

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 8-K**

**CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported) **June 13, 2016**

**Digital Turbine, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction of Incorporation)

**001-35958**  
(Commission File Number)

**22-2267658**  
(IRS Employer Identification No.)

**1300 Guadalupe Street Suite # 302, Austin TX**  
(Address of Principal Executive Offices)

**78701**  
(Zip Code)

**(512) 387-7717**  
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02 Results of Operations and Financial Condition.**

On June 13, 2016, Digital Turbine, Inc. (the “Company”) issued a press release announcing fourth quarter and fiscal full year 2016 financial results. The text of that announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference. In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filings.

This Form 8-K contains statements that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous factors and risks discussed from time to time in our SEC filings and reports. In addition, such statements could be affected by general industry and market conditions and growth rates, and general domestic and international economic conditions. Such forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this release.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

| <b>Exhibit No.</b> | <b>Description</b>                 |
|--------------------|------------------------------------|
| 99.1               | Press release dated June 13, 2016. |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: June 13, 2016

Digital Turbine, Inc.

By: /s/ Andrew Schleimer  
Andrew Schleimer  
Executive Vice President, Chief Financial Officer

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**EXHIBIT INDEX**

**Exhibit  
No.**

**Description**

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99.1 Press release dated June 13, 2016.

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**Digital Turbine Reports Fourth Quarter and  
Fiscal Full Year 2016 Financial Results**

*Full Year Revenue of \$86.5 Million Increased 206%, and 49% on a Pro Forma Basis*

*Q4 Revenue of \$23.0 Million Driven by Record Revenue for Ignite and DT Pay*

*New Ignite Customer Launches Expected to Drive Significant Growth in FY17*

**Austin, TX – June 13, 2016** – Digital Turbine, Inc. (Nasdaq: APPS), the Company empowering operators and Original Equipment Manufacturers (OEMs) around the globe with end-to-end mobile solutions, announced financial results for the fiscal year and three months ended March 31, 2016.

**Recent Highlights:**

- The March quarter set a new record for bid rate increases from app developers and advertisers, showcasing the strengthening demand for unique access to the homescreen.
  - Ignite revenue is diversifying – thus far in June, no single partner accounts for more than 60% of total Ignite revenue, versus more than 80% derived from one partner in the March quarter.
  - Ignite scheduled to be deployed in calendar 2016 by Airtel, the third largest carrier in the world with more than 250 million subscribers in India and 350 million subscribers globally.
  - Deutsche Telekom scheduled to roll out additional devices in additional markets utilizing Ignite.
  - Ignite has been successfully deployed for embedded base applications push across multiple carriers in multiple geographies.
  - Ignite is launching in June with Vizio, the largest television seller by volume in North America, marking the Company's initial foray into the connected home market.
  - Ignite Direct is launching in June to better capitalize on opportunities in the "Bring your own device" market via a unique SIM-activated dynamic app delivery platform.
  - DT Pay continues to gain meaningful traction in the mobile payment marketplace and is now live in the Philippines and India.
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The Company announced a newly formed partnership with Amazon, which will leverage Digital Turbine’s recommendation technology and local customer relationships to extend the reach of its shopping app into India and Mexico.

“Fiscal 2016 was a breakthrough year in many ways for Digital Turbine,” said Bill Stone, CEO. “Despite encountering unforeseen obstacles and delays common for emerging technology companies, we believe that significant structural and strategic accomplishments in fiscal 2016 set the company up for profitable growth in fiscal 2017 and beyond. We are seeing strong demand from new and existing customers for a widening array of our innovative products and solutions. As the critical link connecting advertisers to the homescreen, we are in the ideal position to benefit from prevailing secular tailwinds. Our advertising solution has been validated by the marketplace – carriers are anxiously adopting Ignite to improve profit margins and enrich the end-user experience, while advertisers are acknowledging our unique homescreen access, enhanced targeting capabilities and vital campaign measurement tools with increased spend. We have signed contracts with more than a dozen new carriers and OEMs representing more than one billion mobile subscribers over the past 12 months, and believe that our pipeline of prospective new customers is the best in the history of the Company. We have exciting new opportunities across six continents with leading operators and OEMs, many of which have proactively approached us to help them enhance the end-user experience while more effectively monetizing the homescreen of their devices.”

