

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended March 31, 2020

or

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

Commission File Number 001-35958

**DIGITAL TURBINE, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)

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

22-2267658  
(I.R.S. Employer  
Identification No.)

78701  
(Zip Code)

(512) 387-7717

(Registrant's Telephone Number, Including Area Code)

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

Common Stock, Par Value \$0.0001 Per Share

(Title of Class)

APPS

(Trading Symbol)

Securities registered under Section 12(g) of the Exchange Act:

None

(Title of Class)

The Nasdaq Stock Market LLC  
(NASDAQ Capital Market)

(Name of Each Exchange on Which Registered)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of a "large accelerated filer," "accelerated filer," "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold on the NASDAQ Capital Market on September 30, 2019 was \$530,009,426.

As of May 26, 2020, the Company had 87,328,017 shares of its common stock, \$0.0001 par value per share, outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

The Company's definitive Proxy Statement for the Annual Meeting of Stockholders or amendments to Form 10-K, which the registrant will file with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this report, is incorporated by reference in Part III of this Form 10-K to the extent stated herein.

**Digital Turbine, Inc.**

ANNUAL REPORT ON FORM 10-K  
FOR THE PERIOD ENDED March 31, 2020

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## PART I

### Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

Information included in this Annual Report on Form 10-K (the "Annual Report" or "Form 10-K") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We claim the protection of the safe harbor contained in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts included in this Form 10-K, regarding our strategy, future operations, future financial position, projected expenses, prospects, plans, and objectives of management are forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from our future results, performance, or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," "future," "plan," or "project" or the negative of these words or other variations on these words or comparable terminology. Forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that any projections or other expectations included in any forward-looking statements will come to pass. Our actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors, including but not limited to:

- a decline in general economic conditions nationally and internationally;
- decreased market demand for our products and services;
- market acceptance and brand awareness of our products;
- risks associated with indebtedness;
- ability to comply with financial covenants in outstanding indebtedness;
- the ability to protect our intellectual property rights;
- impact of any litigation or infringement actions brought against us;
- competition from other providers and products based on pricing and other activities;
- risks and costs in product development;
- the potential for unforeseen or underestimated cash requirements or liabilities;
- risks associated with adoption of our products among existing customers and adoption of our platform and time to revenue with new customers (including the impact of possible delays with major partners in the roll-out of mobile phones and other devices deploying our products and other factors out of our control);
- risks associated with delays in major mobile phone and other device launches, or the failure of such launches to achieve the scale and customer adoption that either we or the market may expect;
- the impact of currency exchange rate fluctuations on our reported GAAP financial statements;
- 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);
- 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, costs and time required for finalization, and gaining market acceptance in new products;
- technology management risk as the Company needs to adapt to the complex specifications of different partners and the management of a complex technology platform, given the Company's relatively limited resources;
- inability to raise capital to fund continuing operations;
- changes in government regulation;
- volatility in the price of our common stock and ability to satisfy exchange continued-listing requirements;
- rapid and complex changes occurring in the mobile device marketplace,
- risks and uncertainties associated with the successful integration of the business of Mobile Posse, Inc.,
- risks and uncertainties associated with the realization of the anticipated benefits of the acquisition of Mobile Posse, Inc.;
- and
- other risks described in the risk factors in Item 1A of this Form 10-K under the heading "Risk Factors."

Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, our actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned. Except as required by applicable law, we do not undertake any obligation to update any forward-looking statements made in this Annual Report. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on known results and trends at the time they are made, to anticipate future results or trends.

Unless the context otherwise indicates, the use of the terms “we,” “our,” “us,” “Digital Turbine,” “DT,” or the “Company” refer to the collective business and operations of Digital Turbine, Inc. through its operating and wholly-owned subsidiaries, Digital Turbine USA, Inc. (“DT USA”), Digital Turbine (EMEA) Ltd. (“DT EMEA”), Digital Turbine Australia Pty Ltd (“DT APAC”), Digital Turbine Singapore Pte. Ltd. (“DT Singapore”), Digital Turbine Luxembourg S.a.r.l. (“DT Luxembourg”), Digital Turbine Germany, GmbH (“DT Germany”), Digital Turbine Media, Inc. (“DT Media”), and Mobile Posse, Inc. (“Mobile Posse”).

## **ITEM 1. BUSINESS**

### ***Current Operations***

Digital Turbine, Inc., through its subsidiaries, simplifies content discovery and delivers it directly to the device. Its on-device media platform powers frictionless application and content discovery, user acquisition and engagement, operational efficiency, and monetization opportunities. Through March 31, 2020, Digital Turbine's technology platform has been adopted by more than 40 mobile operators and OEMs, and has delivered more than 3 billion application preloads for tens of thousands of advertising campaigns. The Company operates this business as one operating and reportable segment - Media Distribution, previously referred to as the operating segment - O&O, and the reportable segment - Advertising.

As the Company's suite of product offerings expands, both organically and through acquisition, we believe that this renaming of our reporting and operating segment better reflects the way management views the business. There are no changes or historical differences to prior period product offerings and financial information that were referred to as the Advertising segment. While advertising, in general, remains a focus of our Media Distribution segment, we feel that this change in name more accurately conveys to the reader what we do for our customers and partners.

The Company's Media Distribution business consists of an advertiser solution for unique and exclusive carrier and OEM inventory, which is comprised of services including:

- An application and content management software platform that enables operators and OEMs to control, manage, and monetize applications installed at the time of activation and over the life of a device;
- Programmatic advertising and targeted media delivery; and
- Other products and professional services offered related to the core platform.

With global headquarters in Austin, Texas and offices in Durham, North Carolina; San Francisco, California; Arlington, Virginia; São Paulo, Brazil; Mexico City, Mexico; Mumbai, India; Singapore; and Tel Aviv, Israel, Digital Turbine's solutions are available worldwide. For additional information visit [www.digitalturbine.com](http://www.digitalturbine.com).

### ***Recent Acquisitions***

On February 28, 2020, the Company completed the acquisition of Mobile Posse. The acquisition of Mobile Posse is consistent with the Company's strategy to provide a comprehensive media and advertising solution for operator and OEM partners while enriching the mobile experience for end users by delivering relevant media rich content to their fingertips. The addition of Mobile Posse's offerings will provide synergies and options for our partners and advertisers. The Company's suite of offerings continue to focus on promoting higher user engagement and boosting advertising revenue for mobile operators and OEMs. See Note “Acquisitions” to the consolidated financial statements in Item 8 of this Annual Report for more information.

### ***Information about Discontinued Operations***

On April 29, 2018, the Company entered into two distinct disposition agreements with respect to selected assets owned by our subsidiaries.

DT APAC and DT Singapore (together, “Pay Seller”), each wholly owned subsidiaries of the Company, entered into an Asset Purchase Pay Agreement (the “Pay Agreement”), dated as of April 23, 2018, with Chargewave Ptd Ltd (“Pay Purchaser”) to sell certain assets (the “Pay Assets”) owned by the Pay Seller related to the Company's Direct Carrier Billing business. The Pay Purchaser is principally owned and controlled by Jon Mooney, an officer of the Pay Seller. At the closing of the asset sale, Mr. Mooney was no longer employed by the Company or Pay Seller. As consideration for this asset sale, Digital Turbine is entitled to receive certain license fees, profit sharing and equity participation rights as outlined in the Company's Form 8-K.

filed May 1, 2018 with the Securities and Exchange Commission (the "SEC"). The transaction was completed in July 2018. With the sale of these assets, the Company exited the segment previously referred to as the Content business.

DT Media (the "A&P Seller"), a wholly owned subsidiary of the Company, entered into an Asset Purchase Agreement (the "A&P Agreement"), dated as of April 28, 2018, with Creative Clicks B.V. (the "A&P Purchaser") to sell business relationships with various advertisers and publishers (the "A&P Assets") related to the Company's Advertising and Publishing ("A&P") business. As consideration for this asset sale, we are entitled to receive a percentage of the gross profit derived from these customer agreements for a period of three years as outlined in the Company's Form 8-K filed May 1, 2018 with the SEC. The transaction was completed in June 2018. With the sale of these assets, the Company exited the segment of its Advertising business previously referred to as the A&P business.

These dispositions have allowed the Company to benefit from a streamlined business model, simplified operating structure, and enhanced management focus.

As a result of these dispositions, the results of operations from our Content reporting segment and A&P business within the Media Distribution reporting segment, previously referred to as the Advertising reporting segment, are reported as "Net loss from discontinued operations, net of taxes" and the related assets and liabilities are classified as "held for disposal" in the consolidated financial statements in Item 8 of this Annual Report. The Company has recast prior period amounts presented within this Annual Report to provide visibility and comparability. All discussion herein, unless otherwise noted, refers to our remaining operating segment after the dispositions, the Media Distribution business. See Note "Discontinued Operations" to the consolidated financial statements in Item 8 of this Annual Report.

### ***Information about Segment and Geographic Revenue***

As a result of the dispositions, the Company now manages its business in one operating segment, the Media Distribution business, which is presented as one reportable segment: Media Distribution. Information about segment and geographic revenue is set forth in Note "Segment and Geographic Information" to our consolidated financial statements under Item 8 of this Annual Report.

### ***Media Distribution***

The Company's Media Distribution business is an advertiser solution for unique and exclusive carrier and OEM inventory, which is comprised of our core platform and other recurring and life-cycle products, features, and professional services delivered on this platform.

Our software platform enables mobile operators and OEMs to control, manage, and monetize devices through application installation at the time of activation and over the life of a mobile device, allowing mobile operators to personalize the application activation experience for customers and monetize their home screens via revenue share agreements such as: Cost-Per-Install (CPI), Cost-Per-Placement (CPP), Cost-Per-Action (CPA) with third-party advertisers; or via Per-Device-License Fees (PDL) agreements which allow operators and OEMs to leverage the platform, products, and features for a structured fee. There are several different delivery methods available to operators and OEMs on first boot of the device: Wizard, Silent, or Software Development Kit ("SDK"). Additional products and features are available throughout the life-cycle of the device that provide operators and OEMs an opportunity for additional revenue streams. The Company has launched our platform with mobile operators and OEMs in North America, Latin America, Europe, Asia Pacific, India and Israel.

The acquisition of Mobile Posse provides an additional platform option, outside of our core platform, to monetize user actions over the life-cycle of a device by delivering media-rich advertising content to the end-user.

### ***Competition***

The distribution of applications; media content; and the development, distribution and sale of mobile products and services is a highly competitive business. We compete for advertising partners on the basis of positioning, brand, quality and price. We compete for carrier and manufacturer placement based on these factors, as well as historical performance. We compete for platform deployment contracts with other media distribution platform companies. We also compete for experienced and talented employees.

Digital Turbine has internally-developed solutions for operators and OEMs including device application management solutions, programmatic advertising and targeted media delivery, and other value added services. Our platform is a patent-pending media distribution solution that enables operators and OEMs to pre-install and manage applications from a single web interface as well as generate additional revenue streams over the life of a device.

Our primary competition for traditional application distribution comes from the Google Play application store. Broadly, our media distribution platform faces competition from existing operator solutions built internally, as well as companies providing application and content media products and services, such as: Facebook, Snapchat, IronSource, WPP, Omnicom, Criteo, QuinStreet, InMobi, Cheeta Mobile, Baidu, Taptica, Telaria, Brightcove, and others. These companies can be both customers for Digital Turbine products, as well as competitors in certain cases. We compete with smaller competitors, but the more material competition is internally-developed operator solutions and specific media distribution solutions built in-house by OEMs and wireless operators. Some of our existing wireless operators could make a strategic decision to develop their own solutions rather than continue to use our suite of products, which could be a material source of competition. And finally, although we do not see any competition from larger Enterprise application players such as IBM, Citrix, Oracle, Salesforce, or MobileIron, it is possible they could decide to compete against our platform.

### ***Product Development***

Our product development expenses consist primarily of salaries and benefits for employees working on campaign management, creating, developing, editing, programming, performing quality assurance, obtaining carrier certification and deploying our products across various mobile phone carriers and on our internal platforms. We devote substantial resources to the development, technology support, and quality assurance of our products. Total product development costs incurred for the fiscal years ended March 31, 2020, 2019, and 2018 were \$12.0 million, \$10.9 million, and \$9.7 million, respectively.

### ***Contracts with Customers***

We have both exclusive and non-exclusive carrier and OEM agreements. Our agreements with advertisers are generally non-exclusive. Our carrier and OEM agreements for our Advertising business are multi-year agreements, with terms that are generally longer than one to two years. In addition, some carrier agreements provide that the carrier can terminate the agreement early and, in some instances, at any time without cause, which could give them the ability to renegotiate economic or other terms. The agreements generally do not obligate the carriers to market or distribute any of our products or services. In many of these agreements, we warrant that our products do not violate community standards, do not contain libelous content, do not contain material defects or viruses, and do not violate third-party intellectual property rights and we indemnify the carrier for any breach of a third party's intellectual property. Most of our sales are made either directly to application developers, advertising agencies representing application developers or through advertising aggregators.

We generally have numerous advertisers who represent a significant level of business. Coupled with advertiser concentration, we distribute a significant level of advertising through one operator. If such advertising clients or this operator decided to materially reduce or discontinue its use of our platform, it could cause an immediate and significant decline in our revenue and negatively affect our results of operations and financial condition.

With respect to customer revenue concentration, during the fiscal year ended March 31, 2020, one major customer, Oath Inc., a subsidiary of Verizon Communications, represented 15.3% of net revenues. During the fiscal year ended March 31, 2019, one major customer, Oath Inc., a subsidiary of Verizon Communications, represented 28.6% of net revenues. During the fiscal year ended March 31, 2018, two major customers, Oath Inc., a subsidiary of Verizon Communications, and Machine Zone, Inc., represented 23.5% and 16.1% of net revenues, respectively.

With respect to partner revenue concentration, the Company partners with mobile carriers and OEMs to deliver applications on our platform through the carrier network. During the fiscal years ended March 31, 2020 and 2019, Verizon Wireless, a subsidiary of Verizon Communications, a carrier partner, generated 37.3% and 45.9%, respectively, while AT&T Inc., a carrier partner, including its Cricket subsidiary, generated 30.0% and 38.7%, respectively, of our net revenues. Additionally, during the year ended March 31, 2020, America Movil, primarily through its subsidiary Tracfone Wireless Inc., generated 10.7% of our net revenues. During the fiscal year ended March 31, 2018, Verizon Wireless, a subsidiary of Verizon Communications, a carrier partner, generated 51.5%, while AT&T Inc., a carrier partner, including its Cricket subsidiary, generated 34.3% of our net revenues.

### ***Business Seasonality***

Our revenue, cash flow from operations, operating results and other key operating and financial measures may vary from quarter to quarter due to the seasonal nature of advertiser spending. For example, many advertisers (and their agencies) devote a disproportionate amount of their budgets to the fourth quarter of the calendar year to coincide with increased holiday spending. We expect our revenue, cash flow, operating results and other key operating and financial measures to fluctuate based on seasonal factors from period to period and expect these measures to be generally higher in the third and fourth fiscal quarters than in prior quarters.

### ***Employees***

As of March 31, 2020, the Company, including its subsidiaries, had 207 employees, all of whom were full-time and none of whom were part-time. We consider our relationships with our employees to be satisfactory. As of March 31, 2020, none of our employees are covered by a collective bargaining agreement. The Company also uses a number of contractors on an as-needed basis.

### ***History of Digital Turbine, Inc.***

The Company was originally incorporated in the State of Delaware on November 6, 1998 and operated under several different company names including eB2B, Mediavest, Inc., Mandalay Media, Inc., NeuMedia, Inc., and Mandalay Digital Group, Inc. In January 2015, the Company changed its name to Digital Turbine, Inc. and its NASDAQ ticker symbol to "APPS" with a new CUSIP number of 25400W-102. In 2012, the Company increased its authorized shares of common stock and preferred stock to 200,000,000 and 2,000,000, respectively, and in 2013 the Company implemented a 1-for-5 reverse stock split of its common stock (without changing the authorized number of shares or the par value of common stock).

From 2005 to February 12, 2008, the Company was a public shell company with no operations. Throughout the years, the Company has made several acquisitions, such as (1) the acquisition in December 2011 by its wholly-owned subsidiary, Digital Turbine USA, Inc., of assets of Digital Turbine LLC, which were re-branded as "Discover," (2) the acquisition in September 2012 by DT EMEA of "Logia Content Development and Management Ltd. ("Logia Content"), Volas Entertainment Ltd. ("Volas") and Mail Bit Logia (2008) Ltd. ("Mail Bit"), including the "LogiaDeck" software which has been rebranded as "Ignite," (3) the acquisition in April 2013 of Mirror Image International Holdings Pty Ltd, and (4) the acquisition in October 2014 of the intellectual property assets of Xyologic Mobile Analysis, GmbH ("XYO" or "Xyologic). In February 2014, the Company disposed of its wholly-owned subsidiary, Twistbox Entertainment, Inc. ("Twistbox"), and as such, it is no longer reflected as part of our continuing operations in this Annual Report. In March 2015, the Company, through its wholly-owned subsidiary, acquired Appia, Inc., which was renamed Digital Turbine Media, Inc. and which is referred to in this Form 10-K and the consolidated financial statements as "DT Media."

