initiatives to drive future market  
3 expansion and long- term growth. *In 4Q23 there were several key factors*  
4 *driving the growth of our customers and partners including a strong*  
5 *holiday season, year-over-year growth in the mobile app advertising*  
6 *market, our MAX bidding enhancements and the market shift to real-time*  
7 *bidding*. The combination of these factors is helping the market improve  
8 advertising efficiency, which we believe will lead to continued compounding  
9 growth for our partners.

[...]

10 In the fourth quarter, we achieved another record quarter with Software  
11 Platform revenue of \$576 million, growing 88% year-over-year and 14%  
12 from the third quarter. *The growth was driven by the continued performance*  
13 *of AppDiscovery, as the AXON engine continues to learn and scale.*

14 37. On February 26, 2024, the Company submitted its annual report for the fourth quarter  
15 and full year ended December 31, 2023 on a Form 10-K filed with the SEC (the “2023 10-K”). The  
16 2023 10-K assured investors that the third-party platforms’ implementation of increased privacy  
17 controls “has not had a significant impact on our overall business” and that Google and Apple’s data  
18 privacy changes “have had a relatively muted aggregate impact on our overall results of operations.”

19 38. The 2023 10-K contained substantially the same risk factor concerning the Company’s  
20 reliance on third-party platforms, *supra*. This risk factor was false or misleading because AppLovin’s  
21 systematic violation of terms of service with Apple, Google, and Meta Platforms was already making  
22 the Company’s revenue unsustainable. Therefore, this very risk had materialized during the Class  
23 Period.

24 39. On May 8, 2024, the Company published a shareholder letter announcing the  
25 Company’s financial results for the third quarter ended March 31, 2024 (the “Q1 2024  
26 Shareholder Letter”). Specifically, the Q1 2024 Shareholder Letter stated the following, in relevant  
27 part:

28 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.*

[...]

1 Our Software Platform segment grew significantly in the first quarter with  
2 Software Platform revenue of \$678 million, up 91% year-over-year *driven*  
3 *by further improvement of our AXON technology, which continues to*  
*benefit from ongoing self-learning, additional data, and engineering*  
*enhancements.*

4 40. On May 8, 2024, the Company submitted its quarterly report for the period ended  
5 March 31, 2024 on a Form 10-Q filed with the SEC (the “Q1 2024 10-Q”). The Q1 2024 10-Q  
6 assured investors that the third-party platforms’ implementation of increased privacy controls “has  
7 not had a significant impact on our overall business” and that Google and Apple’s data privacy  
8 changes “have had a relatively muted aggregate impact on our overall results of operations.”

9 41. The Q1 2024 10-Q contained substantially the same risk factor concerning the  
10 Company’s reliance on third-party platforms, *supra*. This risk factor was false or misleading because  
11 AppLovin’s systematic violation of terms of service with Apple, Google, and Meta Platforms was  
12 already making the Company’s revenue unsustainable. Therefore, this very risk had materialized  
13 during the Class Period.

14 42. On August 7, 2024, the Company published a shareholder letter announcing the  
15 Company’s financial results for the second quarter ended June 30, 2024 (the “Q2 2024  
16 Shareholder Letter”). Specifically, the Q2 2024 Shareholder Letter stated the following, in relevant  
17 part:

18 In the second quarter of 2024, we celebrated the first anniversary of our  
19 enhanced AXON technology. Reflecting on the past year, *we’re thrilled by*  
20 *the significant growth AXON drove for our advertising partners. AXON*  
*enhancements through ongoing self-learning and our dedicated*  
*development efforts have fueled robust business performance this quarter.*  
21 In the second quarter, we generated revenue of \$1.08 billion (+44% yr/yr),  
22 net income of \$310 million (+286% yr/yr) at a net margin of 29%, and  
Adjusted EBITDA of \$601 million (+80% yr/yr) at an Adjusted EBITDA  
margin of 56%.

