UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported) February 28, 2020

Digital Turbine, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**001-35958**	**22-2267658**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

110 San Antonio Street, Suite 160, Austin, TX 78701	**78701**
(Address of Principal Executive Offices)	(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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading symbol(s)**	**Name of each exchange on which registered**
Common Stock	APPS	NASDAQ

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Explanatory Note:

This Amendment No. 1 on Form 8-K/A is filed to amend the Current Report on Form 8-K filed by Digital Turbine, Inc. (the "Company") with the Securities and Exchange Commission on March 3, 2020 (the "Initial Form 8-K"), which was filed in connection with the closing of the acquisition (the "Acquisition") of Mobile Posse, Inc. ("Mobile Posse"). This Amendment No. 1 on Form 8-K/A is filed for the purpose of amending the Initial Form 8-K to provide certain historical audited financial statements of Mobile Posse and unaudited pro forma financial information of the Company and Mobile Posse after giving effect to the Acquisition.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Businesses Acquired.

Audited financial statements of Mobile Posse as of December 31, 2018 and for the period from April 3, 2018 to December 31, 2018 and as of and for the year ended December 31 2019 are filed as Exhibits 99.1 to this Form 8-K and incorporated herein by reference.

(b) Pro forma Financial Information.

The unaudited pro forma combined financial data of the Company and Mobile Posse as of and for the fiscal year ended March 31, 2019 and as of and for the nine months ended December 31, 2019 is furnished as Exhibit 99.2 to this Form 8-K and is incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Description
23.1	Consent of CohnReznick, independent public accounting firm of Mobile Posse.
99.1	Audited financial statements of Mobile Posse as of December 31, 2018 and for the period from April 3, 2018 to December 31, 2018 and as of and for the year ended December 31, 2019.
99.2	Unaudited pro forma combined financial statements of the Company and Mobile Posse as of and for the fiscal year ended March 31, 2019 and as of and for the nine months ended December 31, 2019.

Exhibit 23.1

INDEPENDENT AUDITOR'S CONSENT

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-193022 and 333-202863) and Form S-3 (No. 333-230785) of Digital Turbine, Inc. of our report dated March 18, 2020, except for notes 3, 5, 8, 14, and 15, as to which the date is May 13, 2020, relating to the financial statements of Mobile Posse, Inc. as of December 31, 2019 and 2018 and for the year ended December 31, 2019 and for the period from April 3, 2018 through December 31, 2018, which is included in the Current Report on Form 8-K/A filed by Digital Turbine, Inc. on May 13, 2020.

/s/ CohnReznick LLP

Tysons, Virginia

May 13, 2020

Mobile Posse, Inc.

Financial Statements and Independent Auditor's Report

December 31, 2019 and 2018

Independent Auditor's Report

To the Board of Directors
Mobile Posse, Inc.

We have audited the accompanying financial statements of Mobile Posse, Inc., which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of income, stockholder's equity and cash flows for the year ended December 31, 2019 and the period from April 3, 2018 through December 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mobile Posse, Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the year ended December 31, 2019 and the period from April 3, 2018 through December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Restatement

As described in Note 15 to the financial statements, the Company has restated its previously issued financial statements to correct certain amounts due to errors in the Company's calculation of its income tax provisions. Our opinion is not modified with respect to that matter.

/s/ CohnReznick LLP

Tysons, Virginia
March 18, 2020, except for Notes 3, 5, 8, 14 and 15 as to which the date is May13, 2020

Assets	2019 (as restated)	2018 (as restated)
Current assets		
Cash and cash equivalents	$ 3,078,823	$ 9,322,369
Accounts receivable	12,911,803	9,750,284
Prepaid expenses and other current assets	1,128,647	755,625
Total current assets	17,119,273	19,828,278
Property, equipment, and software development costs, net	2,098,645	2,378,690
Deposits	60,753	60,753
Intangibles, net	4,712,942	6,160,942
Goodwill, net	8,556,309	9,592,835
Deferred tax asset	912,615	999,246
Total assets	$ 33,460,537	$ 39,020,744
Liabilities and Stockholder's Equity		
Current liabilities		
Current portion of note payable	$ 3,600,000	$ 1,200,000
Accounts payable and accrued expenses	8,031,746	7,951,233
Accrued payroll and related liabilities	905,000	804,312
Total current liabilities	12,536,746	9,955,545
Long-term liabilities		
Deferred rent	1,808,681	1,838,466
Note payable, net	12,427,977	25,203,885
Total liabilities	26,773,404	36,997,896
Commitments and contingencies		
Stockholder's Equity		
Common stock, par value of $0.001 per share; 100 shares authorized, issued and outstanding	-	-
Additional paid-in capital	1,676,839	1,676,839
Retained earnings	5,010,294	346,009
Total stockholder's equity	6,687,133	2,022,848
Total liabilities and stockholder's equity	$ 33,460,537	$ 39,020,744

	2019 *(as restated)*	2018 *(as restated)*
Revenue, net	$ 59,126,699	$ 44,603,117
Cost of revenue	30,603,583	24,374,682
Gross margin	28,523,116	20,228,435
Operating expenses		
Sales and marketing	5,219,521	3,740,403
Research and development	7,363,220	4,611,229
General and administrative	3,118,371	2,042,692
Transaction fees	-	4,687,108
Depreciation and amortization	2,969,557	2,117,910
Total operating expenses	18,670,669	17,199,342
Income from operations	9,852,447	3,029,093
Other expense		
Loss on extinguishment	(589,851)	-
Interest expense, net	(2,373,993)	(2,432,693)
Total other expense	(2,963,844)	(2,432,693)
Income before provision for income taxes	6,888,603	596,400
Provision for income taxes	2,224,318	250,391
Net income	$ 4,664,285	$ 346,009

	Common Stock		Additional paid-in capital	Retained earnings	Total stockholder's equity
	Shares	Amount			
Balance at April 3, 2018	100	$ -	$ 1,676,839	$ -	$ 1,676,839
Net income, *as restated*	-	-	-	346,009	346,009
Balance at December 31, 2018, *as restated*	100	-	1,676,839	346,009	2,022,848
Net income, *as restated*	-	-	-	4,664,285	4,664,285
Balance at December 31, 2019, *as restated*	100	$ -	$ 1,676,839	$ 5,010,294	$ 6,687,133

	2019 (as restated)	2018 (as restated)
Cash flows from operating activities		
Net income	$ 4,664,285	$ 346,009
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	483,538	266,427
Amortization	2,484,526	1,851,483
Amortization of debt issuance costs	152,597	171,952
Loss on extinguishment of debt	589,851	-
Loss on disposal of property and equipment	1,493	17,081
Change in deferred taxes	86,631	(25,028)
Change in operating assets and liabilities		
Accounts receivable	(3,161,519)	(764,463)
Prepaid expenses and other current assets	(373,022)	(122,315)
Accounts payable and accrued expenses	80,513	(14,432)
Accrued payroll and related liabilities	100,688	496,672
Deferred rent	(29,785)	308,381
Net cash provided by operating activities	5,079,796	2,531,767
Cash flows from investing activities		
Acquisition of business, net of cash acquired of $14,039,220	-	(18,692,300)
Purchases of property and equipment	(204,986)	(749,031)
Net cash used in investing activities	(204,986)	(19,441,331)
Cash flows from financing activities		
Proceeds from issuance of debt	18,000,000	28,000,000
Payment of debt issuance costs	(218,356)	(868,067)
Repayment of debt	(28,900,000)	(900,000)
Net cash provided by (used in) financing activities	(11,118,356)	26,231,933
(Decrease) increase in cash and cash equivalents	(6,243,546)	9,322,369
Cash and cash equivalents, beginning of the period	9,322,369	-
Cash and cash equivalents, end of the period	$ 3,078,823	$ 9,322,369