In April 2018, the Company entered into two separate agreements to dispose of the Content reporting segment (through the Pay Agreement) and A&P business within the Media Distribution segment (through the A&P Agreement), which was previously known as the Advertising reporting segment. As a result of these dispositions, the results of operations from our Content reporting segment and A&P business within the Media Distribution segment are reported as "Net loss from discontinued operations, net of taxes" and the related assets and liabilities are classified as "held for disposal" in the consolidated financial statements in Item 8 of this Annual Report. The Pay Agreement and A&P Agreement both closed in June 2018.

In February 2020, the Company acquired all of the capital stock of Mobile Posse. The acquisition of Mobile Posse provides an additional platform option, outside of our core platform, to monetize user actions over the life-cycle of a device by delivering media-rich advertising content to the end-user, providing operators and OEMs with an additional opportunity for advertising revenue streams synergistic with our platform.

### ***Available Information***

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our website at <http://www.digitalturbine.com> generally when such reports are available on the SEC website. The contents of our website are not incorporated into this Annual Report on Form 10-K.

The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

## ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. Current investors and potential investors should consider carefully the risks and uncertainties described below together with all other information contained in this Form 10-K before making investment decisions with respect to our common stock. The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described below, any one or more of which could, directly or indirectly, cause the Company's actual results of operations and financial condition to vary materially from past, or from anticipated future, results of operations and financial condition. If any of the following risks actually occurs, our business, financial condition, results of operations and our future growth prospects would be materially and adversely affected. Under these circumstances, the trading price and value of our common stock could decline, resulting in a loss of all or part of your investment. The risks and uncertainties described in this Form 10-K are not the only ones facing us. Additional risks and uncertainties of which we are not presently aware, or that we currently consider immaterial, may also affect our business operations.

Past financial performance should not be considered to be a reliable indicator of future performance, and current and potential investors should not use historical trends to anticipate results or trends in future periods.

### Risks Related to Our Business

#### General Risks

*The Company has a history of net losses, and may incur net losses in the future.*

We expect to continue to increase expenses as we implement initiatives designed to continue to grow our business, including, among other things, the development and marketing of new products and services, further international and domestic expansion, expansion of our infrastructure, development of systems and processes, acquisition of content, and general and administrative expenses associated with being a public company. If our revenues do not increase at a level to offset these expected increases in operating expenses, we will incur losses and will not be profitable. Our revenue growth in past periods should not be considered indicative of our future performance. In fact, in future periods, our revenues could decline as they have in past years. Accordingly, we may not be able to achieve profitability in the future.

If there are delays in the distribution of our products or if we are unable to successfully negotiate with advertisers, application developers, carriers, mobile operators or OEMs or if these negotiations cannot occur on a timely basis, we may not be able to generate revenues sufficient to meet the needs of the business in the foreseeable future or at all.

***We have a limited operating history for our current portfolio of assets, which may make it difficult to evaluate our business.***

Evaluation of our business and our prospects must be considered in light of our limited operating history and the risks and uncertainties encountered by companies in our stage of development. As a developing company in the emerging mobile application industry, we face increased risks, uncertainties, expenses, and difficulties. To address these risks and uncertainties, we must do the following:

- maintain our current, and develop new, wireless carrier and OEM relationships, in both international and domestic markets;
- maintain and expand our current, and develop new, relationships with compelling advertising partners;
- retain or improve our current revenue-sharing arrangements with carriers and OEMs;
- continue to develop new high-quality products and services that achieve significant market acceptance;
- continue to develop and upgrade our technology;
- continue to enhance our information processing systems;
- increase the number of end users of our products and services;
- execute our business and marketing strategies successfully;
- respond to competitive developments; and
- attract, integrate, retain and motivate qualified personnel.

We may be unable to accomplish one or more of these objectives, which could cause our business to suffer. In addition, accomplishing many of these efforts may be very expensive, which could adversely impact our operating results and financial condition.

***The failure to successfully integrate Mobile Posse's business and operations in the expected time frame may adversely affect our future results.***

We believe that the acquisition of Mobile Posse will result in certain benefits, including providing complementary platform offerings and creating growth opportunities. To realize these anticipated benefits, however, the business of Mobile Posse must be successfully integrated. The success of the acquisition of Mobile Posse will depend on our ability to realize these anticipated benefits from integrating the business of Mobile Posse. The acquisition may fail to realize the anticipated benefits for a variety of reasons, including the following:

- failure to successfully expand relationships with carriers, OEMs, and other partners and customers;
- failure to successfully take advantage of revenue growth opportunities;
- failure to effectively coordinate sales and marketing efforts to communicate the capabilities of the complementary offerings;
- potential difficulties integrating and harmonizing operations and other key functions;
- the loss of key employees; and
- failure to combine product offerings quickly and effectively.

The integration may result in additional and unforeseen expenses or delays. If we are unable to successfully integrate Mobile Posse's business and operations, or if there are delays in integrating the business, the anticipated benefits of the acquisition may not be realized or may take longer to realize than expected.

***Our financial results could vary significantly from quarter to quarter and are difficult to predict.***

Our revenues and operating results could vary significantly from quarter to quarter because of a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. In addition, we are not able to predict our future revenues or results of operations. We base our current and future expense levels on our internal operating plans and sales forecasts, and our operating costs are to a large extent fixed. As a result, we may not be able to reduce our costs sufficiently to compensate for an unexpected shortfall in revenues, and even a small shortfall in revenues could disproportionately and adversely affect financial results for that quarter. Individual products and services, and carrier and OEM relationships, represent meaningful portions of our revenues and margins in any quarter.

In addition to other risk factors discussed in this section, factors that may contribute to the variability of our results include:

- the number of new products and services released by us and our competitors;
- the timing of release of new products and services by us and our competitors, particularly those that may represent a significant portion of revenues in a period;
- the popularity of new products and services, and products and services released in prior periods;
- changes in prominence of deck placement for our leading products and those of our competitors;
- the timing of charges related to impairments of goodwill and intangible assets;
- changes in pricing policies by us, our competitors or our carriers and other distributors;
- changes in the mix of direct versus indirect advertising sales, which have varying margin profiles;
- changes in the mix of CPI, CPP, CPA, and license fee sales, which have varying revenue and margin profiles;
- the seasonality of our industry;
- fluctuations in the size and rate of growth of overall consumer demand for mobile products and services;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- our success in entering new geographic markets;
- decisions by one or more of our partners and/or customers to terminate our business relationship(s);
- foreign exchange fluctuations;
- accounting rules governing recognition of revenue;
- general economic, political and market conditions and trends;
- the timing of compensation expense associated with equity compensation grants; and
- decisions by us to incur additional expenses for product development.

As a result of these and other factors, including seasonality attributable to the holiday seasons, our operating results may not meet the expectations of investors or public market analysts who choose to follow our company. Our failure to meet market expectations would likely result in decreases in the trading price of our common stock.

Placement of our products, or the failure of the market to accept our products, would likely adversely impact our revenues and thus our operating results and financial condition.

Wireless carriers provide a limited selection of products that are accessible to their subscribers through their mobile handsets. The inherent limitation on the volume of products available on the handset is a function of the screen size of handsets and carriers' perceptions of the depth of menus and numbers of choices end users will generally utilize. If carriers choose to give our products less favorable placement or reduce our slot count on the phone, our products may be less successful than we anticipate, our revenues may decline and our business, operating results and financial condition may be materially harmed. In addition, if carriers or other participants in the market favor another competitor's products over our products, or opt not to enable and implement our technology to unify operating systems, our future growth could suffer and our revenues could be negatively affected.

***If we are unsuccessful in establishing and increasing awareness of our brand and recognition of our products and services or if we incur excessive expenses promoting and maintaining our brand or our products and services, our potential revenues could be limited, our costs could increase and our operating results and financial condition could be harmed.***

We believe that establishing and maintaining our brand is critical to retaining and expanding our existing relationships with wireless carriers, OEMs, and advertisers as well as developing new relationships. Promotion of the Company's brands will depend on our success in providing high-quality products and services. Similarly, recognition of our products and services by end users will depend on our ability to develop engaging products and quality services to maintain existing, and attract new, business relationships and end users. However, our success will also depend, in part, on the services and efforts of third parties, over which we have little or no control. For instance, if our carriers fail to provide high levels of service, our end users' ability to access our products and services may be interrupted, which may adversely affect our brand. If end users, carriers, and OEMs do not perceive our offerings as high-quality or if we introduce new products and services that are not favorably received by our end users, carriers, and OEMs, then we may be unsuccessful in building brand recognition and brand loyalty in the marketplace. In addition, globalizing and extending our brand and recognition of our products and services will be costly and will involve extensive management time to execute successfully. Further, the markets in which we operate are highly competitive and some of our competitors already have substantially more brand name recognition and greater marketing resources than we do. If we fail to increase brand awareness and consumer recognition of our products and services, our potential revenues could be limited, our costs could increase and our business, operating results and financial condition could suffer.

***Our business is dependent on the continued growth in usage of smartphones, tablets and other mobile connected devices.***

Our business depends on the continued proliferation of mobile connected devices, such as smartphones and tablets, which can connect to the Internet over a cellular, wireless or other network, as well as the increased consumption of content through those devices. Consumer usage of these mobile connected devices may be inhibited for a number of reasons, such as:

- inadequate network infrastructure to support advanced features beyond just mobile web access;
- users' concerns about the security of these devices;
- inconsistent quality of cellular or wireless connection;
- unavailability of cost-effective, high-speed Internet service;
- changes in network carrier pricing plans that charge device users based on the amount of data consumed; and
- new technology which is not compatible with our products and offerings.

For any of these reasons, users of mobile connected devices may limit the amount of time they spend on these devices and the number of applications or amount of content they download on these devices. If user adoption of mobile connected devices and consumer consumption of content on those devices do not continue to grow, our total addressable market size may be significantly limited, which could compromise our ability to increase our revenue and our ability to become profitable.

***If mobile connected devices, their operating systems or content distribution channels, including those controlled by our competitors, develop in ways that prevent advertising or content from being delivered to their users, our ability to grow our business will be impaired.***

A portion of our business model depends upon the continued demand for mobile advertising on connected devices, as well as the major operating systems that run on them and the number of applications that are downloaded onto them.

The design of mobile devices and operating systems is controlled by third parties, upon whom we do not have any influence. These parties frequently introduce new devices, and from time-to-time they may introduce new operating systems or modify existing ones. Network carriers may also affect the ability of users to download applications or access specified content on mobile devices.

In some cases, the parties that control the development of mobile connected devices and operating systems include companies that we regard as our competitors. For example, Google controls the Android™ platform operating system. If our mobile software platform were unable to work on these operating systems, either because of technological constraints or because the developer of this operating systems wishes to impair our ability to provide ads on the operating system, our ability to generate revenue could be significantly harmed.

***If we fail to deliver our products and services ahead of the commercial launch of new mobile handset models, our sales may suffer.***

Our business is dependent, in part, on the commercial sale of smartphone handsets. We do not control the timing of these handset launches. Some new handsets are sold by carriers with certain of our products and applications pre-loaded, and many end users who use our services do so after they purchase their new handsets to experience the new features of those handsets. Some of our products require handset manufacturers give us access to their handsets prior to commercial release. If one or more major handset manufacturers were to cease to provide us access to new handset models prior to commercial release, we might be unable to introduce compatible versions of our products and services for those handsets in coordination with their commercial release, and we might not be able to make compatible versions for a substantial period following their commercial release. If, because of launch delays, we miss the opportunity to sell products and services when new handsets are shipped or our end users upgrade to a new handset, or if we miss the key holiday selling period, either because the introduction of a new handset is delayed or we do not deploy our products and services in time for seasonal increases in handset sales, our revenues would likely decline and our business, operating results and financial condition would likely suffer.

***We may be unable to develop and introduce in a timely way new products or services, and our products and services may have defects, which could harm our brand.***

The planned timing and introduction of new products and services are subject to risks and uncertainties. Unexpected technical, operational, deployment, distribution or other problems could delay or prevent the introduction of new products and services, which could result in a loss of, or delay in, revenues or damage to our reputation and brand. If any of our products or services is introduced with defects, errors or failures, we could experience decreased sales, loss of end users, damage to our carrier relationships and damage to our reputation and brand. In addition, new products and services may not achieve sufficient market acceptance to offset the costs of development, particularly when the introduction of a product or service is substantially later than a planned "day-and-date" launch, which could materially harm our business, operating results and financial condition.

***If we fail to maintain and enhance our capabilities for our offerings to a broad array of mobile operating systems, our attractiveness to wireless carriers, equipment manufacturers, and application developers will be impaired, and our sales could suffer.***

Changes to our design and development processes to address new features or functions of mobile operating systems or networks might cause inefficiencies that might result in more labor-intensive software integration processes. In addition, we anticipate that in the future we will be required to update existing and new products and applications to a broader array of mobile operating systems. If we utilize more labor intensive processes, our margins could be significantly reduced and it might take us longer to integrate our products and applications to additional mobile operating systems. This, in turn, could harm our business, operating results and financial condition.

***A majority of our revenues are currently being derived from a limited number of wireless carriers, advertisers and application developers. If any one of these customers were to terminate their agreement with us or if they were unable to fulfill their payment obligations, our financial condition and results of operations would suffer.***

If any of our primary customers were to terminate their commercial relationship with us or if they are unable to fulfill their payment obligations to us under our agreements with them, our revenues could decline significantly and our financial condition will be harmed.

***We may be subject to legal liability associated with providing mobile and online services.***

We provide a variety of products and services that enable carriers, manufacturers, and users to engage in various mobile and online activities both domestically and internationally. The law relating to the liability of providers of these mobile and online services and products for such activities is still unsettled and constantly evolving in the U.S. and internationally. Claims have been threatened and have been brought against us in the past for breaches of contract, copyright or trademark infringement, tort or other theories based on the provision of these products and services. In addition, we are and have been and may again in the future be subject to domestic or international actions alleging that certain content we have generated or third-party content that we have made available within our services violates laws in domestic and international jurisdictions. We may be subject to claims concerning these products, services, or content by virtue of our involvement in marketing, branding, broadcasting, or providing access to them, even if we do not ourselves host, operate, provide, own, or license these products, services, or content. While we routinely insert indemnification provisions into our contracts with these parties, such indemnities to us, when obtainable, may not cover all damages and losses suffered by us and our customers from covered products and services. In addition, recorded reserves and/or insurance coverage may be exceeded by unexpected results from such claims which directly impacts profits. Defending such actions could be costly and involve significant time and attention of our management and other resources, may result in monetary liabilities or penalties, and may require us to change our business in an adverse manner.

***Our business is dependent on our ability to maintain and scale our infrastructure, including our employees and 3rd parties; and any significant disruption in our service could damage our reputation, result in a potential loss of customers and adversely affect our financial results.***

Our reputation and ability to attract, retain, and serve customers is dependent upon the reliable performance of our products and services and the underlying infrastructure, both internal and from third party providers. Our systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to our business. If our products and services are unavailable, or if they do not load as quickly as expected, customers may not use our products as often in the future, or at all. If our customer base grows, we will need an increasing amount of infrastructure, including network capacity, to continue to satisfy the needs of our customers. It is possible that we may fail to effectively scale and grow our infrastructure to accommodate these increased demands. In addition, our business may be subject to interruptions, delays, or failures resulting from earthquakes, adverse weather conditions, other natural disasters, power loss, terrorism, ineffective business execution, epidemics, pandemics, or other catastrophic events.

A substantial portion of our network infrastructure is provided by third parties. Any disruption or failure in the services we receive from these providers could harm our ability to handle existing or increased traffic and could significantly harm our business. Any financial or other difficulties these providers face may adversely affect our business, and we exercise little control over these providers, which increases our vulnerability to problems with the services they provide.

***Our products, services and systems rely on software that is highly technical, and if it contains undetected errors, our business could be adversely affected.***

Our products, services and systems rely on software, including software developed or maintained internally and/or by third parties, that is highly technical and complex. In addition, our products, services and systems depend on the ability of such software to transfer, store, retrieve, process, and manage large amounts of data. The software on which we rely has contained, and may now or in the future contain, undetected errors, bugs, or vulnerabilities. Some errors may only be discovered after the code has been released for external or internal use. Errors or other design defects within the software on which we rely may result in a negative experience for customers and marketers who use our products, delay product introductions or enhancements, result in measurement or billing errors, or compromise our ability to protect the data of our users and/or our intellectual property. Any errors, bugs, or defects discovered in the software on which we rely could result in damage to our reputation, loss of users, loss of revenue, or liability for damages, any of which could adversely affect our business and financial results.

***We plan to continue to review opportunities and possibly make acquisitions, which could require significant management attention, disrupt our business, result in dilution to our stockholders, and adversely affect our financial condition and results of operations.***

As part of our business strategy, we have made and intend to continue to review opportunities and possibly make acquisitions to add specialized employees and complementary companies, products, technologies or distribution channels. In some cases, these acquisitions may be substantial and our ability to acquire and integrate such companies in a successful manner is unproven.