23 43. On August 7, 2024, the Company submitted its quarterly report for the period ended  
24 June 30, 2024 on a Form 10-Q filed with the SEC (the “Q2 2024 10-Q”). The Q2 2024 10-Q assured  
25 investors that the third-party platforms’ implementation of increased privacy controls “has not had a  
26 significant impact on our overall business” and that Google and Apple’s data privacy changes “have  
27 had a relatively muted aggregate impact on our overall results of operations.”  
28

1 44. The Q2 2024 10-Q contained substantially the same risk factor concerning the  
2 Company's reliance on third-party platforms, *supra*. This risk factor was false or misleading because  
3 AppLovin's systematic violation of terms of service with Apple, Google, and Meta Platforms was  
4 already making the Company's revenue unsustainable. Therefore, this very risk had materialized  
5 during the Class Period.

6 45. On November 6, 2024, the Company published a shareholder letter announcing the  
7 Company's financial results for the third quarter ended September 30, 2024 (the "Q3 2024  
8 Shareholder Letter"). Specifically, the Q3 2024 Shareholder Letter stated the following, in relevant  
9 part:

10 We had another fantastic quarter in Q3. ***Our AXON models continue to***  
11 ***improve through self-learning and, more importantly this quarter, from***  
12 ***technology enhancements by our engineering team.*** As we continue to  
13 improve our models our advertising partners are able to successfully spend at  
14 a greater scale. We're proud to be a catalyst to reinvigorating growth in our  
15 industry.

14 46. On November 6, 2024, the Company submitted its quarterly report for the period  
15 ended June 30, 2024 on a Form 10-Q filed with the SEC (the "Q2 2024 10-Q"). The Q2 2024 10-  
16 Q assured investors that the third-party platforms' implementation of increased privacy controls "has  
17 not had a significant impact on our overall business" and that Google and Apple's data privacy  
18 changes "have had a relatively muted aggregate impact on our overall results of operations."

19 47. The Q2 2024 10-Q contained substantially the same risk factor concerning the  
20 Company's reliance on third-party platforms, *supra*. This risk factor was false or misleading because  
21 AppLovin's systematic violation of terms of service with Apple, Google, and Meta Platforms was  
22 already making the Company's revenue unsustainable. Therefore, this very risk had materialized  
23 during the Class Period.

24 48. On February 12, 2025, the Company issued a press release announcing its financial  
25 results for the fourth quarter and full year ended December 31, 2024. During the accompanying  
26 conference call to discuss the results, Defendant Foroughi touted the use of AppLovin's AI  
27 technology to drive revenue:

28 ***Q4 was a major milestone, arguably our most foundational period since the***  
***AXON upgrade in 2023. For the first time, we captured meaningful holiday***



1 because the Company’s “gaming promotion is unsustainable, and the Company has thus hung its hat  
2 on e-commerce” where it operates a similarly “rigged” operation.

3 51. The Culper Report, as quoted above, specifically stated, in relevant part, the  
4 following regarding AppLovin’s “rigged” app and advertising practices:

5 Having peaked at a market capitalization of \$173 billion, we believe  
6 AppLovin could go down as the single largest US stock promotion unraveling  
7 since at least the GFC. We are short for two reasons.

8 First, we believe AppLovin’s recent success in mobile gaming stems from the  
9 systematic exploitation of app permissions that enable advertisements  
10 themselves to force-feed silent, backdoor app installations directly onto users’  
11 phones, with just a single click – an event that is often inadvertent thanks to  
12 the Company’s notorious UX gimmicks. This is AdTech’s version of “the  
13 truck rolling down the hill.” As AppLovin is paid largely on a per-install  
14 basis, each illicit install translates directly to profit.