“We have entered fiscal 2017 keenly focused on execution,” concluded Mr. Stone. “We are in the process of launching many new customers that we believe will begin to meaningfully contribute to revenue and profitability as the year progresses. We are more confident than ever in our business model – we are winning in the marketplace with our value-added solutions, real-world experience, proven technical expertise and rapidly-expanding global footprint. The opportunity that we have strived so hard to develop is now very much becoming a reality. We are excited to exhibit the power of this business model by delivering demonstrable results for our customers and shareholders in coming quarters.”

#### **Fourth Quarter 2016 Financial Results**

As a result of growth in the Company’s Advertising business over the past year and the March 6, 2015 acquisition of Appia, Inc., management believes that sequential quarterly comparisons are better indicators of the performance of its business than year over year quarterly comparisons, given the substantial operational differences between the Company today and at this time last year. (However, as noted below, the full fiscal year revenue comparisons are presented on a year over year, pro forma basis). The Company has renamed the components of its Advertising segment to better reflect the entities with whom it partners. Advertising is now comprised of Advertisers & Publishers (A&P), including the former “Appia Core” business, as well as the emerging RTB business; and Operators & OEMs (O&O), including Ignite, Discover and other professional advertising services. Content continues to be comprised of Marketplace and Pay.

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Revenue for the fiscal fourth quarter of 2016 was \$23.0 million, down 4% when compared to the fiscal third quarter of 2016. Advertising revenue of \$15.0 million declined 14% versus the fiscal third quarter of 2016. Within Advertising, O&O revenue of \$8.0 million increased 15%, driven by continued penetration at our largest North American carrier, along with the contribution of several new carrier launches since the beginning of January. A&P revenue of \$7.1 million declined 33% stemming from a notable decline with one particular customer and seasonal weakness during the quarter as calendar year 2016 advertising budgets were reset. Content revenue of \$8.0 million increased 20% (19% on a constant currency basis) on the strength of record DT Pay adoption in the Southeast Asia region.

GAAP gross margin was 16% for the fourth quarter of fiscal 2016, consistent with 16% for the fiscal 2016 third quarter. Excluding the amortization of intangibles, non-GAAP adjusted gross margin was 25%, as compared to 23% for the third quarter of fiscal 2016. The reconciliation between GAAP and non-GAAP financial results for all referenced periods is provided in a table immediately following the Unaudited Consolidated Statements of Operations below.

Net loss from continuing operations for the fourth quarter of fiscal 2016 was \$5.8 million, or (\$0.09) per share, consistent with the net loss from continuing operations for the third quarter of fiscal 2016 of \$5.8 million, or (\$0.09) per share.

Non-GAAP adjusted EBITDA loss for the fourth quarter of fiscal 2016 was \$1.6 million, as compared to a loss of \$2.1 million for the third quarter of fiscal 2016. Please see 'Use of Non-GAAP Measures' at the end of this press release for the definition of adjusted EBITDA. The Company re-evaluated its definition of adjusted EBITDA at the end of the fiscal year ended March 31, 2015 and redefined this non-GAAP measure to exclude any bonus adjustments.

#### **Fiscal 2016 Financial Results**

Because the Appia, Inc. acquisition closed on March 6, 2015, consolidated financial results for fiscal year 2016 ended March 31, 2016, are not directly comparable to the results for fiscal year 2015 ended March 31, 2015. Therefore, this release presents fiscal year revenue comparisons on a pro forma basis as if Appia, Inc. had been owned and consolidated for the entirety of fiscal year 2015 and fiscal year 2016.

Revenue for fiscal 2016 was \$86.5 million, representing 206% growth compared with \$28.3 million in the prior year, and 49% growth compared to pro forma fiscal 2015 revenue of \$58 million. Advertising revenue of \$57.8 million increased 61% on a pro forma basis versus the prior year. Within Advertising, O&O revenue of \$22.2 million increased more than 450% on a pro forma basis, driven by not only the proliferation of Ignite onto a greater number of phones with existing and new carriers but also higher average revenue per device. A&P revenue of \$35.6 million increased 11% on a pro forma basis on the strength of larger campaign commitments from existing advertisers and contribution from newly added advertising clients. Content revenue of \$28.8 million increased 31% (and 53% in constant currency), as increasing DT Pay adoption more than offset a decline in the legacy Marketplace business.