Any acquisitions we announce could be viewed negatively by mobile network operators, users, marketers, developers, or investors. In addition, we may not successfully evaluate, integrate, or utilize the products, technology, operations, or personnel we acquire. The integration of acquisitions may require significant time and resources, and we may not manage these integrations successfully. In addition, we may discover liabilities or deficiencies that we did not identify in advance associated with the companies or assets we acquire. The effectiveness of our due diligence with respect to acquisitions, and our ability to evaluate the results of such due diligence, is dependent upon the accuracy and completeness of statements and disclosures made or actions taken by the companies we acquire or their representatives. We may also fail to accurately forecast the financial impact of an acquisition transaction, including accounting charges. In the future, we may not be able to find suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all.

We may also incur substantial costs in making acquisitions. We may pay substantial amounts of cash or incur debt to pay for acquisitions, which could adversely affect our liquidity. The incurrence of indebtedness would also result in increased fixed obligations, interest expense, and could also include covenants or other restrictions that would impede our ability to manage our operations. Additionally, we may issue equity securities to pay for acquisitions or to retain the employees of the acquired company, which could increase our expenses, adversely affect our financial results, and result in dilution to our stockholders. In addition, acquisitions may result in our recording of substantial goodwill and amortizable intangible assets on our balance sheet upon closing, which could adversely affect our future financial results and financial condition. These factors related to acquisitions may require significant management attention, disrupt our business, result in dilution to our stockholders, and adversely affect our financial results and financial condition.

***The Company's business is highly dependent on decisions and developments in the mobile device industry over which the Company has no control.***

The Company's ability to maintain and grow its business will be impaired if mobile connected devices, their operating systems or content distribution channels, including those controlled by the primary competitors of the Company, develop in ways that prevent the Company's advertising from being delivered to their users.

The Company's business model will depend upon the continued compatibility of its mobile advertising platform with most mobile connected devices, as well as the major operating systems that run on them and the thousands of apps that are downloaded onto them.

The design of mobile devices and operating systems is controlled by third parties. These parties frequently introduce new devices, and from time to time they may introduce new operating systems or modify existing ones. Network carriers, such as Verizon, AT&T, Sprint, as well as other domestic and global operators, as well as OEMs, such as Samsung, may also affect the ability of users to download apps or access specified content on mobile devices. The Company also has some relationships with various other mobile carriers with relationships that are specific and subject to contractual performance which may not be achieved.

In some cases, the parties that control the development of mobile connected devices and operating systems include companies that the Company would regard as its most significant competitors. For example, Apple controls two of the most popular mobile devices, the iPhone® and the iPad®, as well as the iOS operating system that runs on them. Apple also controls the App Store for downloading apps that run on Apple® mobile devices. Similarly, Google controls the Google Play and Android™ platform operating system. If the Company's mobile advertising platform were unable to work on these devices or operating systems, either because of technological constraints or because a maker of these devices or developer of these operating systems wished to impair the Company's ability to provide ads on them or its ability to fulfill advertising space, or inventory, from developers whose apps are distributed through their controlled channels, the Company's ability to maintain and grow its business will be impaired, and the Company's results of operations and financial condition would be adversely affected, perhaps materially.

***The Company's business may depend in part on its ability to collect and use location-based information about mobile connected device users.***

The Company's business model will depend in part upon its ability to collect data about the location of mobile connected device users when they are interacting with their devices, and then to use that information to provide effective targeted advertising on behalf of its advertising clients. The Company's ability to either collect or use location-based data could be restricted by a number of factors, including new laws or regulations, technology or consumer choice. Limitations on its ability to either collect or use location data could impact the effectiveness of the Company's platform and its ability to target ads.

***The Company does not have long-term agreements with its advertiser clients, and it may be unable to retain key clients, attract new clients or replace departing clients with clients that can provide comparable revenue to the Company.***

The Company's success will depend on its ability to maintain and expand its current advertiser client relationships and to develop new relationships. The Company's contracts with its advertiser clients do not generally include long-term obligations requiring them to purchase the Company's services and are cancelable upon short or no notice and without penalty. As a result, the Company may have limited visibility as to its future advertising revenue streams. The Company will not be able to provide assurance that its advertiser clients will continue to use its services or that it will be able to replace, in a timely or effective manner, departing clients with new clients that generate comparable revenue. If a major advertising client representing a significant portion of the Company's business decides to materially reduce its use of the Company's platform or to cease using the Company's platform altogether, it is possible that the Company may not have a sufficient supply of ads to fill its developers' advertising inventory, in which case the Company's revenue could be significantly reduced. Revenue derived from performance advertisers in particular is subject to fluctuation and competitive pressures. Such advertisers, which seek to drive app downloads, are less consistent with respect to their spending volume, and may decide to substantially increase or decrease their use of the Company's platform based on seasonality or popularity of a particular application.

Advertisers in general may shift their business to a competitor's platform because of new or more compelling offerings, strategic relationships, technological developments, pricing and other financial considerations, or a variety of other reasons. Any non-renewal, renegotiation, cancellation or deferral of large advertising contracts, or a number of contracts that in the aggregate account for a significant amount of revenue, could cause an immediate and significant decline in the Company's revenue and harm its business.

***The Company's business practices with respect to data could give rise to liabilities or reputational harm as a result of governmental regulation, legal requirements or industry standards relating to consumer privacy and data protection.***

In the course of providing its services, the Company will transmit and store information related to mobile devices and the ads it places, which may include a device's geographic location for the purpose of delivering targeted location-based ads to the user of the device, with that user's consent. Federal, state and international laws and regulations govern the collection, use, retention, sharing and security of data that the Company will collect across its mobile advertising platform. The Company will strive to comply with all applicable laws, regulations, policies and legal obligations relating to privacy and data protection. However, it is possible that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or its practices. Any failure, or perceived failure, by it to comply with U.S. federal, state, or international laws, including laws and regulations regulating privacy, data security, or consumer protection, could result in proceedings or actions against the Company by governmental entities or others. Any such proceedings could hurt the Company's reputation, force it to spend significant amounts in defense of these proceedings, distract its management, increase its costs of doing business, adversely affect the demand for its services and ultimately result in the imposition of monetary liability. The Company may also be contractually liable to indemnify and hold harmless its clients from the costs or consequences of inadvertent or unauthorized disclosure of data that it stores or handles as part of providing its services.

The regulatory framework for privacy issues worldwide is evolving, and various government and consumer agencies and public advocacy groups have called for new regulation and changes in industry practices, including some directed at the mobile industry in particular. For example, in early 2012, the State of California entered into an agreement with several major mobile application platforms under which the platforms have agreed to require mobile applications to meet specified standards to ensure consumer privacy. Subsequently, in January 2013, the State of California released a series of recommendations for privacy best practices for the mobile industry. In January 2014, a California law also became effective amending the required disclosures for online privacy policies. In addition, the state of California has enacted the California Consumer Privacy Act of 2018, a privacy and cyber security law, which establishes strict data protection and privacy controls and reporting requirements and increases liabilities for non-compliance. In addition, other jurisdictions, including other states, have enacted, or may enact, their own privacy and cyber security laws. Any such laws may impact our operations and the California legislation underscores the increasing risk profile of our business to both cyber events and the emerging, strict, regulatory framework governing all businesses dealing in personal data. It is possible that new laws and regulations will be adopted in the United States and internationally, or existing laws and regulations may be interpreted in new ways, that would affect the Company's business, particularly with regard to location-based services, collection or use of data to target ads, and communication with consumers via mobile devices.

The U.S. government, including the Federal Trade Commission, or FTC, and the Department of Commerce, is focused on the need for greater regulation of the collection of consumer information, including regulation aimed at restricting some targeted advertising practices. In December 2012, the FTC adopted revisions to the Children's Online Privacy Protection Act, or COPPA, that went into effect on July 1, 2013. COPPA imposes a number of obligations on operators of websites and online services including mobile applications, such as obtaining parental consent, if the operator collects specified information from users and either the site or service is directed to children under 13 years old or the site or service knows that a specific user is a child under 13 years old. The changes broaden the applicability of COPPA, including the types of information that are subject to these regulations, and may apply to information that the Company will collect through mobile devices or apps that, prior to the adoption of these new regulations, was not subject to COPPA. These revisions will impose new compliance burdens on the Company. In February 2013, the FTC issued a staff report containing recommendations for best practices with respect to consumer privacy for the mobile industry. To the extent that the Company or its clients choose to adopt these recommendations, or other regulatory or industry requirements become applicable to the Company, it may have greater compliance burdens.

As the Company expands its operations globally, compliance with regulations that differ from country to country may also impose substantial burdens on its business. In particular, the European Union (EU) has adopted a comprehensive overhaul of its data protection regime from the current national legislative approach to a single European Economic Area Privacy Regulation, the General Data Protection Regulation (GDPR), which became effective in 2018. The EU data protection regime extends the scope of the EU data protection law to all foreign companies processing data of EU residents. It imposes a strict data protection compliance regime with severe penalties of up to the greater of 4% of worldwide turnover and €20 million and includes new rights such as the "portability" of personal data. Although the GDPR will apply across the EU without a need for local implementing legislation, as has been the case under the current data protection regime, local data protection authorities (DPAs) will still have the ability to interpret the GDPR, which has the potential to create inconsistencies on a country-by-country basis. Complying with any new regulatory requirements could force it to incur substantial costs or require us to change its business practices in a manner that could compromise its ability to effectively pursue its growth strategy.

***The Company's business may involve the use, transmission and storage of confidential information, and the failure to properly safeguard such information could result in significant reputational harm and monetary damages.***

The Company may at times collect, store and transmit information of, or on behalf of, its clients that may include certain types of confidential information that may be considered personal or sensitive, and that are subject to laws that apply to data breaches. The Company intends to take reasonable steps to protect the security, integrity and confidentiality of the information it collects and stores, but there is no guarantee that inadvertent or unauthorized disclosure will not occur or that third parties will not gain unauthorized access to this information despite the Company's efforts to protect this information. If such unauthorized disclosure or access does occur, the Company may be required to notify persons whose information was disclosed or accessed. Most states have enacted data breach notification laws and, in addition to federal laws that apply to certain types of information, such as financial information, federal legislation has been proposed that would establish broader federal obligations with respect to data breaches. The Company may also be subject to claims of breach of contract for such disclosure, investigation and penalties by regulatory authorities and potential claims by persons whose information was disclosed. The unauthorized disclosure of information may result in the termination of one or more of its commercial relationships or a reduction in client confidence and usage of its services. The Company may also be subject to litigation alleging the improper use, transmission or storage of confidential information, which could damage its reputation among its current and potential clients, require significant expenditures of capital and other resources and cause it to lose business and revenue.

***Changes to current accounting principles could have a significant effect on the Company's reported financial results or the way in which it conducts its business.***

We prepare our financial statements in conformity with U.S. GAAP, which are subject to interpretation by the Financial Accounting Standards Board, or FASB, the Securities and Exchange Commission ("SEC" or the "Commission") and various other bodies formed to interpret, recommend, and announce appropriate accounting principles, policies, and practices. A change in these principles could have a significant effect on our reported financial results and related financial disclosures, and may even retroactively affect the accounting for previously reported transactions. Our accounting policies that recently have been or may in the future be affected by changes in the accounting principles are as follows:

- business consolidations;
- revenue recognition;
- leases;
- stock-based compensation;
- disclosure of uncertainties about an entity's ability to continue as a going concern; and
- accounting for goodwill and other intangible assets.

Changes in these or other rules may have a significant adverse effect on our reported financial results, disclosures, or in the way in which we conduct our business. See the discussion in "Summary of Significant Accounting Policies" set forth in Note 5 to our Consolidated Financial Statements under Item 8 of this Annual Report, for additional information about our accounting policies and estimates and associated risks.

***System failures could significantly disrupt the Company's operations and cause it to lose advertiser clients or advertising inventory.***

The Company's success will depend on the continuing and uninterrupted performance of its own internal systems, which the Company will utilize to deliver applications, monitor the performance of advertising campaigns and manage its inventory of advertising space. Its revenue will depend on the technological ability of its platforms to deliver applications. Sustained or repeated system failures that interrupt its ability to provide services to clients, including technological failures affecting its ability to deliver applications quickly and accurately and to process mobile device users' responses to applications, could significantly reduce the attractiveness of its services to advertisers and reduce its revenue. The combined systems are vulnerable to damage from a variety of sources, including telecommunications failures, power outages, malicious human acts and natural disasters. In addition, any steps the Company takes to increase the reliability and redundancy of its systems may be expensive and may not ultimately be successful in preventing system failures.

***System security risks, data protection breaches, cyber-attacks, and systems integration issues could disrupt our internal operations or information technology services provided to customers, and any such disruption could reduce our expected revenue, increase our expenses, damage our reputation and adversely affect our stock price.***

Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential information or that of third-parties, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms, and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products. In addition, sophisticated hardware and operating system software and applications that we produce or procure from third-parties may contain defects in design or manufacture, including “bugs” and other problems that could unexpectedly interfere with the operation of the system. The costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential customers that may impede our sales or other critical functions. We manage and store various proprietary information and sensitive or confidential data relating to our business. Breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, our clients or customers, including the potential loss or disclosure of such information or data as a result of fraud, trickery or other forms of deception, could expose us, our customers or the individuals affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our brand and reputation or otherwise harm our business. In addition, the cost and operational consequences of implementing further data protection measures could be significant. Portions of our IT infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time-consuming, disruptive and resource intensive. Such disruptions could adversely impact our ability to provide services and interrupt other processes. Delayed sales, lower margins, increased cost, or lost customers resulting from these disruptions could reduce our expected revenue, increase our expenses, damage our reputation and adversely affect our stock price.

***If our goodwill becomes impaired, we may be required to record a significant charge to earnings.***

We test goodwill for impairment at least annually or sooner if an indicator of impairment is present. If such goodwill is deemed impaired, an impairment loss would be recognized. We may be required to record a significant charge in our financial statements during the period in which any impairment of our goodwill is determined, which would negatively affect our results of operations.

***Public health issues such as a major epidemic or pandemic could adversely affect our business or financial results.***

The U.S. and other countries have experienced, and may experience in the future, outbreaks of contagious diseases that affect public health and public perception of health risk. In December 2019, a novel coronavirus (COVID-19) emerged in the Wuhan region of China and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic, resulting in federal, state and local governments and private entities mandating various restrictions requiring closure of non-essential businesses and recommending people to remain at home. Our results of operations are affected by economic conditions, including macroeconomic conditions and levels of business confidence and consumer confidence. There is significant uncertainty regarding the extent to which and how long COVID-19 will disrupt the U.S. economy, consumer confidence and the demand for our service offerings. The extent to which COVID-19 impacts our operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact on carriers, OEMs, customers and employees, all of which are highly uncertain and cannot be predicted, which could include reductions in sales of smartphones, tablets, and other devices or reductions in discretionary spending by customers or disruptions in employee or Company performance. If COVID-19 has a significant negative impact on economic conditions over a prolonged period of time, our results of operations and financial condition could be adversely impacted. We are conducting business as usual with some modifications to employee travel, employee work locations, and cancellation of certain marketing events, among other modifications. We have observed other companies taking precautionary and preemptive actions to address COVID-19 and companies may take further actions that alter their normal business operations. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state or local authorities or that we determine are in the best interests of our employees, customers, partners, suppliers and stockholders.

## Advertising Risks

***Our revenues may fluctuate significantly based on mobile device sell-through, over which we have no control.***

A significant portion of our revenue is impacted by the level of sell-through of mobile devices on which our software is installed. Demand for mobile devices sold by carriers varies materially by device, and if our software is installed on devices for which demand is lower than our expectations --a factor over which we have no control as we do not market mobile devices --our revenues will be impacted negatively, and this impact may be significant. As our software is deployed on a diversified universe of devices, this risk will be mitigated, as the relative performance of one device over another device will have less impact on us, but until we achieve diversification in our device installations, we will continue to be subject to revenue fluctuations based on device sell-through, and such fluctuations can be material. Further, it is difficult to predict the level of demand for a particular device, making our revenue projections correspondingly difficult. These issues can be ameliorated as we gain more significant carrier relationships and conversely these issues can be exacerbated with, as presently, a limited number of such relationships.

***Activities of the Company's advertiser clients could damage the Company's reputation or give rise to legal claims against it.***

The Company's advertiser clients' promotion of their products and services may not comply with federal, state and local laws, including, but not limited to, laws and regulations relating to mobile communications. Failure of its clients to comply with federal, state or local laws or its policies could damage its reputation and expose it to liability under these laws. The Company may also be liable to third parties for content in the ads it delivers if the artwork, text or other content involved violates copyrights, trademarks or other intellectual property rights of third parties or if the content is defamatory, unfair and deceptive, or otherwise in violation of applicable laws. Although the Company will generally receive assurance from its advertisers that their ads are lawful and that they have the right to use any copyrights, trademarks or other intellectual property included in an ad, and although it will normally be indemnified by the advertisers, a third party or regulatory authority may still file a claim against the Company. Any such claims could be costly and time-consuming to defend and could also hurt the Company's reputation. Further, if it is exposed to legal liability as a result of the activities of its advertiser clients, the Company could be required to pay substantial fines or penalties, redesign its business methods, discontinue some of its services or otherwise expend significant resources.