Supplemental disclosure of cash flow information		
Cash paid during the period for interest	$ 2,067,761	$ 2,260,834
Cash paid during the period for taxes	$ 2,545,952	$ 867,507
Supplemental disclosure of noncash investing and financing activities		
Increase in leasehold improvements paid from landlord lease incentive	$ -	$ 1,530,085

Note 1 - Nature of business and organization

Mobile Posse, Inc. ("Mobile Posse", or the "Company") was incorporated in the State of Delaware on October 25, 2005 and is headquartered in Arlington, Virginia. On April 3, 2018 (the "Acquisition Date"), ACME Mobile, LLC ("ACME Mobile") consummated a business combination with the Company pursuant to an agreement and plan of merger, dated as of April 3, 2018, which provided for the acquisition of all of the capital stock of Mobile Posse by ACME Mobile (the "Acquisition"). The accompanying financial statements include only the operations of the Company from the Acquisition Date. See Note 3 for a further discussion of the Acquisition.

Mobile Posse is the leading platform for creating frictionless content experiences on smartphones. Its Firstly Mobile content discovery platform is designed to understand the mobile journey and intelligently intersect it with interesting content. Through three solutions - firstAPP, firstPAGE, and firstPLACE - carriers and OEMS are empowered to reinvent and monetize the smartphone experience for their subscribers. By eliminating swipes, taps, waits and other "friction" that slows down the user, Firstly Mobile serves premium content when the user unlocks their phone, opens a mobile browser, or swipes to the right. By engaging users in these moments, Mobile Posse creates new revenue streams for top wireless carriers, OEMs and other mobile players.

Business risks and uncertainties

The Company is subject to the risks and challenges associated with companies at a similar stage of development including dependence on key individuals, successful development and marketing of its products and services, competition from substitute products and services and larger companies with greater financial, technical management and marketing resources. Any of the following factors could have a significant negative effect on the Company's future financial position, results of operations and cash flows: adverse changes in the Company's relationship with significant customers or failure to secure contracts with other customers, intense competition, failure to attract and retain key personnel, failure to protect intellectual property, decrease in the migration trends from traditional advertising methods to digital and mobile media and the inability to manage growth.

Note 2 - Summary of significant accounting policies

Push-down accounting

Because the acquisition of Mobile Posse resulted in the Company (see Note 3) being wholly owned, the Company elected to prepare the financial statements using push-down accounting which requires the assets and liabilities to be recorded at fair value as of the Acquisition Date.

Change in accounting principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance for accounting principles generally accepted in the United States of America ("GAAP"). The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the new standard effective January 1, 2019, the first day of the Company's fiscal year using the modified retrospective transition method, under which prior periods were not revised to reflect the impacts of the new standard.

As part of the adoption of the ASU, the Company elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The Company's revenue is primarily generated by delivering clicks and impressions to our customers resulting in digital advertising revenue. Those sales predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer. Accordingly, the timing of revenue recognition is not materially impacted by the new standard.

The adoption of the new standard did not result in a cumulative adjustment to stockholder's equity.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenue and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and cash equivalents

The Company considers all highly-liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

Accounts receivable

Accounts receivable balances are due from customers throughout the U.S. Credit is extended based on evaluation of a customer's financial condition and, generally, collateral is not required.

The Company records an allowance for doubtful accounts based on historical experience and management's expectation for future losses. The Company considers an account past due when payment has not been received under the terms of the contract or invoice for an extended period of time. The Company bases its estimates on historical experiences and on various other assumptions that are believed to be reasonable under the circumstances. As of December 31, 2019 and 2018, the allowance for doubtful accounts totaled $297,869 and $0, respectively.

Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. To reduce credit risk, the Company places its cash with high credit quality financial institutions.

Property and equipment

Property and equipment acquired after the Acquisition (see Notes 1 and 3) are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally ranging from two to five years. Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements or the term of the lease, whichever is shorter.

Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized and depreciated over the remaining useful lives of the asset. When assets are retired or sold, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of income.

Goodwill and intangibles

Goodwill represents the excess of the total consideration paid over the fair value of the net tangible and identifiable intangible assets of the Company. See Note 3 for specific identified intangible and tangible assets. Certain intangible assets acquired are recognized as assets apart from goodwill. Intangible assets consist of tradenames and trademarks and acquired technology. Intangible assets are amortized on a straight-line basis over the estimated useful lives of 5 years.

On January 16, 2014, the FASB issued ASU No. 2014-02, *Intangibles - Goodwill and Other (Topic 350): Accounting for Goodwill*. This ASU allows for an accounting alternative for private companies that simplifies and reduces the costs associated with the subsequent accounting for goodwill. Under ASU No. 2014-02, a private company can elect to amortize goodwill over a 10-year period (or less under certain circumstances) and test goodwill for impairment only when a triggering event is identified. A private company that elects this accounting alternative could make an accounting policy decision to perform its impairment testing at the entity level or the reporting-unit level. In accordance with the Acquisition (see Notes 1 and 3), the Company adopted ASU No. 2014-02 as an accounting policy election.

Impairment of long-lived assets
The Company reviews the carrying value of long-lived assets for impairment when events or changes in business circumstances indicate the carrying value may not be recoverable. An impairment loss is recognized when an asset's carrying value exceeds its fair value as calculated using a discounted future cash flow analysis. During the year ended December 31, 2019 and period ended December 31, 2018, no impairment loss was recognized in the accompanying financial statements.

Financing fees
The Company capitalizes debt issuance costs related to debt instruments and revolving loan facilities. Debt issuance costs related to debt instruments are amortized to interest expense over the term of the related debt using the effective yield method. Financing fees related to the loan facilities were amortized utilizing the straight-line method. Amortization expense for the year ended December 31, 2019 and period ended December 31, 2018 were $152,597 and $171,952, respectively.

Deferred rent
Rent expense is recorded on a straight-line basis over the initial lease term and renewal periods which are reasonably assured. The difference between rent expense and rent paid is recorded as deferred rent in the accompanying balance sheets.

Revenue recognition
The Company recognizes revenue from the delivery of click-based ads in the period in which a user clicks on the content, and action-based ads in the period in which a user takes the action the advertiser contracted for. The Company recognizes revenue from the display of impression-based ads in the contracted period in which the impressions are delivered. Impressions are considered delivered when an ad is displayed to users.

The Company has entered into contracts with mobile operators and other vendors which require the Company to pay a fee based on a percentage of either gross or net advertising revenue earned ("Revenue Share"). Revenue Share percentages vary depending on the rates negotiated with the mobile operator or respective vendor.

The Company evaluates whether it is the principal (report revenues on a gross basis) or agent (report revenues on a net basis). Generally, the Company reports its revenues net of contractually agreed upon expenses deducted by the customer in their payments to us. Where we are the agent, the main element of control, monetization of advertising inventory, remains with our customers. Revenue share paid to mobile operators and other vendors are recorded as cost of revenues.

The Company does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract will be expenses as incurred when the amortization period is less than a year.

Research and development
Research and development expenditures are expensed as incurred.