15 Second, we believe AppLovin’s nascent e-commerce initiative is a smoke and  
16 mirrors game that the Company has rigged in its favor from the start.  
17 AppLovin must maintain a tight rein on advertisers it allows onto the  
18 platform, lest the narrative slip. To that end, the Company requires advertisers  
19 first demonstrate proof of \$600,000 per month on Meta, so that AppLovin –  
20 through its MAX mediation platform – can “see” ads shown to Meta users in  
21 order to insert itself into the process and take credit for the sale. AppLovin  
22 then cajoles advertisers into spreading the news of their success, drumming  
23 up excitement.

24 52. Also on February 26, 2025, Fuzzy Panda Research published the Panda Report  
25 entitled “AppLovin (APP) – Formers Allege Ad Fraud; Is DTC Hype Actually ‘Stealing’ Meta’s  
26 Data.” The Panda Report detailed the manner in which AppLovin’s e-commerce pilot program operates  
27 its rigged operation by “reverse engineer[ing] Meta’s targeting methods” in order to “steal” referral  
28 credits for targeting advertisers. The Panda Report further detailed the manner in which the Company’s  
“impossibly high CTRs (click-thru rates) of 30-40%, 10x the industry norms” are the product of what  
industry experts can only describe as “Ad Fraud.” The Panda Report also detailed the manner in which  
that Company inflates key metrics, and monetizes “fake activity” including using “ads which are  
programmed to ‘click themselves’ and open the App Store.” Specifically, the Panda Report stated the  
following, in relevant part:

**Experts Explain How AppLovin Could “Steal” Meta’s Data**

1 Multiple AdTech experts said they think the reason AppLovin’s e-com ads  
2 produce ROAS similar to Meta’s is likely rooted in AppLovin having found  
3 a creative solution for how to harness and piggyback on Meta’s user PII and  
4 rich targeting data.

5 “They’re taking a bunch of different data points that Meta sends in different  
6 contexts. And then if you combine them together, it creates a persistent  
7 identifier.” ~Ad Executive D

8 Experts first explained that Meta does not need AppLovin. Second, they told  
9 us that these incremental ad dollars to AppLovin are essentially directly  
10 coming from Meta’s bottom-line. Which is the exact opposite to what Adam  
11 Foroughi told investors in the Q4-2024 earnings call.

12 [...]

13 **Formers Allege Ad-Fraud – APP Caught Using Fake Clicks & Other  
14 Dirty Tricks To ‘Game’ Installs**

- 15 • Shady Ad Practices
- 16 • Clickjacking & Click Spoofing? = Monetization of Mistaps? Deliberate  
17 False
- 18 • Engagement?
- 19 • Code Reveals AppLovin Counting FAKE Clicks & Downloads

20 “Everybody in the industry knows that AppLovin is full of sh\*t and that it’s  
21 fraudulent.” ~Former AppLovin Anti-Fraud Executive B

22 We interviewed a multitude of industry and ad fraud experts who consistently  
23 told us that AppLovin is deeply engaged in “Ad Fraud.” We experienced  
24 AppLovin’s shady ad practices first-hand. We played the games, we analyzed  
25 the data APP collected from us, and we discovered a multitude of dark  
26 business practices ad fraud experts told us is “100% fraud.”

27 53. On this news, the Company’s share price fell \$46.06, or 12.2 percent, to close at  
28 \$331.00 per share on February 26, 2025, on unusually heavy trading volume.

54. Despite these revelations, AppLovin continued to issue misleading statements  
regarding AppLovin’s backdoor installation scheme. On February 26, 2025, Defendant Foroughi  
published a blog post titled “A Note from Our CEO” that addressed the allegations in both reports:

I’m writing this mid-quarter update to address the recent short reports  
published about our company. It’s disappointing that a few nefarious short-  
sellers are making false and misleading claims aimed at undermining our  
success, and driving down our stock price for their own financial gain, rather  
than acknowledging the sophisticated AI models our team has built to  
enhance advertising for our partners.