***Loss or reduction of business from the Company's large advertiser clients could have a significant impact on the Company's revenues, results of operations and overall financial condition.***

A significant portion of our revenue is impacted by the level of advertising spend. If advertising spend is lower than our expectations -- a factor over which we have no control as we do not determine our customers' advertising budgets -- our revenues will be impacted negatively, and this impact may be significant.

From time-to-time, a limited number of the Company's advertiser clients will be expected to account for a significant share of its advertising revenue. This customer concentration increases the risk of quarterly fluctuations in the Company's revenues and operating results. The Company's advertiser clients may reduce or terminate their business with it at any time for any reason, including changes in their financial condition or other business circumstances. If a large advertising client representing a substantial portion of its business decided to materially reduce or discontinue its use of its platform, it could cause an immediate and significant decline in its revenue and negatively affect its results of operations and financial condition.

The Company's customer concentration also increases the concentration of its accounts receivable and its exposure to payment defaults by key customers. The Company will generate significant accounts receivable for the services that it provides to its key advertiser clients, which could expose it to substantial and potentially unrecoverable costs if it does not receive payment from them.

***Mobile applications and advertising are relatively new, as are our products which are evolving and growth in revenues from those areas is uncertain and changes in the industry may negatively affect our revenue and financial results.***

While we anticipate that mobile usage will continue to be the primary driver of revenues related to applications and advertising for the foreseeable future, there could be changes in the industry of mobile carriers and OEMs that could have a negative impact on these growth prospects for our business and our financial performance. Additionally, advertising CPI revenue realized could be negatively impacted by end user application “open-rates”. The open-rates realized on advertising campaigns in the marketplace today could vary compared to the open-rates realized for applications distributed via our products. Reduced open-rates could have a negative impact on the success of our products and our potential revenues earned from CPI. The mobile advertising market remains a new and evolving market and if we are unable to grow revenues or successfully monetize our customer and potential customer relationships, or if we incur excessive expenses in these efforts, our financial performance and ability to grow revenue would be negatively affected.

***Our growth and monetization on mobile devices depend upon effective operation with mobile operating systems, networks, and standards that we do not control as we are largely an Android-based technology provider.***

There is no guarantee that mobile carriers and devices will use our products and services rather than competing products. We are dependent on the interoperability of our products and services with popular mobile operating systems that we do not control, such as Android, and any changes in such systems and terms of service that degrade our products’ functionality, reduce or eliminate our ability to distribute applications, give preferential treatment to competitive products, limit our ability to target or measure the effectiveness of applications, or impose fees or other charges related to our delivery of applications could adversely affect our monetization on mobile devices. Currently, our product offerings are primarily compatible with Android only, and would require developmental modifications to support other operating platforms. Additionally, in order to deliver high quality user experience, it is important that our products and services work well with a range of mobile technologies, systems, networks, and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks, or standards. In the event that our relationships with network operators, mobile operating systems or other business partners deteriorate, our growth and monetization could be adversely affected and our business could be harmed.

*We currently rely on wireless carriers and OEMs to distribute our products and services and thus to generate much of our revenues. The loss of or a change in any of these significant carrier relationships could cause us to lose access to their subscribers and thus materially reduce our revenues.*

The future success of our business is highly dependent upon maintaining successful relationships with the wireless carriers and OEMs with which we currently work and establishing new carrier and OEM relationships in geographies where we have not yet established a significant presence. A significant portion of our revenue is derived from a very limited number of carriers. We expect that we will continue to generate a substantial portion of our revenues, on a go-forward basis, through relationships with a limited number of carriers for the foreseeable future. Our failure to maintain our relationships with these carriers, establish relationships with new carriers, or a loss or change of terms would materially reduce our revenues and thus harm our business, operating results and financial condition.

We have both exclusive and non-exclusive carrier and OEM agreements. Historically, our carrier and OEM agreements have had terms of one or two years with automatic renewal provisions upon expiration of the initial term, absent a contrary notice from either party, but going forward terms in carrier and OEM agreements may vary. In addition, some carrier and OEM agreements provide that the parties can terminate the agreement early and, in some instances, at any time without cause, which could give them the ability to renegotiate economic or other terms. The agreements generally do not obligate the carriers and OEMs to market or distribute any of our products or services. In many of these agreements, we warrant that our products do not violate community standards, do not contain libelous content, do not contain material defects or viruses, and do not violate third-party intellectual property rights and we indemnify the carrier for any breach of a third party's intellectual property.

Many other factors outside our control could impair our ability to generate revenues through a given carrier or OEM, including the following:

- the carrier or OEM's preference for our competitors' products and services rather than ours;
- the carrier or OEM's decision not to include or highlight our products and services on the deck of its mobile handsets;
- the carrier or OEM's decision to discontinue the sale of some or all of products and services;
- the carrier's decision to offer similar products and services to its subscribers without charge or at reduced prices;
- a failure of the carrier or OEM's merchandising, provisioning or billing systems;
- the carrier or OEM's decision to offer its own competing products and services;
- the carrier or OEM's decision to transition to different platforms and revenue models; and
- consolidation among carriers or OEMs.

If any of our carriers or OEMs decides not to market or distribute our products and services or decides to terminate, not renew or modify the terms of its agreement with us or if there is consolidation among carriers generally, we may be unable to replace the affected agreement with acceptable alternatives, causing us to lose access to that carrier's subscribers and the revenues they afford us, which could materially harm our business, operating results and financial condition.

***The mobile advertising business is an intensely competitive industry, and we may not be able to compete successfully.***

The mobile advertising market is highly competitive, with numerous companies providing mobile advertising services. The Company's mobile advertising platform will compete primarily with Facebook, Twitter, Snap, and Google, all of which are significantly larger than us and have far more capital to invest in their mobile advertising businesses. The Company will also compete with in-house solutions used by companies who choose to coordinate mobile advertising across their own properties. They, or other companies that offer competing mobile advertising solutions, may establish or strengthen cooperative relationships with their mobile operator partners, application developers or other parties, thereby limiting the Company's ability to promote its services and generate revenue. Competitors could also seek to gain market share from us by reducing the prices they charge to advertisers or by introducing new technology tools for developers. Moreover, increased competition for mobile advertising space from developers could result in an increase in the portion of advertiser revenue that we must pay to developers to acquire that advertising space. The Company's business will suffer to the extent that its developers and advertisers purchase and sell mobile advertising directly from each other or through other companies that are able to become intermediaries between developers and advertisers. For example, companies may have substantial existing platforms for developers who had previously not heavily used those platforms for mobile advertising campaigns. These companies could compete with us to the extent they expand into mobile advertising. Other companies, such as large application developers with a substantial mobile advertising business, may decide to directly monetize some or all of their advertising space without utilizing the Company's services. Other companies that offer analytics, mediation, exchange or other third party services may also become intermediaries between mobile advertisers and developers and thereby compete with us. Any of these developments would make it more difficult for the Company to sell its services and could result in increased pricing pressure, reduced profit margins, increased sales and marketing expenses or the loss of market share.

***The mobile advertising market may develop more slowly than expected, which could harm the business of the Company.***

Advertisers have historically spent a smaller portion of their advertising budgets on mobile media as compared to traditional advertising methods, such as television, newspapers, radio and billboards, or online advertising over the internet, such as placing banner ads on websites. Future demand and market acceptance for mobile advertising is uncertain. Many advertisers still have limited experience with mobile advertising and may continue to devote larger portions of their advertising budgets to more traditional offline or online personal computer-based advertising, instead of shifting additional advertising resources to mobile advertising. If the market for mobile advertising deteriorates, or develops more slowly than we expect, the Company may not be able to increase its revenue.

***The Company does not control the mobile networks over which it provides its advertising services.***

The Company's mobile advertising platform is dependent on the reliability of network operators and carriers who maintain sophisticated and complex mobile networks, as well as its ability to deliver content on those networks at prices that enable it to realize a profit. Mobile networks have been subject to rapid growth and technological change, particularly in recent years. The Company does not control these networks.

Mobile networks could fail for a variety of reasons, including new technology incompatibility, the degradation of network performance under the strain of too many mobile consumers using the network, a general failure from natural disaster or a political or regulatory shut-down. Individuals and groups who develop and deploy viruses, worms and other malicious software programs could also attack mobile networks and the devices that run on those networks. Any actual or perceived security threat to mobile devices or any mobile network could lead existing and potential device users to reduce or refrain from mobile usage or reduce or refrain from responding to the services offered by the Company's advertising clients. If the network of a mobile operator should fail for any reason, the Company would not be able to effectively provide its services to its clients through that mobile network. This, in turn, could hurt the Company's reputation and cause it to lose significant revenue.

Mobile carriers may also increase restrictions on the amounts or types of data that can be transmitted over their networks. The Company anticipates generating different amounts of revenue from its advertiser clients based on the content the Company delivers. In most cases, the Company will be paid by advertisers on a CPI basis, when an install of an advertised application occurs. Different types of advertising content consume differing amounts of bandwidth and network capacity. If a network carrier were to restrict the amounts of data that can be delivered on that carrier's network, or otherwise control the kinds of content that may be downloaded to a device that operates on the network, it could negatively affect the Company's pricing practices and inhibit its ability to deliver targeted advertising to that carrier's users, both of which could impair the Company's ability to generate revenue. Mobile connected device users may choose not to allow advertising on their devices.

The success of the Company's advertising business model will depend on its ability to deliver targeted, highly relevant ads to consumers on their mobile connected devices. Targeted advertising is done primarily through analysis of data, much of which is collected on the basis of user-provided permissions. This data might include a device's location or data collected when device users view an ad or video or when they click on or otherwise engage with an ad. Users may elect not to allow data sharing for targeted advertising for a number of reasons, such as privacy concerns, or pricing mechanisms that may charge the user based upon the amount or types of data consumed on the device. Users may also elect to opt out of receiving targeted advertising from Company's platform. In addition, the designers of mobile device operating systems are increasingly promoting features that allow device users to disable some of the functionality, which may impair or disable the delivery of ads on their devices, and device manufacturers may include these features as part of their standard device specifications. Although we are not aware of any such products that are widely used in the market today, as has occurred in the online advertising industry, companies may develop products that enable users to prevent ads from appearing on their mobile device screens. If any of these developments were to occur, the Company's ability to deliver effective advertising campaigns on behalf of its advertiser clients would suffer, which could hurt its ability to generate revenue and become profitable.

***The Company may not be able to enhance its mobile advertising platform to keep pace with technological and market developments.***

The market for mobile advertising services is characterized by rapid technological change, evolving industry standards and frequent new service introductions. To keep pace with technological developments, satisfy increasing advertiser and developer requirements, maintain the attractiveness and competitiveness of the Company's mobile advertising solutions and ensure compatibility with evolving industry standards and protocols, the Company will need to regularly enhance its current services and to develop and introduce new services on a timely basis. If the Company's platform is not attractive to its customers or is not able to compete with alternative mobile advertising solutions, the Company will not have access to as much advertising inventory and may experience increased pressure on margins.

In addition, advances in technology that allow developers to generate revenue from their apps without assistance from the Company could harm its relationships with developers and diminish its available advertising inventory within their apps. Similarly, technological developments that allow third parties to better mediate the delivery of ads between advertisers and developers by introducing an intermediate layer between the Company and its developers could impair its relationships with those developers. The Company's inability, for technological, business or other reasons, to enhance, develop, introduce and deliver compelling mobile advertising services in response to changing market conditions and technologies or evolving expectations of advertisers or mobile device users could hurt its ability to grow its business and could result in its mobile advertising platform becoming obsolete.

The Company will depend on publishers, developers and distribution partners for mobile advertising space to deliver its advertiser clients' advertising campaigns, and any decline in the supply of advertising inventory could hurt its business.

The Company will depend on publishers, developers and distribution partners to provide it with space within their applications, which we refer to as "advertising inventory," on which the Company will deliver ads. We anticipate that a significant portion of the Company's revenue will derive from the advertising inventory provided by a limited number of publishers, developers and distribution partners. The Company will have minimum or fixed commitments for advertising inventory with some but not all of its publishers, developers and distribution partners, including certain wireless carriers in the United States and internationally. The Company intends to expand the number of publishers, developers and distribution partners subject to minimum or fixed arrangements. Outside of those relationships however, the publishers, developers and distribution partners that will sell their advertising inventory to the Company are not required to provide any minimum amounts of advertising space to the Company, nor are they contractually bound to provide the Company with a consistent supply of advertising inventory. Such publishers, developers and distribution partners can change the amount of inventory they make available to the Company at any time. They may also change the price at which they offer inventory to the Company, or they may elect to make advertising space available to its competitors who offer ads to them on more favorable economic terms. In addition, publishers, developers and distribution partners may place significant restrictions on the Company's use of their advertising inventory. These restrictions may prohibit ads from specific advertisers or specific industries, or they could restrict the use of specified creative content or format. They may also use a fee-based or subscription-based business model to generate revenue from their content, in lieu of or to reduce their reliance on ads.

If publishers, developers and distribution partners decide not to make advertising inventory available to the Company for any of these reasons, decide to increase the price of inventory, or place significant restrictions on the Company's use of their advertising space, the Company may not be able to replace this with inventory from others that satisfy the Company's requirements in a timely and cost-effective manner. If this happens, the Company's revenue could decline or its cost of acquiring inventory could increase.

***The Company's advertising business depends on its ability to collect and use data to deliver applications, and any limitation on the collection and use of this data could significantly diminish the value of the Company's services and cause it to lose clients and revenue.***

When the Company delivers an application to a mobile device, it will often be able to collect anonymous information about the interaction of the mobile device user with the application, such as whether the user opened the application. As the Company collects and aggregates this data provided by billions of ad impressions, it intends to analyze it in order to optimize the placement and scheduling of applications across the advertising inventory provided to it by developers. For example, the Company may use the collected information to provide an application to only certain types of mobile devices, or to provide a report to an advertiser client on the number of its applications that were engaged.

Although the data the Company will collect is not personally identifiable information, its clients might decide not to allow it to collect some or all of this data or might limit its use of this data. For example, application developers may not agree to provide the Company with the data generated by interactions with the content on their applications, or device users may not consent to having information about their device usage provided to the developer. Any limitation on the Company's ability to collect data about user behavior and interaction with mobile device content could make it more difficult for the Company to deliver effective mobile advertising programs that meet the demands of its advertiser clients.

Although the Company's contracts with advertisers will generally permit it to aggregate data from advertising campaigns, these clients might nonetheless request that the Company discontinue using data obtained from their campaigns that have already been aggregated with other clients' campaign data. It would be difficult, if not impossible, to comply with these requests, and responding to these kinds of requests could also cause the Company to spend significant amounts of resources. Interruptions, failures or defects in its data collection, mining, analysis and storage systems, as well as privacy concerns and regulatory restrictions regarding the collection of data, could also limit its ability to aggregate and analyze mobile device user data from its clients' advertising campaigns. If that happens, the Company may not be able to optimize the placement of advertising for the benefit of its advertiser clients, which could make its services less valuable, and, as a result, it may lose clients and its revenue may decline.

***The Company's business depends on its ability to maintain the quality of its advertiser content.***

The Company must be able to ensure that applications that are placed on devices are not unlawful or inappropriate. If the Company is unable to ensure that the quality of its advertiser content does not decline as the number of advertisers it works with continues to grow, then the Company's reputation and business may suffer.

## Risks Related to Our Market

*The markets in which we operate are highly competitive, and many of our competitors have significantly greater resources than we do.*

The distribution of applications, mobile advertising, development, distribution and sale of mobile products and services is a highly competitive business. We compete for advertisers primarily on the basis of positioning, brand, quality and price. We compete for wireless carriers placement based on these factors, as well as historical performance, technical know-how, perception of sales potential and relationships with advertisers and other intellectual property. We compete for platform deployment contracts amongst other mobile platform companies. We also compete for experienced and talented employees.

Our primary competition for application and content distribution comes from the traditional application store businesses of Apple and Google, existing operator solutions built internally, as well as companies providing app install products and services as offered by Facebook, Twitter, Snap, Yahoo!, Pandora and other ad networks such as RocketFuel. These companies can be both customers for Digital Turbines products, as well as competitors in certain cases. We see some smaller competitors, such as IronSource, Wild Tangent, and Sweet Labs, but the more material competition is internally developed operator solutions and specific mobile application management solutions built in-house by OEMs and wireless operators. Some of our existing wireless operators could make a strategic decision to develop their own solutions rather than continue to use our products.

Some of our competitors' and our potential competitors' advantages over us, either globally or in particular geographic markets, include the following:

- significantly greater revenues and financial resources;
- stronger brand and consumer recognition regionally or worldwide;
- the capacity to leverage their marketing expenditures across a broader portfolio of mobile and non-mobile products;
- more substantial intellectual property of their own from which they can develop products and services without having to pay royalties;
- pre-existing relationships with brand owners or carriers that afford them access to intellectual property while blocking the access of competitors to that same intellectual property;
- greater resources to make acquisitions;
- lower labor and development costs; and
- broader global distribution and presence.

If we are unable to compete effectively or we are not as successful as our competitors in our target markets, our sales could decline (or inhibit generation of sales), our margins could decline and we could lose market share (or fail to penetrate the market), any of which would materially harm our business, operating results and financial condition.