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GAAP gross margin was 11% for fiscal 2016, as compared to 22% for fiscal 2015. Excluding the amortization of intangibles, non-GAAP adjusted gross margin was 24%, as compared to 29% for fiscal 2015.

Net loss for fiscal 2016 was \$28.0 million, or (\$0.46) per share, as compared to the net loss for fiscal 2015 of \$24.6 million, or (\$0.63) per share.

Non-GAAP adjusted EBITDA loss for fiscal 2016 was \$9.1 million, as compared to a loss of \$13.4 million for fiscal 2015. A table reconciling non-GAAP adjusted EBITDA loss to net loss can be found in the tables at the end of this press release.

#### **About Digital Turbine, Inc.**

Digital Turbine works at the convergence of media and mobile communications, delivering end-to-end products and solutions for mobile operators, device OEMs, app advertisers and publishers, that enable efficient user acquisition, app management and monetization opportunities. The company's products include Ignite™, a mobile device management solution with targeted app distribution capabilities, Discover™, a customized user experience and app discovery tool, Marketplace™, an application and content store, and Pay™, a content management and mobile payment solution. Digital Turbine Media encompasses a leading independent user acquisition network as well as an advertiser solution for unique and exclusive carrier inventory. Digital Turbine has delivered more than 130 million app installs for hundreds of advertisers. In addition, more than 31 million customers use Digital Turbine's solutions each month across more than 20 global operators. The company is headquartered in Austin, Texas with global offices in Durham, Berlin, San Francisco, Singapore, Sydney and Tel Aviv. For additional information visit [www.digitalturbine.com](http://www.digitalturbine.com) or connect with Digital Turbine on Twitter at @DigitalTurbine.

[www.digitalturbine.com](http://www.digitalturbine.com)



#### **Conference Call**

Management will host a conference call today at 4:30 p.m. ET to discuss its fourth quarter and fiscal full year 2016 financial results. To participate, interested parties should dial 866-652-5200 in the United States or 412-317-6060 from international locations. The conference ID is 10083632. A webcast of the conference call will be available at [ir.digitalturbine.com/events](http://ir.digitalturbine.com/events).

For those who are not able to join the live call, a playback will be available through June 27, 2016. The replay can be accessed by dialing 877-344-7529 in the United States or 412-317-0088 from international locations, passcode 10083632.

The conference call will discuss guidance and other material information.

#### **Use of Non-GAAP Financial Measures**

To supplement the Company's condensed financial statements presented in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), Digital Turbine uses non-GAAP measures of certain components of financial performance. These Non-GAAP measures include non-GAAP adjusted gross profit and gross margin, Non-GAAP adjusted EBITDA, and Non-GAAP EPS. Reconciliations to the nearest GAAP measures of all non-GAAP measures included in this press release can be found in the tables below.

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Non-GAAP measures are provided to enhance investors' overall understanding of the Company's current financial performance, prospects for the future and as a means to evaluate period-to-period comparisons. The Company believes that these Non-GAAP measures provide meaningful supplemental information regarding financial performance by excluding certain expenses and benefits that may not be indicative of recurring core business operating results. The Company believes the non-GAAP measures that exclude such items when viewed in conjunction with GAAP results and the accompanying reconciliations enhance the comparability of results against prior periods and allow for greater transparency of financial results. The Company believes Non-GAAP measures facilitate management's internal comparison of its financial performance to that of prior periods as well as trend analysis for budgeting and planning purposes. The presentation of Non-GAAP measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

Non-GAAP adjusted gross profit and gross margin are defined as GAAP gross profit and gross margin adjusted to exclude the effect of intangible amortization expense. Readers are cautioned that Non-GAAP adjusted gross profit and gross margin should not be construed as an alternative to gross margin determined in accordance with U.S. GAAP as an indicator of profitability or performance, which is the most comparable measure under GAAP.