Income taxes
Mobile Posse is organized as a "C" corporation in accordance with Delaware law. The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company has considered its income tax positions, including any positions that may be considered uncertain by the relevant tax authorities in the jurisdictions in which the Company operates. As of December 31, 2019 and 2018, the Company had no uncertain tax positions and no unrecognized tax benefits. Potential interest and penalties associated with uncertain tax positions are recorded as a component of income tax expense. The Company has not incurred any penalties relating to income taxes recognized in the financial statements as of and for the periods ended December 31, 2019 and 2018.

The Company's primary tax jurisdiction is in the United States. Generally, federal, state and local authorities may examine the Company's tax returns for three years from the date of filing and the current and prior three years remain subject to examination as of December 31, 2019.

Subsequent events
The Company has evaluated the potential impact of subsequent events on the financial statements herein through March 18, 2020, the date the financial statements were available to be issued (see Note 13).

Note 3 - Acquisition of Mobile Posse

On April 3, 2018, ACME Mobile completed the Acquisition in which AMMP Acquisition Corporation ("Sub"), a wholly owned subsidiary of ACME Mobile, acquired 100% of the capital stock of Mobile Posse. As a result of the Acquisition, Mobile Posse became a wholly owned subsidiary of ACME Mobile.

In addition to the consideration paid for Mobile Posse, ACME Mobile agreed to pay an additional $4,401,912 to six individuals subject to maintaining continuous employment with the Company through May 3, 2018 (the "Stay Bonuses"). Since the Stay Bonuses were awarded to Mobile Posse's employees as a condition of their continued employment after the consummation of the Acquisition, and their employment was for the benefit of the combined entity, management determined the arrangement met the conditions for a transaction that was separate from the Acquisition. Accordingly, all of the related compensation cost was considered compensation for postcombination service and, therefore, recognized as postcombination compensation cost and included in transaction fees on the statements of income.

As a result of the change in control, the Company applied the option of "pushdown" accounting, which established a new basis of accounting as of the Acquisition Date.

Management, with the assistance of a third-party valuation firm, has estimated the fair value of the assets and liabilities of the Company as of the Acquisition Date. The post-acquisition identifiable intangible assets consist primarily of technology and trade names and trademarks. Accordingly, the Company has recorded an allocation of the purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the April 3, 2018 acquisition date. The excess of the purchase price over the aggregate estimated fair value of net assets acquired was allocated to goodwill. The calculation of purchase price and purchase price allocation is as follows:

Cash payment to stockholders	$	32,576,520
Cash payment to warrant holders		155,000
Rollover equity		1,676,839
Total purchase price	$	34,408,359
Cash and cash equivalents	$	14,039,220
Accounts receivable		8,985,821
Prepaid expenses and other current assets		633,254
Property and equipment		383,082
Intangible assets		7,240,000
Goodwill, *as restated*		10,365,260
Other noncurrent assets		60,753
Deferred tax assets, *as restated*		974,274
Accounts payable and accrued expenses		(7,965,665)
Accrued payroll and related items		(307,640)
Total purchase price	$	34,408,359

The Company has identified intangible assets consisting of technology and trade names and trademarks totaling $7,240,000 using the valuation methods listed below and their estimated useful lives at the date of the Acquisition:

Intangible asset	Valuation method		Fair value	Estimated useful life
Technology	Relief from royalty method	$	5,951,000	5 years
Trade names and trademarks	Relief from royalty method		1,289,000	5 years
Fair value of intangible assets		$	7,240,000	

The fair value of technology was measured based upon significant inputs that were not observable in the market and, therefore, classified as Level 3 assets. The fair value was provided by an independent valuation firm; key assumptions included (a) management's projections of future cash flows based upon past experience and future expectations and (b) discount rate of 33% and royalty rates ranging from 22.4% to 30.6%.

The fair value of trade names and trademarks was measured based upon significant inputs that were not observable in the market and, therefore, classified as Level 3 assets. The fair value was provided by an independent valuation firm; key assumptions included (a) management's projections of future cash flows based upon past experience and future expectations and (b) discount rate of 33% and royalty rate of 2%.

For the period April 3, 2018 through December 31, 2018, the Company incurred $4,687,108 of transaction expenses directly related to the Acquisition, primarily Stay Bonuses previously described.

Note 4 - Intangible assets

Intangible assets consist of the following as of December 31, 2019 and 2018:

	As of December 31, 2019		
	Gross carrying amount	Accumulated amortization	Net book value
Amortized intangible assets			
Technology	$ 5,951,000	$ (2,077,144)	$ 3,873,856
Trade names and trademarks	1,289,000	(449,914)	839,086
	$ 7,240,000	$ (2,527,058)	$ 4,712,942

	As of December 31, 2018		
	Gross carrying amount	Accumulated amortization	Net book value
Amortized intangible assets			
Technology	$ 5,951,000	$ (886,944)	$ 5,064,056
Trade names and trademarks	1,289,000	(192,114)	1,096,886
	$ 7,240,000	$ (1,079,058)	$ 6,160,942

Amortization expense totaled $1,448,000 for the year ended December 31, 2019 and $1,079,058 for the period ended December 31, 2018. The expected annual amortization expense for the next four years is listed in the table below:

Year ended December 31,	Technology	Trade names and trademarks	Total
2020	$ 1,190,200	$ 257,800	$ 1,448,000
2021	1,190,200	257,800	1,448,000
2022	1,190,200	257,800	1,448,000
2023	303,256	65,686	368,942
Total	$ 3,873,856	$ 839,086	$ 4,712,942

Note 5 - Goodwill

Goodwill consists of the following as of December 31, 2019 and 2018:

	2019 *(as restated)*	2018 *(as restated)*
Gross goodwill	$ 10,365,260	$ 10,365,260
Less accumulated amortization	(1,808,951)	(772,425)
Total goodwill, net	$ 8,556,309	$ 9,592,835

Amortization expense totaled $1,036,526 for the year ended December 31, 2019 and $772,425 for the period ended December 31, 2018. The expected annual amortization expense for goodwill is listed in the table below:

Year ending December 31,	Total *(as restated)*
2020	$ 1,036,526
2021	1,036,526
2022	1,036,526
2023	1,036,526
2024	1,036,526
Thereafter	3,373,679
Total	$ 8,556,309

Note 6 - Property and equipment

Property and equipment consist of the following as of December 31, 2019 and 2018:

	2019	2018
Computer hardware and software	$ 498,610	$ 322,575
Furniture and fixtures	436,561	433,923
Leasehold improvements	1,890,623	1,888,619
	2,825,794	2,645,117
Less accumulated depreciation and amortization	(727,149)	(266,427)
Total property and equipment, net	$ 2,098,645	$ 2,378,690

Depreciation and amortization expense on property and equipment was $483,538 for the year ended December 31, 2019 and $266,427 for the period ended December 31, 2018.