*End user tastes are continually changing and are often unpredictable; if we fail to develop and publish new products and services that achieve market acceptance, our sales would suffer.*

Our business depends on deploying new products and services through wireless carriers and OEMs that end users buy. We must continue to invest significant resources in licensing efforts, product development, and regional expansion to enhance our offering of new products and services, and we must make decisions about these matters well in advance of product release in order to implement them in a timely manner. Our success depends, in part, on unpredictable and volatile factors beyond our control, including end-user preferences, competing products and services, and the availability of other entertainment activities. If our products and services are not responsive to the requirements of our carriers or the entertainment preferences of end users, or are not brought to market in a timely and effective manner, our business, operating results, and financial condition would be harmed. Even if our products and services are successfully introduced, marketed effectively, and initially adopted, a subsequent shift in our carriers, the entertainment, shopping, and mobile preferences of end users, or our relationship with third-party billing aggregators could cause a decline in the popularity of, or access to, our offerings and could materially reduce our revenues and harm our business, operating results, and financial condition.

***We rely on the current state of the law in certain territories where we operate our business and any adverse change in such laws may significantly adversely impact our revenues and thus our operating results and financial condition.***

Decisions that regulators or governing bodies make with regard to the provision and marketing of mobile applications, content and/or billing can have a significant impact on the revenues generated in that market. Although most of our markets are mature with regulation clearly defined and implemented, there remains the potential for regulatory changes that would have adverse consequences on the business and subsequently our revenue.

***We rely on our current understanding of regional regulatory requirements pertaining to the marketing, advertising and promotion of our products and services, and any adverse change in such regulations, or a finding that we did not properly understand such regulations, may significantly impact our ability to market, advertise and promote our products and services and thereby adversely impact our revenues, our operating results and our financial condition.***

Some portions of our business rely extensively on marketing, advertising and promoting our products and services requiring it to have an understanding of the local laws and regulations governing our business. Additionally, we rely on the policies and procedures of wireless carriers and should those change, there could be an adverse impact on our products. In the event that we have relied on inaccurate information or advice, and engage in marketing, advertising or promotional activities that are not permitted, we may be subject to penalties, restricted from engaging in further activities or altogether prohibited from offering our products and services in a particular territory, all or any of which will adversely impact our revenues and thus our operating results and financial condition.

***The strategic direction of the Company's businesses is developing and not completely proven or certain.***

The business model that the Company is pursuing, mobile advertising and application installations, is in development and not completely proven. There are many different types of models including, but not limited to, set-up fees, CPI, CPP, CPA, up-front fees (including licensing), revenue shares, per device license fees, as well as hybrids of each. Initial feedback from customers shows preference for different types of models. This could lead to risk in predicting future revenues and profits by individual customers. In particular, the 'free' download market is reliant upon mobile advertising, and the mobile advertising market is still in a nascent phase of monetization.

In addition, our strategy for the Company entails offering its platform to existing and new customers. There can be no assurance that we will be able to successfully market new services and offerings to existing and new customers. Moreover, in order to credibly offer our platform, we will need to achieve additional operational and technical achievements to further develop the product offering. Our platform is compatible with Android, and should the market shift to a different operating system there would need to be modifications to our products to adapt to such a change. While we remain optimistic about our ability to complete this change and build out, it will be subject to all of the risks attendant to these development efforts as well as the need to provide additional capital to the effort.

## **Risks Relating to Our Industry**

### ***Wireless communications technologies are changing rapidly, and we may not be successful in working with these new technologies.***

Wireless network and mobile handset technologies are undergoing rapid innovation. New handsets with more advanced processors and advanced programming languages continue to be introduced. In addition, networks that enable enhanced features are being developed and deployed. We have no control over the demand for, or success of, these products or technologies. If we fail to anticipate and adapt to these and other technological changes, the available channels for our products and services may be limited and our market share and operating results may suffer. Our future success will depend on our ability to adapt to rapidly changing technologies and develop products and services to accommodate evolving industry standards with improved performance and reliability. In addition, the widespread adoption of networking or telecommunications technologies or other technological changes could require substantial expenditures to modify or adapt our products and services.

Technology changes in the wireless industry require us to anticipate, sometimes years in advance, which technologies we must implement and take advantage of in order to make our products and services, and other mobile entertainment products, competitive in the market. Therefore, we usually start our product development with a range of technical development goals that we hope to be able to achieve. We may not be able to achieve these goals, or our competition may be able to achieve them more quickly and effectively than we can. In either case, our products and services may be technologically inferior to those of our competitors, less appealing to end users, or both. If we cannot achieve our technology goals within our original development schedule, then we may delay their release until these technology goals can be achieved, which may delay or reduce our revenues, increase our development expenses and harm our reputation. Alternatively, we may increase our product development resources in an attempt either to preserve our product launch schedule or to keep up with our competition. In either case, our business, operating results and financial condition could be materially harmed.

### ***The complexity of and incompatibilities among mobile handsets may require us to use additional resources for the development of our products and services.***

To reach large numbers of wireless subscribers, application developers, and wireless carriers, we must support numerous mobile handsets and technologies. However, keeping pace with the rapid innovation of handset technologies together with the continuous introduction of new, and often incompatible, handset models by wireless carriers requires us to make continuous investments in product development and maintenance, including personnel, technologies and equipment. In the future, we may be required to make substantial investments in our development if the number of different types of handset models continues to proliferate. In addition, as more advanced handsets are introduced that enable more complex, feature-rich products and services, we anticipate that our product development and maintenance costs will increase, which could increase the risks associated with one or more of our products or services and could materially harm our operating results and financial condition.

### ***If wireless subscribers do not continue to use their mobile handsets to access mobile content and other applications, our business growth and future revenues may be adversely affected.***

We operate in a developing industry. Our success depends on growth in the number of wireless subscribers who use their handsets to access data services we develop and distribute. New or different mobile content applications developed by our current or future competitors may be preferred by subscribers to our offerings. In addition, other mobile platforms may become widespread, and end users may choose to switch to these platforms. If the market for our products and services does not continue to grow or we are unable to acquire new end users, our business growth and future revenues could be adversely affected. If end users switch their entertainment spending away from the kinds of offerings that we publish, or switch to platforms or distribution where we do not have comparative strengths, our revenues would likely decline and our business, operating results and financial condition would suffer.

***Our industry is subject to risks generally associated with advertising content delivery, any of which could significantly harm our operating results.***

Our business is subject to risks that are generally associated with the advertising content delivery, many of which are beyond our control. These risks could negatively impact our operating results and include: the popularity, price and timing of release of our offerings and mobile handsets on which they are accessed; economic conditions that adversely affect discretionary consumer spending; changes in consumer demographics; the availability and popularity of other forms of entertainment; and critical reviews and public tastes and preferences, which may change rapidly and cannot necessarily be predicted.

***A shift of technology platform by wireless carriers and mobile handset manufacturers could lengthen the development period for our offerings, increase our costs and cause our offerings to be of lower quality or to be published later than anticipated.***

Mobile handsets require multimedia capabilities enabled by operating systems capable of running applications, products and services such as ours. Our development resources are concentrated in today's most popular operating systems, and we have experience developing applications for these operating systems. Specifically, our products are currently compatible with the Android and iOS operating system. If this operating system falls out of favor with handset manufacturers and wireless carriers and there is a rapid shift to a new technology where we do not have development experience or resources, the development period for our products and services may be lengthened, increasing our costs, and the resulting products and services may be of lower quality, and may be published later than anticipated. In such an event, our reputation, business, operating results and financial condition might suffer.

***System or network failures could reduce our sales, increase costs or result in a loss of end users of our products and services.***

Mobile application developers rely on wireless carriers' networks to deliver products and services to end users and on their or other third parties' billing systems to track and account for the delivery of such offerings. In addition, certain products require access over the mobile Internet to our servers or third party servers in order to enable certain features. Any failure of, or technical problem with, carriers', third parties' or our billing systems, delivery systems, information systems or communications networks could result in the inability of end users to use our products, prevent the completion of a billing transaction, or interfere with access to some aspects of our products. If any of these systems fail or if there is an interruption in the supply of power, an earthquake, fire, flood, epidemic, pandemic, or other natural disaster, or an act of war or terrorism, end users might be unable to access our offerings. For example, from time to time, our carriers have experienced failures with their billing and delivery systems and communication networks, including gateway failures that reduced the provisioning capacity of their branded e-commerce system. Any failure of, or technical problem with, the carriers', other third parties' or our systems could cause us to lose end users or revenues or incur substantial repair costs and distract management from operating our business. This, in turn, could harm our business, operating results and financial condition.

***Our business depends on the growth and maintenance of wireless communications infrastructure.***

Our success will depend on the continued growth and maintenance of wireless communications infrastructure in the United States and internationally. This includes deployment and maintenance of reliable next-generation digital networks with the speed, data capacity and security necessary to provide reliable wireless communications services. Wireless communications infrastructure may be unable to support the demands placed on it if the number of subscribers continues to increase, or if existing or future subscribers increase their bandwidth requirements. Wireless communications have experienced a variety of outages and other delays as a result of infrastructure and equipment failures, and could face outages and delays in the future. These outages and delays could reduce the level of wireless communications usage as well as our ability to distribute our products and services successfully. In addition, changes by a wireless carrier to network infrastructure may interfere with downloads and may cause end users to lose functionality. This could harm our business, operating results and financial condition.

***Actual or perceived security vulnerabilities in mobile handsets or wireless networks could adversely affect our revenues.***

Maintaining the security of mobile handsets and wireless networks is critical for our business. There are individuals and groups who develop and deploy viruses, worms and other illicit code or malicious software programs that may attack wireless networks and handsets. Security experts have identified computer “worm” programs that target handsets running on certain operating systems. Although these worms have not been widely released and do not present an immediate risk to our business, we believe future threats could lead some end users to seek to reduce or delay future purchases of our products or reduce or delay the use of their handsets. Wireless carriers and handset manufacturers may also increase their expenditures on protecting their wireless networks and mobile phone products from attack, which could delay adoption of new handset models. Any of these activities could adversely affect our revenues and this could harm our business, operating results and financial condition.

***Changes in government regulation of the media and wireless communications industries may adversely affect our business.***

A number of laws and regulations have been and likely will continue to be adopted in the United States and elsewhere that could restrict the media and wireless communications industries, including laws and regulations regarding customer privacy, taxation, content suitability, copyright, distribution and antitrust. Furthermore, the growth and development of the market for electronic commerce may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as ours conducting business through wireless carriers. We anticipate that regulation of our industry will increase and that we will be required to devote legal and other resources to address this regulation. Changes in current laws or regulations or the imposition of new laws and regulations in the United States or elsewhere regarding the media and wireless communications industries may lessen the growth of wireless communications services and may materially reduce our ability to increase or maintain sales of our products and services.

A number of studies have examined the health effects of mobile phone use, and the results of some of the studies have been interpreted as evidence that mobile phone use causes adverse health effects. The establishment of a link between the use of mobile phone services and health problems, or any media reports suggesting such a link, could increase government regulation of, and reduce demand for, mobile phones and, accordingly, the demand for our products and services, and this could harm our business, operating results and financial condition.

***Risks Related to Our Management, Employees and Acquisitions***

***Our business and growth may suffer if we are unable to hire and retain key personnel, who are in high demand.***

We depend on the continued contributions of our domestic and international senior management and other key personnel. The loss of the services of any of our executive officers or other key employees could harm our business. Because not all of our executive officers and key employees are under employment agreements or are under agreement with short terms, their future employment with the Company is uncertain. Additionally, our workforce is comprised of a relatively small number of employees operating in different countries around the globe who support our existing and potential customers. Given the size and geographic dispersion of our workforce, we could experience challenges with execution as our business matures and expands.

Our future success also depends on our ability to identify, attract and retain highly skilled technical, managerial, finance, marketing and creative personnel. We face intense competition for qualified individuals from numerous technology, marketing and mobile entertainment companies. Further, we conduct international operations in Germany, Israel, India, South America, and Singapore, areas that, similar to our headquarters region, have high costs of living and consequently high compensation standards and/or intense demand for qualified individuals which may require us to incur significant costs to attract them. We may be unable to attract and retain suitably qualified individuals who are capable of meeting our growing creative, operational and managerial requirements, or may be required to pay increased compensation in order to do so. If we are unable to attract and retain the qualified personnel we need to succeed, our business would suffer.

Volatility or lack of performance in our stock price may also affect our ability to attract and retain our key employees. Some of our senior management personnel and other key employees have become, or will soon become, vested in a substantial amount of stock or stock options. Employees may be more likely to leave us if the shares they own or the shares underlying their options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options, or if the exercise prices of the options that they hold are significantly above the market price of our common stock. If we are unable to retain our employees, our business, operating results and financial condition would be harmed.

***Growth may place significant demands on our management and our infrastructure.***

We operate in an emerging market and have experienced, and may continue to experience, growth in our business through internal growth and acquisitions. This growth has placed, and may continue to place, significant demands on our management and our operational and financial infrastructure. Continued growth could strain our ability to:

- develop and improve our operational, financial and management controls;
- enhance our reporting systems and procedures;
- recruit, train and retain highly skilled personnel;
- maintain our quality standards; and
- maintain branded content owner, wireless carrier and end-user satisfaction.

Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, operating results and financial condition would be harmed.

***The acquisition of other companies, businesses or technologies could result in operating difficulties, dilution and other harmful consequences.***

We have made acquisitions and, although we have no present understandings, commitments or agreements to do so, we may pursue further acquisitions, any of which could be material to our business, operating results and financial condition. Future acquisitions could divert management's time and focus from operating our business, even in instances where acquisition negotiations are unsuccessful. In addition, integrating an acquired company, business or technology is risky and may result in unforeseen operating difficulties and expenditures. We may also raise additional capital for the acquisition of, or investment in, companies, technologies, products or assets that complement our business. Future acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, including our common stock, or the incurrence of debt, contingent liabilities, amortization expenses or acquired in-process research and development expenses, any of which could harm our financial condition and operating results. Future acquisitions may also require us to obtain additional financing, which may not be available on favorable terms or at all.

International acquisitions involve risks related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our earnings based on this impairment assessment process, which could harm our operating results.

Also, to realize the anticipated benefits of an acquisition, the acquired business must be successfully integrated. The acquired business may not be successfully integrated for a variety of reasons. Failure to successfully integrate the acquired business could cause us to fail to realize the anticipated benefits from the acquisition, which in turn could have an adverse effect on our business, operations, financial condition and results of operations.

***Changes to financial accounting standards could make it more expensive to issue stock options to employees, which would increase compensation costs and might cause us to change our business practices.***

We prepare our financial statements to conform with accounting principles generally accepted in the United States. These accounting principles are subject to interpretation by the FASB, the SEC, and various other bodies. A change in those principles could have a significant effect on our reported results and might affect our reporting of transactions completed before a change is announced. For example, we have used restricted stock and stock options grants as a fundamental component of our employee compensation packages. We believe that such grants directly motivate our employees to maximize long-term stockholder value and, through the use of vesting, encourage employees to remain in our employ. Several regulatory agencies and entities have made regulatory changes that could make it more difficult or expensive for us to grant stock options or restricted stock to employees. We may, as a result of these changes, incur increased compensation costs, change our equity compensation strategy or find it difficult to attract, retain and motivate employees, any of which could materially and adversely affect our business, operating results and financial condition.

## **Risks Related to the Economy in the United States and Globally**

*The effects of the past recession in the United States and general downturn in the global economy, including financial market disruptions, could have an adverse impact on our business, operating results or financial condition.*

Our operating results also may be affected by uncertain or changing economic conditions such as the challenges that are currently affecting economic conditions in the United States and the global economy. If global economic and market conditions, or economic conditions in the United States or other key markets, remain uncertain or persist, spread, or deteriorate further, we may experience material impacts on our business, operating results, and financial condition in a number of ways including negatively affecting our profitability and causing our stock price to decline.

*We face added business, political, regulatory, operational, financial and economic risks as a result of our international operations and distribution, any of which could increase our costs and hinder our growth.*

We expect international sales to continue to be an important component of our revenues. Risks affecting our international operations include:

- challenges caused by distance, language and cultural differences;
- multiple and conflicting laws and regulations, including complications due to unexpected changes in these laws and regulations;
- the burdens of complying with a wide variety of foreign laws and regulations;
- higher costs associated with doing business internationally;
- difficulties in staffing and managing international operations;
- greater fluctuations in sales to end users and through carriers in developing countries, including longer payment cycles and greater difficulty collecting accounts receivable;
- protectionist laws and business practices that favor local businesses in some countries;
- foreign tax consequences;
- foreign exchange controls that might prevent us from repatriating income earned in countries outside the United States;
- price controls;
- the servicing of regions by many different carriers;
- imposition of public sector controls;
- political, economic and social instability, including relating to the current European sovereign debt crisis;
- restrictions on the export or import of technology;
- trade and tariff restrictions;
- variations in tariffs, quotas, taxes and other market barriers; and
- difficulties in enforcing intellectual property rights in countries other than the United States.