Non-GAAP adjusted EBITDA is calculated as GAAP net loss excluding the following cash and non-cash expenses: interest expense, foreign transaction gains (losses), debt financing and non-cash related expenses, debt discount and non-cash debt settlement expense, gain or loss on extinguishment of debt, income taxes, asset impairment charges, depreciation and amortization, stock-based compensation expense, change in fair value of derivatives, and fees and expenses related to acquisitions. Non-GAAP EPS excludes certain non-cash amortization related cost. Because adjusted EBITDA is a Non-GAAP measure that does not have a standardized meaning, it may not be comparable to similar measures presented by other companies. Readers are cautioned that Non-GAAP adjusted EBITDA or Non-GAAP EPS should not be construed as an alternative to net income (loss) determined in accordance with U.S. GAAP as an indicator of performance, which is the most comparable measure under GAAP.

Non-GAAP adjusted gross profit and gross margin and adjusted EBITDA are used by management as internal measures of profitability and performance. They have been included because the Company believes that the measures are used by certain investors to assess the Company's financial performance before non-cash charges and certain costs that the Company does not believe are reflective of its underlying business.

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### Forward-Looking Statements

This news release includes "forward-looking statements" within the meaning of the U.S. federal securities laws. Statements in this news release that are not statements of historical fact and that concern future results from operations, financial position, economic conditions, product releases and any other statement that may be construed as a prediction of future performance or events, including financial projections and growth in various products are forward-looking statements that speak only as of the date made and which involve known and unknown risks, uncertainties and other factors which may, should one or more of these risks uncertainties or other factors materialize, cause actual results to differ materially from those expressed or implied by such statements.

These factors and risks include:

- risks associated with Ignite adoption among existing customers (including the impact of possible delays with major carrier and OEM partners in the roll out for mobile phones deploying Ignite)
  - actual mobile device sales and sell-through where Ignite is deployed is out of our control
  - risks associated with the timing of Ignite software pushes to the embedded bases of carrier and OEM partners
  - risks associated with end user take rates of carrier and OEM software pushes which include Ignite
  - new customer adoption and time to revenue with new carrier and OEM partners is subject to delays and factors out of our control
  - risks associated with fluctuations in the number of Ignite slots across US carrier partners
  - required customization and technical integration which may slow down time to revenue notwithstanding the existence of a distribution agreement
  - risk that strong Apple iPhone sales could result in a disproportionately low amount of Android sales
  - the difficulty of extrapolating monthly demand to quarterly demand
  - the challenges, given the Company's comparatively small size, to expand the combined Company's global reach, accelerate growth and create a scalable, low-capex business model that drives EBITDA (as well as Adjusted EBITDA)
  - challenges to realize anticipated operational efficiencies, revenue (including projected revenue) and cost synergies and resulting revenue growth, EBITDA (and Adjusted EBITDA) and free cash flow conversion from the Appia merger
  - the impact of currency exchange rate fluctuations on our reported GAAP financial statements, particularly in regard to the Australian dollar
  - ability as a smaller Company to manage international operations
  - varying and often unpredictable levels of orders; the challenges inherent in technology development necessary to maintain the Company's competitive advantage such as adherence to release schedules and the costs and time required for finalization and gaining market acceptance of new products
  - changes in economic conditions and market demand
  - rapid and complex changes occurring in the mobile marketplace
  - pricing and other activities by competitors
  - pricing risks associated with potential commoditization of the Appia Core as competition increases and new technologies add pricing pressure
  - technology management risk as the Company needs to adapt to complex specifications of different carriers and the management of a complex technology platform given the Company's relatively limited resources, and
  - other risks including those described from time to time in Digital Turbine's filings on Forms 10-K and 10-Q with the Securities and Exchange Commission (SEC), press releases and other communications. You should not place undue reliance on these forward-looking statements. The Company does not undertake to update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.
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**Investor Relations Contacts:**

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SOURCE Digital Turbine, Inc.

(Financial Tables Follow)

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**Digital Turbine, Inc. and Subsidiaries**  
**Consolidated Statements of Operations**