1 While the reports are littered with inaccuracies and false assertions, and we  
2 won't comment on every point, it's important to correct the record around a  
3 few foundational issues:

4 Compliance and Integrity:

5 Our platform is subject to App Store policies. ***All of the games we promote***  
6 ***are also apps published in the App Store, therefore, they all have to comply***  
7 ***with App Store policies. Our business is based on transparency and***  
8 ***integrity.*** Our partners spend billions annually because we drive real,  
9 incremental value in the form of revenue directly attributable to advertising  
10 dollars spent—***proving that our business model is both legitimate and***  
11 ***profitable for partners.***

12 Consumer Experience:

13 We earn revenue based on the value we drive—not on clicks or mere  
14 impressions. Our advertisements are designed to generate real engagement  
15 and revenue for our advertisers. Every download results from an explicit user  
16 choice—whether via the App Store or our Direct Download experience. Our  
17 economic model demands that ads lead to genuine, high-intent engagement,  
18 ensuring our campaigns deliver meaningful, measurable results. ***As part of***  
19 ***our platform enforcement efforts, we deploy overlapping policy***  
20 ***requirements and technical measures to help ensure the quality of the ads***  
21 ***served through our platform.***

22 Data Practices:

23 ***We do not track children's data.*** Our terms and policies explicitly prohibit  
24 apps exclusively designed for and/or exclusively directed to children, partners  
25 from providing us with children's data, and partners from initializing our  
26 SDK in connection with children's data. Additionally, we obtain data from  
27 our partners solely in the context of providing them with advertising services;  
28 we do not work separately with data brokers. Adjust and MAX operations are  
entirely independent and transparent, with no conflicts or house bias. ***We run***  
***a fair mediation process that can be contractually audited by our partners,***  
***ensuring that all data accessed by us is equally available to competing ad***  
***networks. We also do not have any means or desire to look at other***  
***company's bid or user data;*** our models use solely behavioral data, ad  
engagement data, win/loss notifications from mediation (same data shared to  
any bidder on our platform), and advertiser data to generate predictions.

Financial Transparency:

***The claims of financial and accounting improprieties are factually***  
***incorrect and have no basis whatsoever. We do not have any duplication of***  
***revenue from related parties,*** including our international entities or Apps  
businesses. We are a public company audited by a Big Four accounting firm  
and have never received a modified opinion in our history. We report net

1 revenue with high margins and efficiently drive cash flow. Our low tax burden  
2 is due to stock-based compensation deductions and intelligent tax structuring,  
3 similar to many tech companies. Our numerous subsidiaries—mainly from  
4 our gaming operations—will be simplified following our recently announced  
5 sale of the studios.

6 E-commerce Pilot:

7 *Our e-commerce pilot is performing exceptionally well.* The current  
8 requirement for a minimum monthly media spend is designed to justify the  
9 resources needed for manual onboarding. We plan to expand our self-service  
10 tools and gradually lift these requirements over the year. To highlight our  
11 success, in December, we reached a run rate of roughly \$1 billion a year of  
12 gross advertiser spend in the e-commerce category alone from around 600  
13 customers. The growth potential in the coming years is substantial. Moreover,  
14 *the speed of this growth clearly demonstrates the legitimacy and  
15 effectiveness of our platform.*

16 It's also noteworthy that the short reports emerged after our earnings report,  
17 where we would be in a period of being unable to respond with financial  
18 performance. We remain focused on executing our strategy, generating strong  
19 cash flow, and conducting share buybacks.

20 55. These statements denying the allegations against AppLovin in the Culper Report and  
21 the Fuzzy Panda Report were materially false and misleading to investors for the reasons discussed  
22 *supra*.