Note 7 - Debt

Long-term debt is summarized as follows:

	2019	2018
Term Loan	$ 16,200,000	$ 27,100,000
Less unamortized debt issuance costs and lender fees	(172,023)	(696,115)
Carrying value of debt	16,027,977	26,403,885
Less current portion	(3,600,000)	(1,200,000)
	$ 12,427,977	$ 25,203,885

Prospect Term Loan

On April 3, 2018 (the "Prospect Closing Date"), Mobile Posse, as borrower, and ACME Mobile, as guarantor, entered into a loan agreement (the "Prospect Term Loan Agreement") with the lenders from time to time party thereto and Prospect Capital Corporation ("Prospect") as administrative agent and collateral agent for a $28,000,000 term loan facility (the "Prospect Term Loan") that matures on April 3, 2023 (the "Prospect Maturity Date"). Concurrently, the Company borrowed the full $28,000,000 under the Prospect Term Loan to (i) finance a portion of the Acquisition and the Stay Bonuses, and (ii) pay transaction fees, costs and expenses incurred in connection with the Prospect Term Loan Agreement.

The Prospect Term Loan bears interest at a rate per annum equal to the greater of (a) 10.5% and (b) the LIBOR Rate, as defined in the Prospect Term Loan Agreement, plus a margin of 8.5%, payable in cash monthly in arrears, beginning on April 30, 2018. The interest rate at December 31, 2018 was 11.3%.

The Prospect Term Loan is payable in equal monthly principal installments of $100,000 each, beginning on April 30, 2018, and on the last day of each succeeding month, with a final payment of the remaining principal and interest on the Prospect Maturity Date.

In connection with the Prospect Term Loan Agreement, the Company incurred debt issuance costs and lender fees totaling $868,067. Debt issuance costs and lender fees are presented in the balance sheets as a reduction to "Long-term debt." Interest expense associated with the amortization of debt issuance costs and lender fees totaled $106,264 for the year ended December 31, 2019 and $171,952 for the period ended December 31, 2018.

JPMorgan Credit Agreement

On July 19, 2019 (the "JPMorgan Closing Date"), Mobile Posse, as borrower, and ACME Mobile, as guarantor, entered into a credit agreement (the "Credit Agreement") with JPMorgan Chase Bank ("JPMorgan") as lender. The Credit Agreement includes a revolving commitment in the form of revolving loans and letters of credit of $2,000,000 and a term commitment in the form of a term loan ("JPMorgan Term Loan") of $18,000,000. On the JPMorgan Closing Date, the Company drew the full amount of the JPMorgan Term Loan. The Credit Agreement matures on July 19, 2022 (the "JP Morgan Maturity Date").

The Company used the funds from the JPMorgan Term Loan and cash on hand to fully extinguish the Prospect Term Loan. In connection with the extinguishment of the Prospect Term Loan, the Company recorded a loss on extinguishment of $589,851, which represented the unamortized debt issuance costs and lender fees of the Prospect Term Loan as of the date of extinguishment.

The JPMorgan Term Loan bears interest at the Adjusted LIBOR Rate, as defined in the JPMorgan Term Loan Agreement, for the interest period in effect for the borrowing plus an applicable rate, payable in cash quarterly, beginning on September 30, 2019. The interest rate at December 31, 2019 was 5.43%.

The JPMorgan Term Loan is payable in equal quarterly principal installments of $900,000 each, beginning on September 30, 2019, and on the last day of each succeeding quarter, with a final payment of the remaining principal and interest on the Maturity Date.

In connection with the Credit Agreement, the Company incurred debt issuance costs and lender fees totaling $218,356. Debt issuance costs and lender fees are presented in the balance sheets as a reduction to "Long-term debt." Interest expense associated with the amortization of debt issuance costs and lender fees totaled $46,333 for the year ended December 31, 2019.

The Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict the Company and its subsidiaries' ability to, among other things, incur indebtedness, grant liens, certain sale and leaseback transactions, merge or consolidate, dispose of assets, make investments, capital expenditures, make acquisitions, enter into transactions with affiliates, pay dividends or make distributions and repurchase stock. The Company is also required to maintain compliance with a total leverage ratio and a fixed charge coverage ratio. The Credit Agreement includes customary events of default. The Credit Agreement is secured by, among other things, substantially all of the assets of the Company, a first priority pledge of the stock of Mobile Posse and is guaranteed by ACME Mobile.

The aggregate contractual maturities of the JPMorgan Term Loan (excluding unamortized debt issuance costs) were as follows as of December 31, 2019:

2020	$ 3,600,000
2021	3,600,000
2022	9,000,000
Total	$ 16,200,000

Interest expense totaled $2,221,511 for the year ended December 31, 2019 and $2,260,834 for the period ended December 31, 2018.

Note 8 - Income taxes

The reconciliations of the reported estimated income tax expense to the amount that would result by applying the U.S. federal statutory tax rate to the net income for the year ended December 31, 2019 and period ended December 31, 2018 are as follows:

	2019 *(as restated)*	2018 *(as restated)*
Federal at statutory rate	$ 1,419,261	$ 104,866
State taxes	529,208	93,344
Permanent differences	262,143	256,158
Other	13,706	(203,977)
Provision for income taxes	$ 2,224,318	$ 250,391

The components of income taxes for the year ended December 31, 2019 and period ended December 31, 2018 are as follows:

	2019 *(as restated)*	2018 *(as restated)*
Current		
Federal	$ 1,467,804	$ 37,401
State	669,883	238,018
Total current	2,137,687	275,419
Deferred		
Federal	41,330	(72,647)
State	45,301	47,619
Total deferred	86,631	(25,028)
Income tax expense	$ 2,224,318	$ 250,391

Deferred income taxes reflect net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts reported for income tax purposes. Components of the Company's deferred tax assets and liabilities as of December 31, 2019 and 2018 are as follows:

	2019 *(as restated)*	2018 *(as restated)*
Deferred tax assets (liabilities)		
Net operating losses	$ 287,137	$ 639,447
Intangibles	(285,330)	(439,777)
Allowance for doubtful accounts	48,349	-
Property and equipment	(147,881)	(224,141)
Accrued expenses	9,941	40,569
Deferred rent	152,903	111,619
Research and development tax credits	554,082	578,062
Alternative minimum tax credits	293,414	293,414
Other	-	53
Net deferred tax asset	$ 912,615	$ 999,246

The Company has available as of December 31, 2019, approximately $1,104,000 of unused operating loss carryforwards that expire in various years through 2043 if not utilized, and that may be applied against future taxable income. Utilization of these carryforwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended and similar state provisions. The annual limitation may result in the expiration of net operating loss and tax credit carryforwards before utilization.

Net operating losses generated in 2018 and thereafter may be carried forward permanently. However, the extent to which they can be used to offset future taxable income will be limited to 80% of the respective future year's taxable income. In addition, net operating loss carryforwards may be limited in situations where there is a change in the Company's ownership. Depending on the extent of any potential future ownership change, net operating loss carryforwards may become partially or fully unavailable prior to being utilized. Net operating losses generated in 2018 and thereafter will generally not be available to carryback to earlier tax years, but may be carried forward permanently.

Note 9 - Stockholder's equity

On April 3, 2018, in connection with the Acquisition, the Company adopted the seventh amended and restated articles of incorporation, which authorized the Company to issue up to 100 shares of common stock, with a par value of $0.001.

Note 10 - Equity Incentive Plan

On April 3, 2018, ACME Mobile adopted the 2018 Equity Incentive Plan ("Plan"). The Plan authorizes the granting of unit-based awards to employees of the Company in order to provide incentives to its employees, directors, officers, nonemployee directors, and independent contractors. Under the Plan, awards may be granted as options, membership appreciation rights, bonus equity awards, restricted equity awards, restricted equity units, dividend equivalent awards or any other types of awards which may be authorized under the Plan. Under FASB Accounting Standards Codification Topic 718, *Compensation – Stock Compensation,* awards by a parent company issued to employees of a subsidiary are accounted for as share-based compensation on the subsidiary.