In addition, developing user interfaces that are compatible with other languages or cultures can be expensive. As a result, our ongoing international expansion efforts may be more costly than we expect. Further, expansion into developing countries subjects us to the effects of regional instability, civil unrest and hostilities, and could adversely affect us by disrupting communications and making travel more difficult. These risks could harm our international expansion efforts, which, in turn, could materially and adversely affect our business, operating results and financial condition.

## **Risks Related to Potential Liability, our Intellectual Property and Content**

*If we do not adequately protect our intellectual property rights, it may be possible for third parties to obtain and improperly use our intellectual property and our competitive position may be adversely affected.*

Our intellectual property is an essential element of our business. We rely on a combination of copyright, trademark, trade secret and other intellectual property laws and restrictions on disclosure to protect our intellectual property rights. To date, we have not obtained patent protection; however, applications have been submitted. Consequently, we may not be able to protect our technologies from independent invention by third parties.

We also seek to maintain certain intellectual property as trade secrets. The secrecy could be compromised by outside parties, or by our employees, which could cause us to lose the competitive advantage resulting from these trade secrets.

We also face risks associated with our trademarks. For example, there is a risk that our international trademark applications may be considered too generic or that the words “Digital” or “Turbine” could be separately or compositely trademarked by third parties with competitive products who may try and block our applications or sue us for trademark dilution which could have adverse effects on our financial status.

Despite our efforts to protect our intellectual property rights, unauthorized parties may attempt to copy or otherwise to obtain and use our intellectual property. Monitoring unauthorized use of our intellectual property is difficult and costly, and we cannot be certain that the steps we have taken will prevent infringement, piracy, and other unauthorized uses of our intellectual property, particularly internationally where the laws may not protect our intellectual property rights as fully as in the United States. In the future, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our management and resources.

In addition, although we require third parties to sign agreements not to disclose or improperly use our intellectual property, it may still be possible for third parties to obtain and improperly use our intellectual properties without our consent. This could harm our business, operating results and financial condition.

*Third parties may sue us for intellectual property infringement, which, if successful, may disrupt our business and could require us to pay significant damage awards.*

Third parties may sue us for intellectual property infringement or initiate proceedings to invalidate our intellectual property, either of which, if successful, could disrupt the conduct of our business, cause us to pay significant damage awards or require us to pay licensing fees. In the event of a successful claim against us, we might be enjoined from using our licensed intellectual property, we might incur significant licensing fees and we might be forced to develop alternative technologies. Our failure or inability to develop non-infringing technology or software or to license the infringed or similar technology or software on a timely basis could force us to withdraw products and services from the market or prevent us from introducing new products and services. In addition, even if we are able to license the infringed or similar technology or software, license fees could be substantial and the terms of these licenses could be burdensome, which might adversely affect our operating results. We might also incur substantial expenses in defending against third-party infringement claims, regardless of their merit. Successful infringement or licensing claims against us might result in substantial monetary liabilities and might materially disrupt the conduct of our business.

*Litigation may harm our business.*

Substantial, complex or extended litigation could cause us to incur significant costs and distract our management. For example, lawsuits by employees, stockholders, collaborators, distributors, customers, competitors, end-users or others could be very costly and substantially disrupt our business. Disputes from time to time with such companies, organizations or individuals are not uncommon, and we cannot assure you that we will always be able to resolve such disputes or on terms favorable to us. Unexpected results could cause us to have financial exposure in these matters in excess of recorded reserves and insurance coverage, requiring us to provide additional reserves to address these liabilities, therefore impacting profits. Carriers or other customers have and may try to include us as defendants in suits brought against them by their own customers or third parties. In such cases, the risks and expenses would be similar to those where we are the party directly involved in the litigation.

***Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, damages caused by malicious software and other losses.***

In the ordinary course of our business, most of our agreements with carriers and other distributors include indemnification provisions. In these provisions, we agree to indemnify them for losses suffered or incurred in connection with our products and services, including as a result of intellectual property infringement and damages caused by viruses, worms and other malicious software. The term of these indemnity provisions is generally perpetual after execution of the corresponding license agreement, and the maximum potential amount of future payments we could be required to make under these indemnification provisions is generally unlimited. Large future indemnity payments could harm our business, operating results and financial condition.

***Our business in countries with a history of corruption and transactions with foreign governments, including with government owned or controlled wireless carriers, increase the risks associated with our international activities.***

As we operate and sell internationally, we are subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by the United States and other business entities for the purpose of obtaining or retaining business. We have operations, deal with carriers, and make sales in countries known to experience corruption, particularly certain emerging countries in Eastern Europe, Latin America, and Asia. Further international expansion may involve more of these countries. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, consultants, sales agents or distributors that could be in violation of various laws including the FCPA, even though these parties are not always subject to our control. We have attempted to implement safeguards to discourage these practices by our employees, consultants, sales agents and distributors. However, our existing safeguards and any future improvements may prove to be less than effective, and our employees, consultants, sales agents or distributors may engage in conduct for which we might be held responsible. Violations of the FCPA may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

***Government regulation of our marketing methods could restrict our ability to adequately advertise and promote our content, products and services available in certain jurisdictions.***

The governments of some countries have sought to regulate the methods and manner in which certain of our products and services may be marketed to potential end-users. Regulation aimed at prohibiting, limiting or restricting various forms of advertising and promotion we use to market our products and services could also increase our cost of operations or preclude the ability to offer our products and services altogether. As a result, government regulation of our marketing efforts could have a material adverse effect on our business, financial condition or results of operations.

## Risks Relating to Our Common Stock and Capital Structure

### *The Company has secured and unsecured indebtedness, which could limit its financial flexibility.*

The Company's outstanding secured indebtedness of \$20.0 million as of March 31, 2020, and its ability to borrow up to an additional \$5.0 million under its revolving credit facility, could have significant negative consequences including:

- increasing the Company's vulnerability to general adverse economic and industry conditions;
- limiting the Company's ability to obtain additional financing;
- violating a financial covenant, resulting in the indebtedness to be paid back immediately and thus negatively impacting our liquidity;
- requiring additional financial covenant measurement consents or default waivers without enhanced financial performance in the short term;
- requiring the use of a substantial portion of any cash flow from operations to service indebtedness, thereby reducing the amount of cash flow available for other purposes, including capital expenditures;
- limiting the Company's flexibility in planning for, or reacting to, changes in the Company's business and the industry in which it competes, including by virtue of the requirement that the Company remain in compliance with certain negative operating covenants included in the credit arrangements under which the Company will be obligated as well as meeting certain reporting requirements; and
- placing the Company at a possible competitive disadvantage to less leveraged competitors that are larger and may have better access to capital resources.

The term loan under the credit facility 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 \$0.25 million 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 facility) for the fiscal year, which percentage is determined based on the Company's total funded debt to consolidated adjusted EBITDA ratio.

Our credit facility also contains a fixed charge ratio and a total funded debt to consolidated adjusted EBITDA ratio. There can be no assurance we will continue to satisfy these ratio covenants. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Recent Developments" for a description of these ratio covenants. If we fail to satisfy these covenants, the lender may declare a default, which could lead to acceleration of the debt maturity. Any such default would have a material adverse effect on the Company.

The collateral pledged to secure our secured debt, consisting of all of our and our subsidiaries' assets, would be available to the secured creditor in a foreclosure, in addition to many other remedies. Accordingly, any adverse change in our ability to service our secured debt could result in an event of default, cross default and foreclosure or forced sale. Depending on the value of the assets, there could be little if any assets available for common stockholders in any foreclosure or forced sale.

### *To service our debt and fund our other capital requirements, we will require a significant amount of cash, and our ability to generate cash will depend on many factors beyond our control.*

The term loan under our credit facility 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 \$0.25 million 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 our credit facility) for the fiscal year, which percentage is determined based on the Company's total funded debt to consolidated adjusted EBITDA ratio.

Our ability to meet our debt service obligations and to fund working capital, capital expenditures and investments in our business, will depend upon our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control. For example, this could include general and regional economic, financial, competitive, legislative, regulatory and other factors. We cannot ensure that we will generate cash flow from operations, or that future borrowings will be available, in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional indebtedness or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations.

***The market price of our common stock is likely to be highly volatile and subject to wide fluctuations, and you may be unable to resell your shares at or above the current price.***

The market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond our control, including announcements of new products or services by our competitors. In addition, the market price of our common stock could be subject to wide fluctuations in response to a variety of factors, including:

- quarterly variations in our revenues and operating expenses;
- developments in the financial markets, and the worldwide or regional economies;
- announcements of innovations or new products or services by us or our competitors;
- significant sales of our common stock or other securities in the open market; and
- changes in accounting principles.

In the past, stockholders have often instituted securities class action litigation after periods of volatility in the market price of a company's securities. If a stockholder were to file any such class action suit against us, we would incur substantial legal fees and our management's attention and resources would be diverted from operating our business to respond to the litigation, which could harm our business.

***If we fail to comply with the continued listing requirements of the NASDAQ Capital Market, our common stock may be de-listed and the price of our common stock and our ability to access the capital markets could be negatively impacted.***

Our common stock is listed for trading on the NASDAQ Capital Market (“NASDAQ”). On May 26, 2020, the last reported sale price for our common stock on the NASDAQ Capital Market was \$6.11 per share and the closing price of our common stock has traded in a range from a low of \$3.43 per share to a high of \$8.88 per share during fiscal year 2020. We must continue to satisfy NASDAQ’s continued listing requirements, including, among other things, a minimum closing bid price requirement of \$1.00 per share for 30 consecutive business days. If a company trades for 30 consecutive business days below the \$1.00 minimum closing bid price requirement, NASDAQ will send a deficiency notice to the company, advising that it has been afforded a “compliance period” of 180 calendar days to regain compliance with the applicable requirements. Thereafter, if such a company does not regain compliance with the bid price requirement, a second 180-day compliance period may be available.

A de-listing of our common stock from NASDAQ could materially reduce the liquidity of our common stock and result in a corresponding material reduction in the price of our common stock. In addition, de-listing could harm our ability to raise capital through alternative financing sources on terms acceptable to us, or at all, and may result in the potential loss of confidence by investors, employees and fewer business development opportunities.

***The sale of securities by us in any equity or debt financing, or the issuance of new shares related to an acquisition, could result in dilution to our existing stockholders and have a material adverse effect on our earnings.***

Any sale or issuance of common stock by us in a future offering or acquisition could result in dilution to the existing stockholders as a direct result of our issuance of additional shares of our capital stock. In addition, our business strategy may include expansion through internal growth by acquiring complimentary businesses, acquiring or licensing additional brands, or establishing strategic relationships with targeted customers and suppliers. In order to do so, or to finance the cost of our other activities, we may issue additional equity securities that could dilute our stockholders’ stock ownership. We may also assume additional debt and incur impairment losses related to goodwill and other tangible assets if we acquire another company, and this could negatively impact our earnings and results of operations.

***We may choose to raise additional capital to accelerate the growth of our business, and we may not be able to raise capital to grow our business on terms acceptable to us or at all.***

Should we choose to pursue alternatives to accelerate the growth or enhance our existing business, we may require significant cash outlays and commitments. If our cash, cash equivalents and short-term investments balances and any cash generated from operations are not sufficient to meet our cash requirements, we may seek additional capital, potentially through debt or equity financings, to fund our growth. We may not be able to raise needed cash on terms acceptable to us or at all. Financings, if available, may be on terms that are dilutive or potentially dilutive to our stockholders, and the prices at which new investors would be willing to purchase our securities may be lower than the fair market value of our common stock. The holders of new securities may also receive rights, preferences or privileges that are senior to those of existing holders of our common stock.

***Future sales of our common stock in the public market could lower the market price for our common stock.***

In the future, we may sell additional shares of our common stock or securities convertible into our common stock to raise capital. In addition, a substantial number of shares of our common stock is reserved for issuance upon the exercise of stock options, and the vesting of restricted stock units and restricted stock. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sale of substantial amounts of common stock, or the perception that such issuances and sales may occur, could adversely affect the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

***If securities or industry analysts do not publish research or reports about our business, or if they downgrade their recommendations regarding our common stock, our stock price and trading volume could decline.***

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about our business or us. If any of the analysts who cover us downgrade our common stock, our common stock price would likely decline. If analysts cease coverage of the Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our common stock price or trading volume to decline.

*We do not anticipate paying dividends.*

Our secured and unsecured indebtedness essentially prevents all payments of dividends to our stockholders. Even if such dividends were permitted by the applicable lenders, we have never paid cash or other dividends on our common stock. Payment of dividends on our common stock is within the discretion of our Board of Directors and will depend upon our earnings, our capital requirements and financial condition, and other factors deemed relevant by our Board of Directors. However, the earliest our Board of Directors would likely consider a dividend is if we begin to generate excess cash flow.

*If we fail to maintain an effective system of internal controls, we might not be able to report our financial results accurately or prevent fraud; in that case, our stockholders could lose confidence in our financial reporting, which could negatively impact the price of our stock.*

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. In addition, Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires us to evaluate and report on our internal control over financial reporting. Management concluded that our internal controls over financial reporting were effective as of March 31, 2020; refer to Item 9A of this Annual Report on Form 10-K for more information about management's assessment of internal controls. We cannot be certain that measures taken by the Company will continue to ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Even if we are able to conclude that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we discover material weaknesses or significant deficiencies in our internal controls, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in our financial statements and harm our stock price. In addition, if we fail to comply with the applicable portions of Section 404, we could be subject to a variety of civil and administrative sanctions and penalties, including ineligibility for short form resale registration, action by the SEC, and the inability of registered broker-dealers to make a market in our common stock.

*Maintaining and improving our financial controls and the requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified members for our Board of Directors.*

As a public company, we are subject to the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act. Additionally, the time and effort required to maintain communications with shareholders and the public markets can be demanding on senior management, which can divert focus from operational and strategic efforts. The requirements of the public markets and the related regulatory requirements has resulted in an increase in our legal, accounting and financial compliance costs, may make some activities more difficult, time-consuming and costly and may place undue strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. This can be difficult to do. For example, we depend on the reports of wireless carriers for information regarding the amount of sales of our products and services and to determine the amount of royalties we owe branded content licensors and the amount of our revenues. These reports may not be timely, and in the past they have contained, and in the future they may contain, errors.

In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we expend significant resources and provide significant management oversight. We have a substantial effort ahead of us to implement appropriate processes, document our system of internal control over relevant processes, assess their design, remediate any deficiencies identified and test their operation. As a result, management's attention may be diverted from other business concerns, which could harm our business, operating results and financial condition. These efforts will also involve substantial accounting-related costs.

The Sarbanes-Oxley Act makes it more difficult and more expensive for us to maintain directors' and officers' liability insurance, and we may be required in the future to accept reduced coverage or incur substantially higher costs to maintain coverage. If we are unable to maintain adequate directors' and officers' insurance, our ability to recruit and retain qualified directors, and officers will be significantly curtailed.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 2. PROPERTIES**

The principal offices of Digital Turbine, Inc. are located at 110 San Antonio Street, Austin, Texas 78701. Digital Turbine also leases properties in Durham, North Carolina and Arlington, Virginia through its wholly-owned subsidiaries DT Media and Mobile Posse, respectively; and internationally in Tel Aviv, Israel and Singapore through its wholly-owned subsidiaries DT EMEA and DT Singapore, respectively.

## **ITEM 3. LEGAL PROCEEDINGS**

The information required by this Item 3 is incorporated herein by reference to the information set forth under the caption "Legal Matters" in Note "Commitments and Contingencies" of the Notes to the Consolidated Financial Statements in Item 8 of this Annual Report.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## **PART II**

## **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES**

### ***Market Information***

Our common stock is traded on the NASDAQ Capital Market under the symbol "APPS."

### ***Holder***

As of May 26, 2020, there were 124 holders of record of our common stock. There were also an undetermined number of holders who hold their stock in nominee or "street" name.

### ***Dividends***

We have not declared cash dividends on our common stock since our inception and we do not anticipate paying any cash dividends in the foreseeable future. Further, any such dividends would be substantially restricted by our secured and unsecured indebtedness.

### ***Purchases of Equity Securities by the Issuer and Affiliated Purchaser***

There were no purchases of equity securities by us during the fiscal year ended March 31, 2020.

### ***Recent Sale of Unregistered Securities***

None.

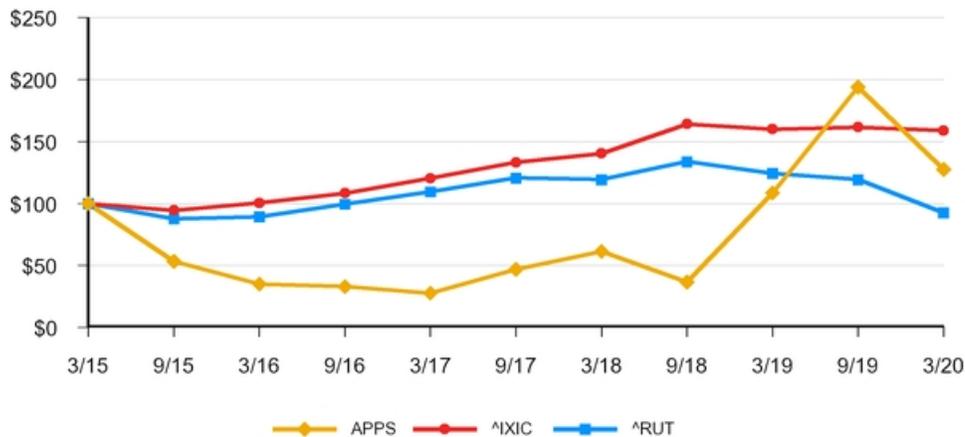
### ***Performance Graph***

This performance graph shall not be deemed "soliciting material" or "filed" with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under Section 18, and shall not be deemed to be incorporated by reference into any filing of ours under the Securities Act of 1933, as amended.