### 23 **THE TRUTH IS FULLY REVEALED**

24 56. The truth about the legitimacy of AppLovin's business was fully revealed on March  
25 26, 2025, when the Muddy Waters Report was published. The Muddy Waters Report concluded that  
26 AppLovin engaged in several questionable practices. The Muddy Waters Report alleged four main  
27 issues. First, the Muddy Waters Report claimed that over half of AppLovin's ecommerce ads were  
28 placed via "retargeting" of content, which suggested that the ads did not provide real value and could  
violate terms of service of major platforms like Apple, Meta, and Google. Second, the Muddy Waters  
Report stated that 23 percent of beta test advertisers had "churned," or been lost to attrition. Third,  
the Muddy Waters Report alleged that AppLovin used proprietary third-party data in ways that  
violated the terms of service of its competitors, potentially leading to backlash and service blocking.  
Finally, the Muddy Waters Report alleged that AppLovin claimed that it drives incremental sales, or

1 real users who click the ads and actually buy products, nearly 100 percent of the time, when in truth  
2 AppLovin's incrementality rate was only 25 to 35 percent.

3 57. On this news, AppLovin's stock price plummeted 20 percent, dropping from \$327.62  
4 to \$261.70 per share on March 27, 2025.

5 58. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in  
6 the market value of the Company's securities, Plaintiff and other Class members have suffered  
7 significant losses and damages.

8 **CLASS ACTION ALLEGATIONS**

9 59. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules  
10 of Civil Procedure on behalf of all persons or entities who purchased or otherwise acquired AppLovin  
11 securities between May 25, 2023 and February 6, 2025, inclusive (the "Class"). Excluded from the  
12 Class are Defendants and their families, the officers and directors of AppLovin, members of their  
13 immediate families and their legal representatives, heirs, successors or assigns, and any entity in  
14 which Defendants have or had a controlling interest.

15 60. The members of the Class are so numerous that joinder of all members is  
16 impracticable. The disposition of their claims in a class action will provide substantial benefits to the  
17 parties and the Court. Throughout the Class Period, AppLovin's common stock was actively traded  
18 on the New York Stock Exchange, one of the largest stock exchanges in the world. While the exact  
19 number of Class members is unknown to Plaintiff at this time and can only be ascertained through  
20 appropriate discovery, Plaintiff believes that there are thousands of members in the proposed Class.  
21 During the Class Period, there were more than 56 million shares of AppLovin common stock  
22 outstanding, and the average daily trading volume was over 1.7 million shares. Record owners and  
23 other members of the Class may be identified from records maintained by AppLovin or its transfer  
24 agent(s) and may be notified of the pendency of this action using the form of notice similar to that  
25 customarily used in securities class actions.

26 61. There is a well-defined community of interest in the questions of law and fact involved  
27 in this case. Questions of law and fact common to the members of the Class, which predominate over  
28 questions which may affect individual Class members, include:

- 1 a. Whether Defendants violated the Exchange Act;
- 2 b. Whether Defendants omitted and/or misrepresented material facts;
- 3 c. Whether Defendants' statements omitted material facts necessary in order to make
- 4 the statements made, in light of the circumstances under which they were made,
- 5 not misleading;
- 6 d. Whether Defendants knew or recklessly disregarded that their statements were
- 7 false and misleading;
- 8 e. Whether the price of AppLovin securities were artificially inflated; and
- 9 f. The extent of damage sustained by members of the Class and the appropriate
- 10 measure of damages.

11 62. Plaintiff's claims are typical of those of the Class because Plaintiff and the Class  
12 sustained damages as a result of Defendants' wrongful conduct.

13 63. Plaintiff will adequately protect the interests of the Class and has retained counsel who  
14 is experienced in securities and class action litigation. Plaintiff has no interests which conflict with  
15 those of the Class.

16 64. A class action is superior to all other available methods for the fair and efficient  
17 adjudication of this controversy. Joinder of all Class members is impracticable.

18 **APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD ON THE MARKET**

19 65. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-  
20 market doctrine in that, among other things:

- 21 a. Defendants made public misrepresentations or failed to disclose material facts
- 22 during the Class Period;
- 23 b. the omissions and misrepresentations were material;
- 24 c. the Company's securities traded in an efficient market;
- 25 d. the misrepresentations alleged would tend to induce a reasonable investor to
- 26 misjudge the value of the Company's stock; and
- 27 e. Plaintiff and other members of the Class purchased AppLovin securities between
- 28 the time Defendants misrepresented or failed to disclose material facts and the time

1 the true facts were disclosed, without knowledge of the misrepresented or omitted  
2 facts.