Under the Plan, unit-based awards are granted at the fair market value of the ACME Mobile's Common Units on the grant date. ACME Mobile has reserved 8,000,000 Common Units for issuance under the Plan. Units under the Plan may be granted for periods of up to 10 years at prices that may not be less than the fair value of the shares on the date of grant. At December 31, 2019, 2,356,894 Common Units are available for future grant under the Plan.

The Plan is administered by ACME Mobile's Board of Managers, which determines the terms of options, including exercise price, the number of units subject to the grant, the vesting schedule and the terms and conditions of any exercise. No units granted under the Plan are transferable by the grantee, other than by will or the laws of descent and distribution.

During the year ended December 31, 2019 and the period ended December 31, 2018, ACME Mobile issued Common Units in the form of Limited Exercise Options ("Awards") and Profits Interests with certain employees and members of management of the Company. The Awards and Profits Interests generally vest over two to four years. The Awards are contingently exercisable upon a change in control event.

A summary of activity related to the issuance of Awards during the years ended December 31, 2019 and 2018 is presented below:

	Units
Outstanding at April 3, 2018	-
Granted	601,606
Exercised	-
Forfeited or expired	-
Outstanding at December 31, 2018	601,606
Granted	40,000
Exercised	-
Forfeited or expired	(298,500)
Outstanding at December 31, 2019	343,106

The aggregate fair value of the Awards issued during the year ended December 31 2019 and period ended December 31, 2018, as determined by the Board of Managers, was approximately $3,700 and $55,000, respectively. No compensation expense related to the issuance of Awards was incurred for the year ended December 31, 2019 or the period ended December 31, 2018 as all Awards are contingently exercisable. The unrecognized expense of approximately $58,700 will be recorded once the contingency is resolved upon a change in control event.

Additionally, under the Plan, ACME Mobile issued 2,400,000 and 2,900,000 Profits Interests during the year ended December 31, 2019 and the period ended December 31, 2018, respectively. The total aggregate fair value of the Profits Interests issued during the year ended December 31, 2019 and period ended December 31, 2018, as determined by the Board of Managers, is not material. No awards were forfeited during the year ended December 31, 2019 or period ended December 31, 2018 and 5,300,000 Profits Interests remain outstanding as of December 31, 2019.

Note 11 - Concentrations

For the year ended December 31, 2019 and period ended December 31, 2018, revenue from sales to four customers approximated 72% of revenue and three customers approximated 82% of revenue, respectively. As of December 31, 2019 and 2018, approximately 52% and 72% of accounts receivable were due from three customers. The majority of the Company's product distribution comes from one North American mobile operator.

Note 12 - Commitments and contingencies

On August 25, 2017, Mobile Posse entered into an amendment to its lease agreement resulting in the relocation of the Company's headquarters within the same building in Arlington, Virginia. The amended lease is for an initial term of seven years and ten months from the date of relocation, expiring on March 31, 2026.

Future minimum rents are as follows:

Year ending December 31,		Total
2020	$	761,106
2021		782,036
2022		803,542
2023		825,640
2024		848,345
Thereafter		1,092,050
Total	$	5,112,719

Rent expense totaled $536,638 and $370,624 for the year ended December 31, 2019 and period ended December 31, 2018, respectively.

Employment agreement
The Company has entered into employment agreements with its chief executive officer and chief financial officer. The agreements provide for a base salary, contingent bonus compensation, severance provisions, and non-compete and nondisclosure restrictions.

Litigation
The Company is involved in various claims and legal actions that arise in the ordinary course of business. Management does not believe that the ultimate resolution of these actions will have a material adverse effect on the Company's financial position, results of operations, liquidity and capital resources. A significant increase in the number of litigated claims or an increase in amounts owing under successfully litigated claims could materially adversely affect the Company's business, financial condition, results of operations and cash flows.

Note 13 - Subsequent events

Acquisition of Company
On February 6, 2020, the Company, together with ACME Mobile and certain equity holders of ACME Mobile, entered into a Stock Purchase Agreement (the "Purchase Agreement") with Digital Turbine Media, Inc. ("DT Media"), pursuant to which DT Media would acquire (the "DT Acquisition") all of the outstanding capital stock of Mobile Posse in exchange for $41,500,000 in cash and an additional earn-out, based on the Company achieving certain future target net revenues, less associated revenue shares, over a 20-month period (the "Earn-Out Period") following the closing of the DT Acquisition. Under the terms of the earn-out, over the Earn-Out Period, DT Media would pay ACME Mobile a certain percentage of actual net revenues (less associated revenue shares) of the Company depending on the extent to which the Company achieves certain target net revenues (less associated revenue shares) for the relevant period. The earn-out payments would be paid every three months with a true-up calculation and payment after the first nine months of the Earn-Out Period. The Purchase Agreement contains customary representations and warranties, covenants, closing conditions, and indemnification provisions. The DT acquisition closed on February 28, 2020.

Litigation settlement
On May 18, 2018, a former employee of the Company filed a shareholder class action case against the Company and its former directors in the Court of Chancery, Delaware (the "Court"). The parties to the case agreed to a settlement and notified the Court on March 3, 2020. The settlement amount of $650,000 was deposited in escrow by the Company's insurance carrier ($400,000) and attorney ($250,000). No amounts were paid or expected to be paid by the Company to settle the matter other than legal fees for representation.

Note 14 - COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout the United States and around the world. As of May 13, 2020, the Company is aware of changes in its business as a result of COVID-19 but uncertain of the impact of those changes on its financial position, results of operations or cash flows. Management believes any disruption, when and if experienced, could be temporary; however, there is uncertainty around when any disruption might occur, the duration and hence the potential impact. As a result, the Company is unable to estimate the potential impact on its business as of May 13, 2020.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) was signed into law in response to the COVID-19 pandemic. The CARES Act provides numerous tax provisions and stimulus measures, including temporary changes regarding the prior and future utilization of net operating losses, temporary changes to the prior and future limitations on interest deductions, and technical corrections from prior tax legislation for tax depreciation of certain qualified improvement property. The Company is in the process of evaluating the provisions of the CARES Act relating to income taxes which may result in adjustments to certain deferred tax assets and liabilities which will be accounted for as of the date the CARES Act was enacted in 2020. Any potential adjustment has not been determined as of the date of these financial statements.

Note 15 - Restatement

Subsequent to the issuance of the 2019 financial statements, the Company identified and corrected errors that originated in 2018. The errors were caused by the Company incorrectly accounting for income tax provisions and tax related balance sheet amounts. The initial error was corrected in the opening balance sheet as of April 3, 2018 which resulted in the recognition of a net deferred tax asset of $974,274 and a reduction in goodwill of $1,302,155, as indicated in Note 3. Notes 5 and 8 reflect the correction of the related errors.