The graph set forth below compares the cumulative total stockholder return on an initial investment of \$100 in our common stock between March 31, 2015 and March 31, 2020, with the comparative cumulative total return of such amount on (i) the NASDAQ Composite Index (IXIC) and (ii) the Russell 2000 Index (RUT) over the same period. We have not paid any cash dividends and, therefore, the cumulative total return calculation for us is based solely upon stock price appreciation (depreciation) and not upon reinvestment of cash dividends. The comparisons shown in the graph below are based upon

historical data. We caution that the stock price performance shown in the graph below is not necessarily indicative of, nor is it intended to forecast, the potential future performance of our common stock.

#### COMPARISON OF CUMULATIVE TOTAL RETURN



#### ITEM 6. SELECTED FINANCIAL DATA

The following Selected Financial Data has been revised to reflect discontinued operations (see "Discontinued Operations" in Note 4 to the Consolidated Financial Statements in Item 8 of this Annual Report).

The following selected consolidated financial data should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our Consolidated Financial Statements and the related Notes included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

The Consolidated Statements of Operations and Comprehensive Income / (Loss) data for each of the three years ended March 31, 2020, 2019, and 2018 and the consolidated balance sheet data as of March 31, 2020 and 2019 are derived from and qualified by reference to our audited consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K. The Consolidated Statements of Operations and Comprehensive Loss data for the two years ended March 31, 2017 and 2016 and the consolidated balance sheet data as of March 31, 2018, 2017, and 2016 are derived from our audited financial statements not included elsewhere in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of our results in any future period.

For further information, see Part I, Item 1, "Business" under the heading "History of Digital Turbine, Inc." of this Annual Report on Form 10-K.

	Year ended March 31,				
	2020	2019	2018	2017	2016
	(in thousands, except per share amounts)				
<b>Results of Operations</b>					
Net revenues	\$ 138,715	\$ 103,569	\$ 74,751	\$ 40,207	\$ 22,251
Income / (loss) from operations	13,212	3,445	(5,809)	(16,971)	(22,534)
Income / (loss) from continuing operations, net of taxes	14,280	(4,302)	(19,697)	(19,138)	(24,492)
Basic net income / (loss) per common share from continuing operations	\$ 0.17	\$ (0.06)	\$ (0.28)	\$ (0.29)	\$ (0.40)
Weighted-average common shares outstanding from continuing operations, basic	84,594	77,440	70,263	66,511	61,763
Diluted net income / (loss) per common share from continuing operations	0.16	(0.06)	(0.28)	(0.29)	(0.40)
Weighted-average common shares outstanding from continuing operations, diluted	89,558	77,440	70,263	66,511	61,763
<b>Balance Sheet Data</b>					
Cash	\$ 21,534	\$ 10,894	\$ 12,720	\$ 6,149	\$ 11,231
Working capital <sup>(1)</sup>	(24,362)	713	(2,678)	(7,109)	(9,308)
Total assets <sup>(2)</sup>	\$ 184,011	\$ 82,861	\$ 86,607	\$ 107,580	\$ 121,940
Long-term obligations	23,748	8,195	12,529	14,761	815
Total stockholders' equity	\$ 77,454	\$ 36,358	\$ 27,672	\$ 62,045	\$ 82,271

<sup>(1)</sup> Working capital number excludes assets and liabilities held for disposal on the balance sheet.

<sup>(2)</sup> Total assets include assets classified as held for disposal on the balance sheet as they were still owned by the Company at the balance sheet date.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Financial Statements and the notes thereto included in Item 8 of this Annual Report. This discussion contains certain forward-looking statements that involve substantial risks and uncertainties, and is subject to, and claims the protection of, the disclaimer regarding forward-looking statements contained immediately before Item 1, which disclaimer is incorporated herein by reference. When used in this Annual Report on Form 10-K, the words "anticipate," "believe," "estimate," "expect," "would," "could," "may," and similar expressions, as they relate to our management or us, are intended to identify such forward-looking statements. Our actual results, performance, or achievements could differ materially from those expressed in, or implied by, these forward-looking statements as a result of a variety of factors including those set forth under "Risk Factors" under Item 1A and elsewhere in this filing. Historical operating results are not necessarily indicative of the trends in operating results for any future period.

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide investors with an understanding of our recent performance, financial condition, and prospects and should be read in conjunction with the Consolidated Financial Statements contained in Item 8, "Financial Statements and Supplementary Data," in this Annual Report on Form 10-K.

All numbers are in thousands, except share and per share amounts.

### ***Company Overview***

Digital Turbine, Inc., through its subsidiaries, simplifies content discovery and delivers it directly to the device. Its on-device media platform powers frictionless application and content discovery, user acquisition and engagement, operational efficiency, and monetization opportunities. Through March 31, 2020, Digital Turbine's technology platform has been adopted by more than 40 mobile operators and OEMs, and has delivered more than 3 billion application preloads for tens of thousands of advertising campaigns. The Company operates this business as one operating and reportable segment - Media Distribution, previously referred to as the operating segment - O&O, and the reportable segment - Advertising.

As the Company's suite of product offerings expands, both organically and through acquisition, we believe that this renaming of our reporting and operating segment better reflects the way management views the business. There are no changes or historical differences to prior period product offerings and financial information that were referred to as the Advertising segment. While advertising, in general, remains a focus of our Media Distribution segment, we feel that this change in name more accurately conveys to the reader what we do for our customers and partners.

The Company's Media Distribution business consists of an advertiser solution for unique and exclusive carrier and OEM inventory, which is comprised of services including:

- An application and content management software platform that enables operators and OEMs to control, manage, and monetize applications installed at the time of activation and over the life of a device;
- Programmatic advertising and targeted media delivery; and
- Other products and professional services offered related to the core platform.

With global headquarters in Austin, Texas and offices in Durham, North Carolina; San Francisco, California; Arlington, Virginia; São Paulo, Brazil; Mexico City, Mexico; Mumbai, India; Singapore; and Tel Aviv, Israel, Digital Turbine's solutions are available worldwide. For additional information visit [www.digitalturbine.com](http://www.digitalturbine.com).

### ***Recent Developments***

On February 28, 2020, Digital Turbine Media, Inc. ("DT Media"), a wholly-owned subsidiary of the Company, completed the acquisition of Mobile Posse, Inc. ("Mobile Posse") pursuant to a Stock Purchase Agreement with ACME Mobile, LLC ("ACME"), Mobile Posse, and certain equity holders of ACME. DT Media acquired (the "Acquisition") all of the outstanding capital stock of Mobile Posse in exchange for an estimated total consideration of: (1) \$41.5 million in cash paid at closing (which was subject to customary closing purchase price adjustments) and (2) an estimated earn-out of \$23.7 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 will 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 will be paid every three months with a true-up calculation and payment after the first nine months of the Earn-Out Period.

On February 28, 2020, the Company entered into a Credit Agreement (the "New Credit Agreement") with Western Alliance Bank (the "Bank"), which provides for (1) a term loan of \$20.0 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 \$5.0 million to be used for working capital purposes. DT Media and Digital Turbine USA, Inc. ("DT USA") are additional co-borrowers under the New Credit Agreement. 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 \$0.25 million to \$1.25 million over the term of the term loan. The revolving line of credit matures on February 28, 2025. The Company's Business Finance Agreement, dated May 23, 2017 (the "Credit Agreement"), with the Bank was terminated on February 28, 2020.

#### *Media Distribution Business*

The Company's Media Distribution business is an advertiser solution for unique and exclusive carrier and OEM inventory, which is comprised of first boot and recurring life-cycle products, features, and professional services delivered through our platform.

Our software platform enables mobile operators and OEMs to control, manage, and monetize devices through application installation at the time of activation and over the life of a device. The platform allows mobile operators to personalize the application activation experience for customers and monetize their home screens via revenue share agreements such as: Cost-Per-Install (CPI), Cost-Per-Placement (CPP), Cost-Per-Action (CPA) with third-party advertisers; or via Per-Device-License Fees (PDL) agreements, which allow operators and OEMs to leverage the platform, its products, and other features for a structured fee. Setup Wizard, Dynamic Installs, or Software Development Kit ("SDK") are the delivery methods available to operators and OEMs on first boot of the device. Additional products and features are available throughout the life-cycle of the device that provide operators and OEMs additional opportunity for media delivery revenue streams. The Company has launched its software with operators and OEMs in North America, Latin America, Europe, Israel, and Asia-Pacific.

The acquisition of Mobile Posse provides an additional platform option, outside of our core platform, to monetize user actions over the life-cycle of a device by delivering media rich advertising content to the end user, and providing operators and OEMs with an additional opportunity for revenue streams synergistic with our core platform.

#### *Disposition of the Content Reportable Segment and A&P Business*

On April 29, 2018, the Company entered into two distinct disposition agreements with respect to select assets owned by our subsidiaries.

DT APAC and DT Singapore (together, "Pay Seller"), each wholly-owned subsidiaries of the Company, entered into an Asset Purchase Pay Agreement (the "Pay Agreement"), dated April 23, 2018, with Chargewave Ptd Ltd ("Pay Purchaser") to sell certain assets (the "Pay Assets") owned by the Pay Seller related to the Company's Direct Carrier Billing business. The Pay Purchaser is principally owned and controlled by Jon Mooney, an officer of the Pay Seller. At the closing of the asset sale, Mr. Mooney was no longer employed by the Company or Pay Seller. As consideration for this asset sale, Digital Turbine is entitled to receive certain license fees, profit-sharing, and equity participation rights as outlined in the Company's Form 8-K filed May 1, 2018 with the SEC. The transaction was completed on July 1, 2018 with an effective date of July 1, 2018. With the sale of these assets, the Company exited the reporting segment of the business previously referred to as the Content business.

DT Media, a wholly-owned subsidiary of the Company, entered into an Asset Purchase Agreement (the "A&P Agreement"), dated April 28, 2018, with Creative Clicks B.V. (the "A&P Purchaser") to sell business relationships with various advertisers and publishers (the "A&P Assets") related to the Company's Advertising and Publishing business. As consideration for this asset sale, we are entitled to receive a percentage of the gross profit derived from these customer agreements for a period of three years as outlined in the Company's Form 8-K filed May 1, 2018 with the SEC. The transaction was completed on June 28, 2018 with an effective date of June 1, 2018. With the sale of these assets, the Company exited the operating segment of the business previously referred to as the A&P business, which was previously part of the Advertising segment, the Company's sole continuing reporting segment.

These dispositions have allowed the Company to benefit from a streamlined business model, simplified operating structure, and enhanced management focus.

***Discontinued Operations***

As a result of the dispositions, the results of operations from our Content reporting segment and A&P business within the Advertising reporting segment are reported as "Loss from discontinued operations, net of taxes" and the related assets and liabilities are classified as "held for disposal" in the Consolidated Financial Statements in Item 8 of this Annual Report. The Company has recast prior period amounts presented within this report to provide visibility and comparability.

All discussions in this Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, unless otherwise noted, relate to the remaining continuing operations in our sole operating segment after the dispositions, the Media Distribution business.

## RESULTS OF OPERATIONS

Below are our revenues, costs of revenues, and expenses for fiscal years 2020, 2019, and 2018. This information should be read in conjunction with our Consolidated Financial Statements and Notes thereto in Item 8 in this Annual Report.

	Year ended March 31,			Year ended March 31,		
	2020	2019	% of Change	2019	2018	% of Change
	(in thousands, except per share amounts)			(in thousands, except per share amounts)		
Net revenues	\$ 138,715	\$ 103,569	33.9 %	\$ 103,569	\$ 74,751	38.6 %
License fees and revenue share	83,588	65,981	26.7 %	65,981	47,967	37.6 %
Other direct costs of revenues	1,454	2,023	(28.1)%	2,023	1,729	17.0 %
Gross profit	53,673	35,565	50.9 %	35,565	25,055	41.9 %
Total operating expenses	40,461	32,120	26.0 %	32,120	30,864	4.1 %
Income / (loss) from operations	13,212	3,445	283.5 %	3,445	(5,809)	(159.3)%
Interest income / (expense)	41	(1,120)	(103.7)%	(1,120)	(2,067)	(45.8)%
Foreign exchange transaction gain / (loss)	—	3	(100.0)%	3	(148)	(102.0)%
Change in fair value of convertible note embedded derivative liability	—	(1,008)	(100.0)%	(1,008)	(7,559)	(86.7)%
Change in fair value of warrant liability	(9,580)	(4,875)	96.5 %	(4,875)	(3,208)	52.0 %
Loss on extinguishment of debt	—	(431)	(100.0)%	(431)	(1,785)	(75.9)%
Other income / (expense)	232	153	51.6 %	153	(72)	(312.5)%
Income / (loss) from continuing operations before income taxes	3,905	(3,833)	(201.9)%	(3,833)	(20,648)	(81.4)%
Income tax (benefit) / provision	(10,375)	469	(2,312.2)%	469	(951)	(149.3)%
Income / (loss) from continuing operations, net of taxes	\$ 14,280	\$ (4,302)	(431.9)%	\$ (4,302)	\$ (19,697)	(78.2)%
Basic net income / (loss) per common share from continuing operations	\$ 0.17	\$ (0.06)	(383.3)%	\$ (0.06)	\$ (0.28)	(78.6)%
Weighted-average common shares outstanding, basic	84,594	77,440	9.2 %	77,440	70,263	10.2 %
Diluted net income / (loss) per common share from continuing operations	0.16	(0.06)	(366.7)%	(0.06)	(0.28)	(78.6)%
Weighted-average common shares outstanding, diluted	\$ 89,558	\$ 77,440	15.6 %	\$ 77,440	\$ 70,263	10.2 %

### Net revenues

#### *Fiscal 2020 compared to fiscal 2019*

During the year ended March 31, 2020, revenues increased \$35,146, or 33.9%, compared to the prior year's period.

The Company's Media Distribution business is an advertiser solution for unique and exclusive carrier and OEM inventory. During the years ended March 31, 2020 and 2019, the Media Distribution business, primarily through silent application delivery, was the main driver of our revenues. Our application delivery and management software enables operators and OEMs to control, manage, and monetize applications installed at the time of activation and over the life of a device. This increase in net revenues was attributable to increased demand for our core services, which led to higher CPI and CPP revenue per available placement, and which was driven primarily by increased revenue from advertising partners as placement across existing commercial partners expands, as well as expanded distribution with new partners and the deployment or expansion of new services and features. Fiscal year ended March 31, 2020 included \$4,817 of revenue contribution from the acquisition of Mobile Posse.

With respect to customer revenue concentration, during the year ended March 31, 2020 one major customer, Oath Inc., a subsidiary of Verizon Communications, represented 15.3% of net revenues. During the year ended March 31, 2019, one major customer, Oath Inc., a subsidiary of Verizon Communications, represented 28.6% of net revenues.

With respect to partner revenue concentration, the Company partners with mobile carriers and OEMs to deliver applications on our platform through the carrier network. During the years ended March 31, 2020 and 2019, Verizon Wireless, a subsidiary of Verizon Communications, a carrier partner, generated 37.3% and 45.9%, respectively, while AT&T Inc., a carrier partner, including its Cricket subsidiary, generated 30.0% and 38.7%, respectively, of our net revenues. Additionally, during the year ended March 31, 2020 America Movil, primarily through its subsidiary Tracfone Wireless Inc., generated 10.7% of our net revenues.

A reduction or delay in operating activity from these customers or partners, or a delay or default in payment by these customers, or a termination of the Company's agreements with these customers, could materially harm the Company's business and prospects. The Company is not aware of any material changes to these relationships, or material reductions or delays in operating activity with these customers or partners.

#### *Fiscal 2019 compared to fiscal 2018*

During the year ended March 31, 2019, revenues increased \$28,818, or 38.6%, compared to the prior year's period. Growth stemmed from significant growth attributable to increased demand for our core services, which led to higher CPI and CPP revenue per available placement. This is driven primarily by increased revenue from advertising partners as placement across existing commercial partners expands, as well as expanded distribution with new partners and the deployment or expansion of new services and features.

With respect to customer revenue concentrations, during the year ended March 31, 2019, one major customer, Oath Inc., a subsidiary of Verizon Communications, represented 28.6% of net revenues. During the year ended March 31, 2018, two major customers, Oath Inc. and Machine Zone, Inc., represented 23.5% and 16.1% of net revenues, respectively.

With respect to partner revenue concentration, the Company partners with mobile carriers and OEMs to deliver applications on our platform through the carrier network. During the years ended March 31, 2019 and 2018, Verizon Wireless, a subsidiary of Verizon Communications, a carrier partner, generated 45.9% and 51.5%, respectively, while AT&T Inc., a carrier partner, including its Cricket subsidiary, generated 38.7% and 34.3%, respectively, of our net revenues.