3 66. At all relevant times, the market for AppLovin securities was efficient for the  
4 following reasons, among others:

5 67. As a result of the foregoing, the market for AppLovin securities promptly digested  
6 current information regarding AppLovin from all publicly available sources and reflected such  
7 information in the price of AppLovin securities.

- 8 a. as a regulated issuer, AppLovin filed periodic public reports with the SEC;
- 9 b. AppLovin regularly communicated with public investors via established market  
10 communication mechanisms, including through regular disseminations of press  
11 releases on the major newswire services and through other wide-ranging public  
12 disclosures, such as communications with the financial press, securities analysts,  
13 and other similar reporting services;
- 14 c. AppLovin was followed by numerous securities analysts employed by major  
15 brokerage firms who wrote reports that were distributed to the sales force and  
16 certain customers of their respective brokerage firms and that were publicly  
17 available and entered the public marketplace; and
- 18 d. AppLovin securities were actively traded in an efficient market, including its  
19 common stock that was traded on the NASDAQ under the ticker symbol “APP.”

20 **NO SAFE HARBOR**

21 68. The statutory safe harbor provided for forward-looking statements under certain  
22 circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The  
23 statements alleged to be false and misleading herein all relate to then-existing facts and conditions.  
24 In addition, to the extent certain of the statements alleged to be false may be characterized as forward-  
25 looking, they were not identified as “forward-looking statements” when made and there were no  
26 meaningful cautionary statements identifying important factors that could cause actual results to differ  
27 materially from those in the purportedly forward-looking statements. In the alternative, to the extent  
28 that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein,

1 Defendants are liable for those false forward-looking statements because at the time each of those  
2 forward-looking statements were made, the speaker had actual knowledge that the forward-looking  
3 statement was materially false or misleading, and/or the forward-looking statement was authorized or  
4 approved by an executive officer of AppLovin who knew that the statement was false when made.

5 **LOSS CAUSATION**

6 69. During the Class Period, as detailed herein, AppLovin and the Individual Defendants  
7 made materially false and misleading statements and omissions, and engaged in a scheme to deceive  
8 the market. These false and misleading statements and omissions artificially inflated the price of  
9 AppLovin securities and operated as a fraud or deceit on the Class. Later, when Defendants' prior  
10 misrepresentations and fraudulent conduct were disclosed to the market, the price of AppLovin  
11 securities fell significantly. As a result of their purchases of AppLovin securities during the Class  
12 Period, Plaintiff and the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

13 **COUNT I**

14 **For Violations of Section 10(b) of the Exchange Act and Rule 10b-5**  
15 **Promulgated Thereunder Against All Defendants**

16 70. Plaintiff repeats and realleges each and every allegation contained above as if fully set  
17 forth herein.

18 71. This Count is asserted against Defendants based upon Section 10(b) of the Exchange  
19 Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

20 72. During the Class Period, Defendants, individually and in concert, directly or indirectly,  
21 disseminated or approved the false statements specified above, which they knew or deliberately  
22 disregarded were misleading in that they contained misrepresentations and failed to disclose material  
23 facts necessary in order to make the statements made, in light of the circumstances under which they  
24 were made, not misleading.

25 73. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- 26 a. employed devices, schemes and artifices to defraud;

- b. made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- c. engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of the Company's securities during the Class Period.

74. Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the securities laws. These defendants by virtue of their receipt of information reflecting the true facts of the Company, their control over, and/or receipt and/or modification of the Company's allegedly materially misleading statements, and/or their associations with the Company which made them privy to confidential proprietary information concerning the Company, participated in the fraudulent scheme alleged herein.