(in thousands, except per share amounts)

|   | 3 Months Ended<br>March 31, 2016<br>(Unaudited) | 3 Months Ended<br>March 31, 2015<br>(Unaudited) | Year Ended<br>March 31, 2016<br>(Unaudited) | Year Ended<br>March 31, 2015 |
|---|---|---|---|------------------------------|
| Net revenues  | \$ 23,032                                       | \$ 10,230                                       | \$ 86,541                                   | \$ 28,252                    |
| Cost of revenues  |   |   |   |                              |
| License fees and revenue share                                | 17,296  | 8,389   | 66,185                                      | 20,110                       |
| Other direct cost of revenues                                 | 2,084   | 908   | 10,537                                      | 2,010                        |
| Total cost of revenues  | <u>19,380</u>                                   | <u>9,297</u>                                    | <u>76,722</u>                               | <u>22,120</u>                |
| Gross profit  | <u>3,652</u>                                    | <u>933</u>                                      | <u>9,819</u>                                | <u>6,132</u>                 |
| Operating expenses  |   |   |   |                              |
| Product development   | 3,085   | 2,073   | 10,983                                      | 7,905                        |
| Sales and marketing   | 1,641   | 944   | 6,067                                       | 2,933                        |
| General and administrative                                    | 4,302   | 6,937   | 18,705                                      | 19,031                       |
| Total operating expenses                                      | <u>9,028</u>                                    | <u>9,954</u>                                    | <u>35,755</u>                               | <u>29,869</u>                |
| Loss from operations  | <u>(5,376)</u>                                  | <u>(9,021)</u>                                  | <u>(25,936)</u>                             | <u>(23,737)</u>              |
| Interest and other expense, net                               |   |   |   |                              |
| Interest expense, net   | (449)   | (111)   | (1,816)                                     | (234)                        |
| Foreign exchange transaction gain / (loss)                    | (9)   | -   | (29)  | 32                           |
| Loss on settlement of debt                                    | -   | -   | -   | (9)                          |
| Gain / (loss) on disposal of fixed assets                     | (6)   | -   | (37)  | 2                            |
| Other income / (expense)                                      | (20)  | 59  | -   | 46                           |
| Total interest and other expense, net                         | <u>(484)</u>                                    | <u>(52)</u>                                     | <u>(1,882)</u>                              | <u>(163)</u>                 |
| Loss from operations before income taxes                      | <u>(5,860)</u>                                  | <u>(9,073)</u>                                  | <u>(27,818)</u>                             | <u>(23,900)</u>              |
| Income tax provision / (benefit)                              | <u>(32)</u>                                     | <u>278</u>                                      | <u>214</u>                                  | <u>747</u>                   |
| Net loss  | <u>\$ (5,828)</u>                               | <u>\$ (9,351)</u>                               | <u>\$ (28,032)</u>                          | <u>\$ (24,647)</u>           |
| Other comprehensive income / (loss)                           |   |   |   |                              |
| Foreign currency translation adjustment                       | \$ (147)  | \$ 45   | \$ (150)                                    | \$ 147                       |
| Comprehensive loss:   | <u>\$ (5,975)</u>                               | <u>\$ (9,306)</u>                               | <u>\$ (28,182)</u>                          | <u>\$ (24,500)</u>           |
| Basic and diluted net loss per common share                   | <u>\$ (0.09)</u>                                | <u>\$ (0.22)</u>                                | <u>\$ (0.46)</u>                            | <u>\$ (0.63)</u>             |
| Weighted-average common shares outstanding, basic and diluted | <u>66,278</u>                                   | <u>43,219</u>                                   | <u>61,763</u>                               | <u>38,967</u>                |

**Digital Turbine, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**

(in thousands, except par and share amounts)