The effects of these errors on the balance sheets are as follows:

	December 31, 2019		
	As previously reported	Correction	As restated
Prepaid expenses and other current assets	$ 304,145	$ 824,502	$ 1,128,647
Total current assets	16,294,771	824,502	17,119,273
Goodwill, net	9,631,211	(1,074,902)	8,556,309
Deferred tax asset	301,766	610,849	912,615
Total assets	33,100,088	360,449	33,460,537
Accounts payable and accrued expenses	8,100,650	(68,904)	8,031,746
Total current liabilities	12,605,650	(68,904)	12,536,746
Total liabilities	26,842,308	(68,904)	26,773,404
Retained earnings	4,580,941	429,353	5,010,294
Total stockholders' equity	6,257,780	429,353	6,687,133
Total liabilities and stockholders' equity	33,100,088	360,449	33,460,537

	December 31, 2018		
	As previously reported	Correction	As restated
Prepaid expenses and other current assets	$ 343,932	$ 411,693	$ 755,625
Total current assets	19,416,585	411,693	19,828,278
Goodwill, net	10,797,953	(1,205,118)	9,592,835
Deferred tax asset	-	999,246	999,246
Total assets	38,814,923	205,821	39,020,744
Deferred tax liability	81,928	(81,928)	-
Total liabilities	37,079,824	(81,928)	36,997,896
Retained earnings	58,260	287,749	346,009
Total stockholders' equity	1,735,099	287,749	2,022,848
Total liabilities and stockholders' equity	38,814,923	205,821	39,020,744

The effects of these errors on the statements of income are as follows:

	Year ended December 31, 2019		
	As previously reported	Correction	As restated
Depreciation and amortization	$ 3,099,773	$ (130,216)	$ 2,969,557
Total operating expenses	18,800,885	(130,216)	18,670,669
Income from operations	9,722,231	130,216	9,852,447
Income before provision for income taxes	6,758,387	130,216	6,888,603
Provision for income taxes	2,235,706	(11,388)	2,224,318
Net income	4,522,681	141,604	4,664,285

	Period from April 3, 2018 to December 31, 2018		
	As previously reported	Correction	As restated
Depreciation and amortization	$ 2,214,947	$ (97,037)	$ 2,117,910
Total operating expenses	17,296,379	(97,037)	17,199,342
Income from operations	2,932,056	97,037	3,029,093
Income before provision for income taxes	499,363	97,037	596,400
Provision for income taxes	441,103	(190,712)	250,391
Net income	58,260	287,749	346,009

The effects of these errors on the statements of cash flows are as follows:

	Year ended December 31, 2019		
	As previously reported	Correction	As restated
Net income	$ 4,522,681	$ 141,604	$ 4,664,285
Amortization	2,614,742	(130,216)	2,484,526
Change in deferred taxes	(383,694)	470,325	86,631
Prepaid expenses and other current assets	39,787	(412,809)	(373,022)
Accounts payable and accrued expenses	149,417	(68,904)	80,513
Net cash provided by operating activities	5,079,796	-	5,079,796
Net cash used in investing activities	(204,986)	-	(204,986)
Net cash provided by (used in) financing activities	(11,118,356)	-	(11,118,356)
(Decrease) increase in cash and cash equivalents	(6,243,546)	-	(6,243,546)
Cash and cash equivalents, beginning of the period	9,322,369	-	9,322,369
Cash and cash equivalents, end of the period	3,078,823	-	3,078,823

	Period from April 3, 2018 to December 31, 2018		
	As previously reported	Correction	As restated
Net income	$ 58,260	$ 287,749	$ 346,009
Amortization	1,948,520	(97,037)	1,851,483
Change in deferred taxes	(245,953)	220,925	(25,028)
Prepaid expenses and other current assets	289,322	(411,637)	(122,315)
Net cash provided by operating activities	2,531,767	-	2,531,767
Net cash used in investing activities	(19,441,331)	-	(19,441,331)
Net cash provided by (used in) financing activities	26,231,933	-	26,231,933
(Decrease) increase in cash and cash equivalents	9,322,369	-	9,322,369
Cash and cash equivalents, beginning of the period	-	-	-
Cash and cash equivalents, end of the period	9,322,369	-	9,322,369

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

These unaudited pro forma combined financial statements of Digital Turbine, Inc. ("the Company") are presented to illustrate the estimated effects of the acquisition of Mobile Posse, Inc. ("Mobile Posse"), and the $20 million borrowing under the Credit Agreement with Western Alliance Bank, dated as of February 28, 2020 (the "Loan Agreement"), the proceeds of which the Company used to pay a portion of the closing cash purchase price for the acquisition of Mobile Posse.

The historical financial information for Mobile Posse was prepared in accordance with SEC Rule 3-05 of Regulation S-X ("Rule 3-05") for inclusion in these unaudited pro forma combined financial statements. The Company received a waiver from the SEC, and accordingly, the audited balance sheets of Mobile Posse as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income (loss), shareholder's equity, and cash flows for the fiscal year ended December 31, 2019 and for the period from April 3, 2018 to December 31, 2018 have been prepared for the Mobile Posse historical financial information for purposes of complying with Rule 3-05.

These unaudited pro forma combined financial statements have been presented for informational purposes only. The unaudited pro forma combined balance sheet combines the consolidated balance sheets of Digital Turbine and Mobile Posse, giving effect to the merger as if it had been consummated on December 31, 2019. The unaudited pro forma combined statements of operations for the nine months ended December 31, 2019, and for the twelve months ended March 31, 2019 for the Company and the period from April 3, 2018 through March 31, 2019 for Mobile Posse, combine the historical consolidated statements of operations of the Company and Mobile Posse, giving effect to the acquisition as if it had been consummated on April 3, 2018, the beginning of the earliest period presented. The Company and Mobile Posse have different fiscal year ends, with the most recent annual period of the Company ended on March 31, 2019, and the most recent annual period of the Company ended on December 31, 2019. As such, amounts related to the historical operations of Mobile Posse have been adjusted to align the period over which those operations occurred with the periods presented by adding the necessary quarterly results to match the Company's fiscal reporting periods. In addition, certain line items of the balance sheet and income statements were combined or reclassified in order to make the information comparable.

These unaudited pro forma combined financial statements include adjustments that are directly attributable to the acquisition, are factually supportable and, with respect to the unaudited pro forma combined statement of operations, are expected to have a continuing impact on the financial results of the combined company. These unaudited pro forma combined financial statements have been developed from, and should be read in conjunction with, (1) the accompanying notes thereto, (2) the unaudited interim consolidated financial statements of the Company contained in its Quarterly Report on Form 10-Q for the nine months ended December 31, 2019 filed with the Securities and Exchange Commission ("SEC") on February 10, 2020, (3) the audited consolidated financial statements of the Company contained in its Annual Report on Form 10-K for the fiscal year ended March 31, 2019 filed with the SEC on June 3, 2019, and (4) the audited balance sheets of Mobile Posse as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive income (loss), shareholder's equity, and cash flows for the fiscal year ended December 31, 2019 and for the period from April 3, 2018 to December 31, 2018, which are included in this Current Report on Form 8-K/A. The unaudited pro forma combined financial statements are provided for illustrative purposes only and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of the Company would have been if the acquisition had occurred on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position.