75. Individual Defendants, who are or were senior executives and/or directors of the Company, had actual knowledge of the material omissions and/or the falsity of the material statements set forth above, and intended to deceive Plaintiff and the other members of the Class, or, in the alternative, acted with reckless disregard for the truth when they failed to ascertain and disclose the true facts in the statements made by them or other AppLovin personnel to members of the investing public, including Plaintiff and the Class.

76. As a result of the foregoing, the market price of AppLovin securities was artificially inflated during the Class Period. In ignorance of the falsity of Defendants' statements, Plaintiff and the other members of the Class relied on the statements described above and/or the integrity of the market price of AppLovin securities during the Class Period in purchasing AppLovin securities at prices that were artificially inflated as a result of Defendants' false and misleading statements.

77. Had Plaintiff and the other members of the Class been aware that the market price of AppLovin securities had been artificially and falsely inflated by Defendants' misleading statements

1 and by the material adverse information which Defendants did not disclose, they would not have  
2 purchased Company securities at the artificially inflated prices that they did, or at all.

3 78. As a result of the wrongful conduct alleged herein, Plaintiff and other members of the  
4 Class have suffered damages in an amount to be established at trial.

5 79. By reason of the foregoing, Defendants have violated Section 10(b) of the 1934 Act  
6 and Rule 10b-5 promulgated thereunder and are liable to the Plaintiff and the other members of the  
7 Class for substantial damages which they suffered in connection with their purchase of AppLovin  
8 securities during the Class Period.

9 **COUNT II**

10 **Violations of Section 20(a) of The Exchange Act**  
11 **Against the Individual Defendants**

12 80. Plaintiff repeats, and realleges each and every allegation contained in the foregoing  
13 paragraphs as if fully set forth herein.

14 81. During the Class Period, the Individual Defendants participated in the operation and  
15 management of the Company, and conducted and participated, directly and indirectly, in the conduct  
16 of the Company's business affairs. Because of their senior positions, they knew the adverse non-  
17 public information about the Company's misstatement of revenue and profit and false financial  
18 statements.

19 82. As officers of a public business, the Individual Defendants had a duty to disseminate  
20 accurate and truthful information with respect to the Company's financial condition and results of  
21 operations, and to correct promptly any public statements issued by the Company which had become  
22 materially false or misleading.

23 83. Because of their positions of control and authority as senior executives and/or  
24 directors, the Individual Defendants were able to, and did, control the contents of the various reports,  
25 press releases and public filings which the Company disseminated in the marketplace during the Class  
26 Period concerning the Company's results of operations. Throughout the Class Period, the Individual  
27 Defendants exercised their power and authority to cause the Company to engage in the wrongful acts  
28 complained of herein. The Individual Defendants therefore, were "controlling persons" of the

1 Company within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated  
2 in the unlawful conduct alleged which artificially inflated the market price of Company securities.

3 84. By reason of the above conduct, the Individual Defendants are liable pursuant to  
4 Section 20(a) of the Exchange Act for the violations committed by the Company.

5 **PRAYER FOR RELIEF**

6 WHEREFORE, Plaintiff, on behalf of itself and the Class, prays for judgment as follows:

- 7 a. Declaring this action to be a proper class action, designating Plaintiff as Lead  
8 plaintiff and certifying Plaintiff as a class representative under Rule 23 of the  
9 Federal Rules of Civil Procedure and designating plaintiff's counsel as Lead  
10 Counsel;
- 11 b. Awarding damages in favor of plaintiff and the other Class members against  
12 all defendants, jointly and severally, together with interest thereon;
- 13 c. Awarding Plaintiff and the Class reasonable costs and expenses incurred in this  
14 action, including counsel fees and expert fees; and
- 15 d. Awarding Plaintiff and other members of the Class such other and further relief  
16 as the Court may deem just and proper.

17 **JURY TRIAL DEMAND**

18 Plaintiff hereby demands a trial by jury.

19 DATED: April 17, 2025

20 Respectfully submitted,

21 /s/ Lucas E. Gilmore

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