|  | March 31,<br>2016<br>(Unaudited) | March 31,<br>2015 |
|--|----------------------------------|-------------------|
| <b>ASSETS</b>  |                                  |                   |
| Current assets   |                                  |                   |
| Cash and cash equivalents  | \$ 11,231                        | \$ 7,069          |
| Restricted cash  | -                                | 200               |
| Accounts receivable, net of allowances of \$464 and \$698, respectively  | 17,519                           | 12,174            |
| Deposits   | 213                              | 109               |
| Deferred financing costs   | 128                              | -                 |
| Deferred tax assets  | -                                | 82                |
| Prepaid expenses and other current assets  | 583                              | 640               |
| Total current assets   | 29,674                           | 20,274            |
| Property and equipment, net  | 1,784                            | 614               |
| Investment in Sift   | 999                              | -                 |
| Deferred tax assets  | 500                              | -                 |
| Intangible assets, net   | 12,490                           | 24,936            |
| Goodwill   | 76,621                           | 76,747            |
| <b>TOTAL ASSETS</b>  | <b>\$ 122,068</b>                | <b>\$ 122,571</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                                  |                   |
| Current liabilities  |                                  |                   |
| Accounts payable   | \$ 15,300                        | \$ 8,118          |
| Accrued license fees and revenue share   | 9,622                            | 6,833             |
| Accrued compensation   | 1,353                            | 2,184             |
| Short-term debt, net of discounts of \$440 and 0, respectively   | 10,560                           | 3,600             |
| Deferred tax liabilities   | -                                | 217               |
| Other current liabilities  | 2,147                            | 3,000             |
| Total current liabilities  | 38,982                           | 23,952            |
| Long-term debt, net of discounts of \$0 and \$910, respectively  | -                                | 7,090             |
| Other non-current liabilities  | 815                              | -                 |
| Total liabilities  | \$ 39,797                        | \$ 31,042         |
| Stockholders' equity   |                                  |                   |
| Preferred stock  |                                  |                   |
| Series A convertible preferred stock at \$0.0001 par value;<br>2,000,000 shares authorized, 100,000 issued and outstanding<br>(liquidation preference of \$1,000)                        | 100                              | 100               |
| Common stock,  |                                  |                   |
| \$0.0001 par value: 200,000,000 shares authorized;<br>67,019,703 issued and 66,284,606 outstanding at March 31, 2016;<br>57,917,565 issued and 57,162,967 outstanding at March 31, 2015; | 8                                | 7                 |
| Additional paid-in capital   | 295,423                          | 276,500           |
| Treasury stock (754,599 shares at March 31, 2016 and March 31, 2015)   | (71)                             | (71)              |
| Accumulated other comprehensive loss   | (202)                            | (52)              |
| Accumulated deficit  | (212,987)                        | (184,955)         |
| Total stockholders' equity   | 82,271                           | 91,529            |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>  | <b>\$ 122,068</b>                | <b>\$ 122,571</b> |

**Digital Turbine, Inc. and Subsidiaries**  
**Consolidated Statement of Cash Flows**

(in thousands)

|   | <b>Year Ended<br/>March 31, 2016<br/>(Unaudited)</b> | <b>Year Ended<br/>March 31, 2015</b> |
|---|--|--------------------------------------|
| <b>Cash flows from operating activities</b>                                 |  |                                      |
| Net loss  | \$ (28,032)  | \$ (24,647)                          |
| Adjustments to reconcile net loss to net cash used in operating activities: |  |                                      |
| Depreciation and amortization   | 10,974   | 2,108                                |
| Change in allowance for doubtful accounts                                   | (234)  | 698                                  |
| Amortization of debt discount   | 470  | 34                                   |
| Accrued interest  | 12   | 77                                   |
| Stock-based compensation  | 5,095  | 5,850                                |
| Stock-based compensation related to restricted stock for services rendered  | 867  | 490                                  |
| Stock issued for settlement of liability                                    | 283  | -                                    |
| (Increase)/decrease in assets:  |  |                                      |
| Restricted cash transferred to/(from) operating cash                        | 200  | -                                    |
| Accounts receivable   | (5,111)  | (406)                                |
| Deposits  | (104)  | (63)                                 |
| Deferred tax assets   | (418)  | 3,156                                |
| Deferred financing costs  | (128)  | -                                    |
| Prepaid expenses and other current assets                                   | 57   | (142)                                |
| Increase/(decrease) in liabilities:   |  |                                      |
| Accounts payable  | 7,308  | (379)                                |
| Accrued license fees and revenue share                                      | 2,789  | 2,988                                |
| Accrued compensation  | (831)  | 325                                  |
| Other liabilities and other items   | (266)  | (4,589)                              |
| Net cash used in operating activities                                       | <u>(7,069)</u>                                       | <u>(14,500)</u>                      |
| <b>Cash flows from investing activities</b>                                 |  |                                      |
| Purchase and disposal of property and equipment, net                        | (1,549)  | (67)                                 |
| Settlement of contingent liability  | -  | (49)                                 |
| Cash used in acquisition of assets  | -  | (2,125)                              |
| Net cash from investment in Sift  | 875  | -                                    |
| Cash acquired with acquisition of subsidiary                                | -  | 1,363                                |
| Net cash used in investing activities                                       | <u>(674)</u>   | <u>(878)</u>                         |