DIGITAL TURBINE, INC.
PRO FORMA COMBINED BALANCE SHEET
As of December 31, 2019
(Unaudited)
(in thousands, except share and per share data)

	Historical Digital Turbine	Historical Mobile Posse	Pro Forma Adjustments		Pro Forma Combined
	US$	US$	US$	Footnote	US$
Current assets					
Cash and cash equivalents	$ 33,714	$ 3,079	$ —		$ 36,793
Restricted cash	165	—	—		165
Accounts receivable, net of allowances	26,694	12,912	—		39,606
Prepaid expenses and other current assets	2,141	1,129	—		3,270
Current assets held for disposal	1,527	—	—		1,527
Total current assets	64,241	17,120	—		81,361
Property and equipment, net	5,116	2,098	—		7,214
Right of use asset	2,029	—	2,380	(a)	4,409
Deferred tax assets	—	913	—		913
Intangible assets, net	—	4,713	39,387	(b)	40,200
Goodwill	42,268	8,556	5,269	(c)	55,018
Other non-current assets	—	61	—		61
Long-lived assets held for disposal	—	—	—		—
TOTAL ASSETS	**$ 113,654**	**$ 33,461**	**$ 47,036**		**$ 189,176**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities					
Accounts payable	$ 20,820	$ 2,164	$ —		$ 22,984
Accrued license fees and revenue share	16,264	—	—		16,264
Accrued compensation	3,296	905	—		4,201
Current portion of note payable	—	3,600	(2,350)	(d)	1,250
Warrant liability	6,300	—	—		6,300
Other current liabilities	4,285	5,868	(99)	(a)	10,054
Current liabilities held for disposal	3,431	—	—		3,431
Total current liabilities	54,396	12,537	(2,449)		64,484
Note payable, net	—	12,428	6,322	(e)	18,750
Warrant liability	—	—	—		—
Deferred tax liabilities	—	—	—		—
Other non-current liabilities	2,007	1,809	(2,281)	(a)	1,535
Total liabilities	56,403	26,774	1,592		84,769
Stockholders' equity					
Preferred stock	100	1,677	(1,677)		100
Common stock	10	—	—		10
Additional paid-in capital	353,968	—	—		353,968
Treasury stock	(71)	—	—		(71)
Accumulated other comprehensive loss	(720)	—	—		(720)
Accumulated deficit	(296,036)	5,010	47,121		(248,880)
Total stockholders' equity	57,251	6,687	44,407		104,407
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 113,654**	**$ 33,461**	**$ 47,036**		**$ 189,176**

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements

DIGITAL TURBINE, INC.
PRO FORMA COMBINED STATEMENT OF OPERATIONS
For the nine months ended December 31, 2019
(Unaudited)
(in thousands, except share and per share data)

	Historical Digital Turbine	Historical Mobile Posse	Pro Forma Adjustments		Pro Forma Combined
	US$	US$	US$	Footnote	US$
Net revenues	$ 99,364	$ 44,343	$ —		$ 143,707
Cost of revenues					
License fees and revenue share	59,997	21,049			81,046
Other direct cost of revenues	1,022	1,562	6,615	(g)	8,614
Total cost of revenues	61,019	22,611	6,615		89,660
Gross profit	38,345	21,732	(6,615)		54,047
Operating expenses					
Product development	8,312	5,659			13,971
Sales and marketing	7,534	3,865			11,399
General and administrative	12,212	4,488	(1,864)	(g)	14,739
Total operating expenses	28,058	14,012	(1,864)		40,109
Gain / (loss) from operations	10,287	7,720	(4,751)		13,938
Interest and other income / (expense), net					
Interest income / (expense), net	100	(1,573)	701	(h) (i)	(772)
Foreign exchange transaction gain / (loss)	(1)	—			(1)
Change in fair value of warrant liability	(10,601)	—			(10,601)
Loss on extinguishment of debt	—	(590)	590	(j)	—
Other income / (expense)	474	—			474
Total interest and other income / (expense), net	(10,028)	(2,163)	1,291		(10,900)
Income / (loss) from operations before income taxes	259	5,557	(3,460)		3,038
Income tax provision	6	1,588			1,594
Net income / (loss) from continuing operations, net of taxes	253	$ 3,969	$ (3,460)		1,444
Income / (loss) from discontinued operations	(171)				(171)
Net income / (loss) from discontinued operations	(171)				(171)
Net income / (loss)	82				1,273
Foreign currency translation adjustment	(364)				(364)
Comprehensive income / (loss):	$ (282)				$ 909
Basic and diluted net income / (loss) per common share					
Continuing operations	$ —				$ 0.02
Discontinued operations	—				—
Net income / (loss)	$ —				$ 0.02
Weighted average common shares outstanding, basic	83,869				76,977
Weighted average common shares outstanding, diluted	89,759				79,371

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements

DIGITAL TURBINE, INC.
PRO FORMA COMBINED STATEMENT OF OPERATIONS
For the period April 3, 2018 through March 31, 2019 for Mobile Posse
and April 1, 2018 through March 31, 2019 for Digital Turbine, Inc.
(Unaudited)
(in thousands, except share and per share data)

	Historical Digital Turbine	Historical Mobile Posse	Pro Forma Adjustments		Pro Forma Combined
	US$	US$	US$	Footnote	US$
Net revenues	$ 103,569	$ 59,387	$ —		$ 162,956
Cost of revenues					
License fees and revenue share	65,981	30,464			96,445
Other direct cost of revenues	2,023	1,903	8,820	(g)	11,966
Total cost of revenues	68,004	32,367	8,820		108,411
Gross profit	35,565	27,020	(8,820)		54,545
Operating expenses					
Product development	10,876	6,316	—		17,192
Sales and marketing	8,212	5,095	—		13,307
General and administrative	13,032	10,448	(2,484)	(g)	20,866
Total operating expenses	32,120	21,859	(2,484)		51,365
Gain / (loss) from operations	3,445	5,161	(6,336)		3,180
Interest and other income / (expense), net					
Interest income / (expense), net	(1,120)	(3,233)	2,071	(h) (i)	(2,282)
Foreign exchange transaction gain / (loss)	3	—	—		3
Change in fair value of convertible note embedded derivative liability	(1,008)	—	—		(1,008)
Change in fair value of warrant liability	(4,875)	—	—		(4,875)
Loss on extinguishment of debt	(431)	—	—		(431)
Other income / (expense)	153	—	—		153
Total interest and other income / (expense), net	(7,278)	(3,233)	2,071		(8,440)
Income / (loss) from operations before income taxes	(3,833)	1,928	(4,265)		(5,260)
Income tax provision	469	887	—		1,356
Net income / (loss) from continuing operations, net of taxes	(4,302)	$ 1,041	$ (4,265)		(6,616)
Income / (loss) from discontinued operations	(1,708)				(1,708)
Net income / (loss) from discontinued operations	(1,708)				(1,708)
Net income / (loss)	(6,010)				(8,324)
Foreign currency translation adjustment	(31)				(31)
Comprehensive income / (loss):	$ (6,041)				$ (8,355)
Basic and diluted net income / (loss) per common share					
Continuing operations	$ (0.06)				$ (0.09)
Discontinued operations	(0.02)				—
Net income / (loss)	$ (0.08)				$ (0.11)
Weighted average common shares outstanding, basic	77,440				77,440
Weighted average common shares outstanding, diluted	77,440				77,440

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements

DIGITAL TURBINE, INC.
NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS
(in thousands, except share and per share data)

1. **Description of the Transaction**

Stock Purchase Agreement

On February 6, 2020, Digital Turbine Media, Inc. (“DT Media”), a wholly-owned subsidiary of Digital Turbine, Inc. (the “Company), entered into a Stock Purchase Agreement (the “Purchase Agreement”) with ACME Mobile, LLC (“ACME”), Mobile Posse, Inc., a wholly-owned subsidiary of ACME (“Mobile Posse”), and certain equity holders of ACME, pursuant to which DT Media would acquire (the “Acquisition”) all of the outstanding capital stock of Mobile Posse in exchange for an estimated total consideration of $66.0 million: (1) $41.5 million in cash to be paid at closing, subject to purchase price adjustments, and (2) an estimated earn-out of $24.5 million, to be paid in cash, based on Mobile Posse achieving certain future target net revenues, less associated revenue shares, over a twelve month period (the “Earn-Out Period”) following the closing of the Acquisition, noting that the earn-out amount is subject to change based on final results and calculation. Under the terms of the earn-out, over the Earn-Out Period, Digital Media would pay ACME a certain percentage of actual net revenues (less associated revenue shares) of Mobile Posse depending on the extent to which Mobile Posse achieves certain target net revenues (less associated revenue shares) for the relevant period. The earn-out payments would be paid every three months with a true-up calculation and payment after the first nine months of the Earn-Out Period. The transactions contemplated by the Purchase Agreement were consummated on February 28, 2020 (the “closing date”).

Loan Agreement with Western Alliance Bank

On February 28, 2020, the Company entered into a Credit Agreement with Western Alliance Bank (the “Bank”), which provides for (1) a term loan of $20 million, the proceeds of which the Company used to pay a portion of the closing cash purchase price for the Acquisition, and (2) a revolving line of credit of $5 million to be used for working capital purposes.

The term loan must be repaid on a quarterly basis beginning in July 2020 until the term loan maturity date of February 28, 2025, at which time the remaining unpaid principal balance must be repaid. The quarterly principal payment amounts increase from $250,000 to $1.25 million over the term of the term loan. In addition, the Company must, following each fiscal year-end, make principal repayments equal to a percentage of its excess cash flow (as defined under the Credit Agreement) for the fiscal year, which percentage is determined based on the Company’s total funded debt to consolidated adjusted EBITDA ratio.

The revolving line of credit matures on February 28, 2025.

Amounts outstanding under the Credit Agreement accrue interest at an annual rate equal to LIBOR (or, if necessary, a broadly-adopted replacement index) plus 3.75%. The obligations under the Credit Agreement are secured by a perfected first-priority security interest in all the assets of the Company and its subsidiaries. The Credit Agreement contains customary covenants, representations and events of default, and also requires the Company to comply with a fixed charge coverage ratio and total funded debt to consolidated adjusted EBITDA ratio.

2. **Basis of Presentation**

The unaudited pro forma combined financial statements were prepared using the acquisition method of accounting in accordance with FASB ASC Topic 805, Business Combinations, with the Company considered as the accounting acquirer and Mobile Posse as the accounting acquiree. Accordingly, consideration given by the Company to complete the acquisition of Mobile Posse will be allocated to assets and liabilities of Mobile Posse based on their estimated relative fair values as of the completion date of the acquisition. The accounting for the acquisition of Mobile Posse is based upon valuations that are preliminary and are subject to change (see Note 1 for additional information).

The unaudited pro forma combined financial statements do not reflect the costs of any integration activities including planning costs or any benefits that may result from realization of future cost savings from operating efficiencies or revenue synergies expected to result from the merger, except to the extent that such integration costs have been incurred during the periods presented. In addition, the unaudited pro forma combined financial statements (excluding the balance sheet) do not include costs directly attributable to the transaction or professional fees incurred by the Company or Mobile Posse as part of the acquisition as those costs are not considered part of the purchase price. The pro forma purchase price adjustments are preliminary and are subject to further adjustments as additional information becomes available and as additional analyses are performed. The preliminary pro forma purchase price adjustments have been made solely for the purpose of providing the unaudited pro forma combined financial statements presented below. Digital Turbine estimated the fair value of Mobile Posse's assets and liabilities based on discussions with Mobile Posse's management, preliminary valuation studies, due diligence and information presented in public filings. Upon completion of the final valuation studies, increases or decreases in the fair value of relevant balance sheet amounts will result in adjustments to the balance sheet and/or statements of operations. There can be no assurance that such finalization will not result in material changes.

The total purchase price of the transaction is estimated as follows (in thousands):

Cash	$	41,500
Plus: Estimated earn-out		23,735
Plus: Working capital surplus		635
Plus: Cash		4,613
Total estimated purchase price	$	70,483

Under the acquisition method of accounting, the total estimated purchase price as shown in the table above is allocated to the Mobile Posse's net tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of the date of the completion of the transaction. The purchase price has been allocated based on estimates taking into account various factors as described in the introduction to these unaudited pro forma combined financial statements.

The allocation of the estimated purchase price is as follows (in thousands):

Current assets	$	15,899
Property and equipment, excluding developed technology		2,041
Developed technology		1,600
Customer relationships - programmatic ad platform		25,500
Customer relationships - content recommendation		17,000
Goodwill		17,524
Other long-term non operating assets		363
Current liabilities		(7,674)
Other long-term non operating liabilities		(1,770)
Total estimated purchase price	$	70,483

1. **Adjustment of Mobile Posse Inc's. Financial Statements**

Digital Turbine and Mobile Posse have different fiscal year ends, with the most recent annual period of Digital Turbine ended on March 31, 2019, and the most recent annual period of Mobile Posse ended on December 31, 2019. As such, amounts related to the historical operations of Mobile Posse have been adjusted to align the period over which those operations occurred with the periods presented by (i) adding the results for the quarter ended March 31, 2019 to, and deducting the results for the quarter ended March 31, 2018 from the results for the fiscal year ended December 31, 2019 starting with the period as of April 3, 2018, and (ii) deducting the results for the quarter ended March 31, 2019 from the results for the year ended December 31, 2019.

2. **Pro Forma Adjustments**

Certain reclassifications have been made to conform Mobile Posse's historical reported balances to Digital Turbine's financial statement basis of presentation.

The pro forma adjustments included in the unaudited pro forma financial statements are as follows:

Pro Forma Balance Sheet Adjustments:

(a) Right-of-use asset. Adjustment reflects a gross-up of the consolidated balance sheet with the recording of a right-of-use asset and a corresponding financial liability partially offset by the relief of other liability accounts related to the change in accounting standard for Mobile Posse.

(b) Intangible assets. Adjustment reflects the portion of the purchase price allocation relating to identified intangible assets, including advertiser and publisher relationships, and the elimination of Mobile Posse historical intangibles, net.

(c) Goodwill. Adjustment reflects the portion of the purchase price allocation relating to goodwill and the elimination of Mobile Posse historical goodwill.

(d) Short-term debt. Adjustment eliminates Mobile Posse historical debt and records the Loan Agreement with Western Alliance Bank.

(e) Long-term debt. Adjustment eliminates Mobile Posse historical debt and records the Loan Agreement with Western Alliance Bank.

(f) Preferred Stock. Adjustment eliminates Mobile Posse historical preferred stock.

Pro Forma Statements of Operations Adjustments:

(g) Amortization of intangible assets. Adjustment to remove the impact of Mobile Posse historical intangible amortization expense and record the estimated amortization expense on identified intangible assets recorded as part of the purchase price allocation. The adjustment is based on estimated useful lives of 5 years for customer relationships and 5 years for developed technology.

(h) Interest expense. Adjustment to eliminate Mobile Posse historical interest expense and record interest on Loan Agreement with Western Alliance Bank.

(i) Interest expense. Adjustment to eliminate Mobile Posse historical amortization of debt discount and debt issuance costs and record amortization of debt issuance costs on Loan Agreement with Western Alliance Bank.

(j) Loss on extinguishment of debt. Eliminate Mobile Posse historical loss on extinguishment of debt.