**Digital Turbine, Inc. and Subsidiaries**  
**Consolidated Statement of Cash Flows**

(in thousands)

|  | <b>Year Ended<br/>March 31, 2016<br/>(Unaudited)</b> | <b>Year Ended<br/>March 31, 2015</b> |
|--|--|--------------------------------------|
| <b>Cash flows from financing activities</b>                  |  |                                      |
| Stock issued for cash in stock offering, net                 | 12,627   | -                                    |
| Repayment of debt obligations                                | (600)  | -                                    |
| Options exercised  | 51   | 136                                  |
| Warrant exercised  | -  | 375                                  |
| Net cash provided by financing activities                    | <u>12,078</u>  | <u>511</u>                           |
| Effect of exchange rate changes on cash and cash equivalents | (173)  | 131                                  |
| Net change in cash and cash equivalents                      | <u>4,162</u>   | <u>(14,736)</u>                      |
| Cash and cash equivalents, beginning of period               | <u>7,069</u>   | <u>21,805</u>                        |
| Cash and cash equivalents, end of period                     | <u>\$ 11,231</u>                                     | <u>\$ 7,069</u>                      |

**GAAP GROSS MARGIN TO NON-GAAP GROSS MARGIN**

|                                       | <b>3 Months Ended</b> | <b>3 Months Ended</b>    | <b>Year Ended</b>     | <b>Year Ended</b>     |
|---------------------------------------|-----------------------|--------------------------|-----------------------|-----------------------|
|                                       | <b>March 31, 2016</b> | <b>December 31, 2015</b> | <b>March 31, 2016</b> | <b>March 31, 2015</b> |
| Revenue                               | \$ 23,032             | \$ 24,089                | \$ 86,541             | \$ 28,252             |
| Gross profit                          | \$ 3,652              | \$ 3,816                 | \$ 9,819              | \$ 6,132              |
| Gross margin percentage               | 16%                   | 16%                      | 11%                   | 22%                   |
| Add back: Amortization of intangibles | \$ 2,084              | \$ 1,704                 | \$ 10,537             | \$ 2,010              |
| Non-GAAP gross profit                 | \$ 5,736              | \$ 5,520                 | \$ 20,356             | \$ 8,142              |
| Non-GAAP gross margin percentage      | 25%                   | 23%                      | 24%                   | 29%                   |

**GAAP NET LOSS TO ADJUSTED EBITDA**

|  | <b>3 Months Ended</b> | <b>3 Months Ended</b>    | <b>Year Ended</b>     | <b>Year Ended</b>     |
|--|-----------------------|--------------------------|-----------------------|-----------------------|
|  | <b>March 31, 2016</b> | <b>December 31, 2015</b> | <b>March 31, 2016</b> | <b>March 31, 2015</b> |
| Net Loss   | \$ (5,828)            | \$ (5,763)               | \$ (28,032)           | \$ (24,647)           |
| Add back items:  |                       |                          |                       |                       |
| Stock and stock option compensation  | 1,434                 | 1,404                    | 5,962                 | 6,340                 |
| Stock issued for settlement of liability, net of \$381<br>accrual reversal | -                     | -                        | (98)                  | -                     |
| Acquisition costs - Corporate (Appia)                                      | -                     | -                        | -                     | 1,709                 |
| Acquisition costs - DT USA (XYO)   | -                     | -                        | -                     | 213                   |
| Amortization of intangibles  | 2,084                 | 1,704                    | 10,537                | 2,010                 |
| Depreciation expense   | 283                   | 52                       | 437                   | 98                    |
| Interest expense   | 449                   | 471                      | 1,816                 | 234                   |
| Loss on settlement of debt   | -                     | -                        | -                     | 9                     |
| Other (income) / expense   | 20                    | 8                        | -                     | (46)                  |
| (Gain) / loss on disposal of fixed assets                                  | 6                     | 8                        | 37                    | (2)                   |
| Foreign exchange transaction (gain) / loss                                 | 9                     | 8                        | 29                    | (32)                  |
| Tax expense / (benefit)  | (32)                  | 3                        | 214                   | 747                   |
| Adjusted EBITDA  | \$ (1,575)            | \$ (2,105)               | \$ (9,098)            | \$ (13,367)           |

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