#### **Gross margins**

	Year ended March 31,			Year ended March 31,		
	2020	2019	% of Change	2019	2018	% of Change
	(in thousands)			(in thousands)		
Gross margin \$	53,673	35,565	50.9%	35,565	25,055	41.9%
Gross margin %	38.7%	34.3%		34.3%	33.5%	

#### *Fiscal 2020 compared to fiscal 2019*

Total gross margin, inclusive of the impact of other direct cost of revenues (amortization of intangibles), was \$53,673, or 38.7%, for the year ended March 31, 2020, versus \$35,565, or 34.3%, for the year ended March 31, 2019. The increase in gross margin dollars of \$18,108, or 50.9%, is primarily attributable to an increase in carrier and advertiser demand in the O&O business positively impacted by improved yield from a higher mix of non-dynamic install revenue for the year ended March 31, 2020.

#### *Fiscal 2019 compared to fiscal 2018*

Total gross margin, inclusive of the impact of other direct cost of revenues (amortization of intangibles), was \$35,565, or 34.3%, for the year ended March 31, 2019, versus \$25,055, or 33.5%, for the year ended March 31, 2018. The increase in gross margin dollars of \$10,510, or 41.9%, is primarily attributable to an increase in carrier and advertiser demand in the O&O

business. Overall gross margin percentage increased as growth was coupled with higher gross margin O&O revenue contracts with new and existing partners as well as lower amortization of intangibles.

## Operating expenses

	Year ended March 31,			Year ended March 31,		
	2020	2019	% of Change	2019	2018	% of Change
	(in thousands)			(in thousands)		
Product development	\$ 12,018	\$ 10,876	10.5%	\$ 10,876	\$ 9,653	12.7 %
Sales and marketing	11,244	8,212	36.9%	8,212	6,087	34.9 %
General and administrative	17,199	13,032	32.0%	13,032	15,124	(13.8)%
Total operating expenses	\$ 40,461	\$ 32,120	26.0%	\$ 32,120	\$ 30,864	4.1 %

Product development expenses include the development and maintenance of the Company's product suite. Expenses in this area are primarily a function of personnel.

Sales and marketing expenses represent the costs of sales and marketing personnel, advertising and marketing campaigns, and campaign management.

General and administrative expenses represent management, finance, and support personnel costs in both the parent and subsidiary companies, which include professional and consulting costs, in addition to other costs such as rent, stock-based compensation, and depreciation expense.

### Fiscal 2020 compared to fiscal 2019

Total operating expenses for the years ended March 31, 2020 and 2019 were approximately \$40,461 and \$32,120, respectively, representing a year-over-year increase of approximately \$8,341, or 26.0%. This change is a result of continued growth including the acquisition of Mobile Posse. Company-wide cost control measures show the Company's ability to scale revenue at a greater rate than operating expense.

Product development expenses for the years ended March 31, 2020 and 2019 were approximately \$12,018 and \$10,876, respectively, representing a year-over-year increase of approximately \$1,142, or 10.5%. The increase in costs over the comparative periods is primarily a function of personnel hired during fiscal year 2020 and hosting expenses associated with development activity.

Sales and marketing expenses for the years ended March 31, 2020 and 2019 were approximately \$11,244 and \$8,212, respectively, representing a year-over-year increase of approximately \$3,032, or 36.9%. The increase in sales and marketing expenses over the comparative periods is primarily attributable to increased travel expenses for existing personnel, the addition of new personnel in existing markets related to the Company's continued expansion of its global footprint, and increased commissions associated with the sales team generating more revenue through new and existing advertising relationships and markets.

General and administrative expenses for the years ended March 31, 2020 and 2019 were approximately \$17,199 and \$13,032, respectively, representing a year-over-year increase of approximately \$4,167, or 32.0%. The increase over the comparative periods is primarily attributable to employee-related expenses as a function of higher headcount, increased stock option expense, increase in depreciation and amortization related to capitalized internal-use software, and expenses incurred for the acquisition of Mobile Posse.

### ***Fiscal 2019 compared to fiscal 2018***

Total operating expenses for the years ended March 31, 2019 and 2018 were \$32,120 and \$30,864, respectively, an increase of \$1,256, or 4.1%.

Product development expenses for the years ended March 31, 2019 and 2018 were \$10,876 and \$9,653, respectively, an increase of \$1,223, or 12.7%. The increase in costs over the comparative periods is primarily a function of incremental personnel hired during fiscal year 2019 and hosting expenses associated with development activity.

Sales and marketing expenses for the years ended March 31, 2019 and 2018 were \$8,212 and \$6,087, respectively, an increase of \$2,125, or 34.9%. The increase in sales and marketing expenses over the comparative periods is primarily attributable to increased travel expenses related to the Company's continued expansion of its global footprint and increased commissions associated with the sales team generating more revenue through new and existing advertising relationships.

General and administrative expenses for the years ended March 31, 2019 and 2018 were \$13,032 and \$15,124, respectively, a decrease of \$2,092, or 13.8%. The decrease over the comparative periods is primarily attributable to lower employee-related expenses, as well as lower legal, accounting, and other professional consulting costs.

### **Interest and other income / (expense), net**

	Year ended March 31,			Year ended March 31,		
	2020	2019	% of Change	2019	2018	% of Change
	(in thousands)			(in thousands)		
Interest income / (expense)	\$ 41	\$ (1,120)	(103.7)%	\$ (1,120)	\$ (2,067)	(45.8)%
Foreign exchange transaction gain / (loss)	—	3	(100.0)%	3	(148)	(102.0)%
Change in fair value of convertible note embedded derivative liability	—	(1,008)	(100.0)%	(1,008)	(7,559)	(86.7)%
Change in fair value of warrant liability	(9,580)	(4,875)	96.5 %	(4,875)	(3,208)	52.0 %
Loss on extinguishment of debt	—	(431)	(100.0)%	(431)	(1,785)	(75.9)%
Other income / (expense)	232	153	51.6 %	153	(72)	(312.5)%
Total interest and other income / (expense), net	\$ (9,307)	\$ (7,278)	27.9 %	\$ (7,278)	\$ (14,839)	(51.0)%

### ***Fiscal 2020 compared to fiscal 2019***

Total interest and other income / (expense), net, for the years ended March 31, 2020 and 2019 were \$(9,307) and \$(7,278), respectively, an increase in net expenses of \$2,029, or 27.9%. This change in total interest and other income / (expense), net, was primarily attributable to the changes in interest income / (expense), and fair value of warrant liability. The changes in fair values of embedded derivative and warrant liabilities were due to the change in the Company's stock price from \$3.50 at March 31, 2019 to \$4.18 at March 31, 2020, partially offset by the settling of all of the remaining derivative instruments during the fiscal year.

### ***Fiscal 2019 compared to fiscal 2018***

Total interest and other income / (expense), net, for the years ended March 31, 2019 and 2018 were \$(7,278) and \$(14,839), respectively, a decrease in net expenses of \$7,561 or 51.0%. This change in total interest and other income / (expense), net, was primarily attributable to the changes in interest income / (expense), fair value of convertible note embedded derivative liability, fair value of warrant liability, and loss on extinguishment of debt. The changes in fair values of embedded derivative and warrant liabilities were due to the change in the Company's stock price from \$2.01 at March 31, 2018 to \$3.50 at March 31, 2019, partially offset by the settling of \$5,700 of the underlying debt instruments, which resulted in the loss on extinguishment of \$431. The decrease in interest expense is also due to the conversion of all \$5,700 of the remaining outstanding convertible notes (defined below).

### ***Interest income / (expense)***

In the year ended March 31, 2020, interest expense was attributable to 1) fees related to obtaining debt, which were recorded as debt issuance costs and expensed as a component of interest expense over the life of the debt; and 2) interest expense incurred on the New Credit Agreement at approximately 5.5% (LIBOR + 3.75% with a 1.75% LIBOR floor). During the majority of the year ended March 31, 2020, the Company had no outstanding debt and incurred no interest expense.

In prior comparative periods, interest expense was primarily attributable to 1) fees related to the obtaining debt, which were recorded as debt issuance costs and expensed as a component of interest expense over the life of the debt; 2) interest expense incurred from the \$16,000 aggregate principal amount of 8.75% Convertible Notes due 2020 (the "Notes"), issued on September 28, 2016, and from amounts drawn on our business finance agreement (the "Credit Agreement") with Western Alliance Bank (the "Bank") at approximately 6.75% (Wall Street Journal Prime Rate + 0.50%); and 3) amortization of debt discount related to the Notes, which were expensed as a component of interest expense over the life of the debt.

Interest income consists of interest income earned on our cash.

The Company recorded \$41, \$(1,120), and \$(2,067) of aggregate interest income / (expense), inclusive of debt discount and debt issuance cost amortization, during the years ended March 31, 2020, 2019, and 2018, respectively.

### ***Change in fair value of convertible note embedded derivative liability***

The Company accounts for the convertible note embedded derivative liability issued in accordance with US GAAP accounting guidance under ASC 815 applicable to derivative instruments, which requires every derivative instrument within its scope to be recorded on the balance sheet as either an asset or liability measured at its fair value, with changes in fair value recognized in earnings. All convertible notes were settled prior to the year ended March 31, 2020 and therefore no amounts associated with this derivative liability were recognized in the year ended March 31, 2020.

During the year ended March 31, 2019, the Company recorded a loss from change in fair value of convertible note embedded derivative liability of \$1,008 due to the increase of the Company's stock price from \$2.01 at March 31, 2018 to \$3.50 at March 31, 2019, partially offset by the settling of \$5,700 of the underlying debt instruments.

During the year ended March 31, 2018, the Company recorded a loss from change in fair value of convertible note embedded derivative liability of \$7,559 due to the increase of the Company's stock price from \$0.94 at March 31, 2017 to \$2.01 at March 31, 2018.

### ***Change in fair value of warrant liability***

The Company accounts for the warrants issued in connection with the above-noted sale of Notes in accordance with US GAAP accounting guidance under ASC 815 applicable to derivative instruments, which requires every derivative instrument within its scope to be recorded on the balance sheet as either an asset or liability measured at its fair value, with changes in fair value recognized in earnings. Based on this guidance, the Company determined that these warrants did not meet the criteria for classification as equity. Accordingly, the Company classified the warrants as long-term liabilities. The warrants are subject to re-measurement at each balance sheet date, with any change in fair value recognized as a component of other income (expense), net in the statements of operations.

Due to the valuation of the derivative liability being highly sensitive to the trading price of the Company's stock, the increase and decrease in the trading price of the Company's stock has the impact of increasing the (loss) and gain, respectively. During the year ended March 31, 2020, the Company recorded a loss from change in fair value of warrant liability of \$9,580 due to the increase of the Company's stock price from \$3.50 at March 31, 2019 to \$4.18 at March 31, 2020, partially offset by the exercise of all remaining warrants. All warrants related to these Notes have been exercised as of March 31, 2020 and the associated liability settled.

During the year ended March 31, 2019, the Company recorded a loss from change in fair value of warrant liability of \$4,875 due to the increase of the Company's stock price from \$2.01 at March 31, 2018 to \$3.50 at March 31, 2019, partially offset by the exercise of 484,900 warrants.

During the year ended March 31, 2018, the Company recorded a loss from change in fair value of warrant liability of \$3,208 due to the increase of the Company's stock price from \$0.94 at March 31, 2017 to \$2.01 at March 31, 2018, partially offset by the exercise of 256,600 warrants.

#### ***Loss on extinguishment of debt***

No loss on debt was recorded during the year ended March 31, 2020.

During the year ended March 31, 2019, connected with the settlement of a portion of the convertible notes, the Company recorded a loss on extinguishment of debt of \$431, which represents the difference between the carrying value of the settled debt (including underlying derivative instruments) and the consideration given to settle the debt, in this case primarily stock.

During the year ended March 31, 2018, connected with the settlement of a portion of the convertible notes, the Company recorded a loss on extinguishment of debt of \$1,785, which represents the difference between the carrying value of the settled debt (including underlying derivative instruments) and the consideration given to settle the debt, in this case primarily stock.

#### **Liquidity and Capital Resources**

	<b>Year ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>(in thousands)</b>	
<b>Working capital<sup>(1)</sup></b>		
Current assets	\$ 58,447	\$ 35,097
Current liabilities	82,809	34,384
<b>Working capital</b>	<b>\$ (24,362)</b>	<b>\$ 713</b>

<sup>(1)</sup> Working capital number excludes assets and liabilities held for disposal on the balance sheet

Our primary sources of liquidity have historically been issuances of common and preferred stock, debt, and cash from operations. As of March 31, 2020, we had cash, including restricted cash, totaling approximately \$21,659. Working capital reductions from the prior presented balance sheet date are primarily due to amounts paid and accrued related to the Acquisition.

The Company anticipates that its primary sources of liquidity will continue to be cash on hand, cash provided by operations, and the credit available under the New Credit Agreement. In addition, the Company may raise additional capital through future equity or, subject to restrictions contained in the New Credit Agreement, debt financing to provide for greater flexibility to make acquisitions, make new investments in under-capitalized opportunities, or invest in organic opportunities. Additional financing may not be available on acceptable terms or at all. If the Company issues additional equity securities to raise funds, the ownership percentage of its existing stockholders would be reduced. New investors may demand rights, preferences, or privileges senior to those of existing holders of common stock. The Company believes that it has sufficient cash and capital resources to operate its business for at least twelve months from the filing date of this Annual Report on Form 10-K.

## Cash Flow Summary

	Year ended March 31,			Year ended March 31,		
	2020	2019	% of Change	2019	2018	% of Change
	(in thousands)			(in thousands)		
<b>Consolidated Statement of Cash Flows Data:</b>						
Net cash provided by operating activities - continuing operations	33,670	4,970	577.5 %	4,970	7,290	(31.8)%
Capital expenditures	(4,845)	(2,314)	109.4 %	(2,314)	(1,992)	16.2 %
Acquisition of Mobile Posse, net of cash received	(41,872)	—	(100.0)%	—	—	— %
Options and warrants exercised	6,488	734	783.9 %	734	687	6.8 %
Repayment of debt obligations	—	(1,650)	100.0 %	(1,650)	(1,098)	50.3 %
Payment of debt issuance costs	(313)	—	(100.0)%	—	(346)	(100.0)%
Proceeds from borrowings	20,000	—	100.0 %	—	2,500	(100.0)%
Effect of exchange rate changes on cash	(235)	(31)	658.1 %	(31)	(4)	675.0 %

### Operating Activities

During the years ended March 31, 2020 and 2019, the Company's net cash provided by operating activities from continuing operations was \$33,670 and \$4,970, respectively, an increase of \$28,700, or 577.5%. The increase in net cash provided by operating activities was primarily attributable to changes in fair value of warrant liability and working capital accounts, excluding current assets and current liabilities held for disposal, over the comparative periods.

During the year ended March 31, 2020, net cash provided by operating activities from continuing operations was \$33,670, resulting from net income of \$14,280 offset by net non-cash expenses of \$18,147, which included depreciation and amortization, change in allowance of doubtful accounts, non-cash interest expense, stock-based compensation, stock-based compensation for services rendered, and change in fair value of warrant liability of approximately \$2,342, \$2,866, \$6, \$2,710, \$643, and \$9,580, respectively. Depreciation and amortization expense decreased \$424 during fiscal 2020 compared to fiscal 2019, due primarily to certain intangible assets being fully amortized in the year ended March 31, 2019. Net cash provided by operating activities during fiscal 2020 was negatively impacted by the net change in working capital accounts as of March 31, 2020 compared to March 31, 2019, with a net increase over the comparative periods in current liabilities of \$15,239 offset by an increase in current assets of approximately \$5,036.

During the year ended March 31, 2019, net cash provided by operating activities from continuing operations was \$4,970, resulting from a net loss of \$4,302 offset by net non-cash expenses of \$12,792, which included depreciation and amortization, change in allowance of doubtful accounts, non-cash interest expense, stock-based compensation, stock-based compensation for services rendered, change in fair value of convertible note embedded derivative liability, change in fair value of warrant liability, and loss on extinguishment of debt of approximately \$2,766, \$383, \$798, \$2,011, \$520, \$1,008, \$4,875, and \$431, respectively. Net cash provided by operating activities during fiscal 2019 was positively impacted by the net change in working capital accounts as of March 31, 2019 compared to March 31, 2018, with a net increase over the comparative periods in current liabilities of approximately \$2,394 offset by an increase in current assets of approximately \$5,914.

During the year ended March 31, 2018, net cash provided by operating activities from continuing operations was \$7,290, resulting from a net loss of \$19,697 offset by net non-cash expenses of \$19,507, which included depreciation and amortization, change in allowance of doubtful accounts, non-cash interest expense, stock-based compensation, stock-based compensation for services rendered, change in fair value of convertible note embedded derivative liability, change in fair value of warrant liability, and loss on extinguishment of debt of approximately \$2,660, \$299, \$1,018, \$2,655, \$323, \$7,559, \$3,208, and \$1,785, respectively. Net cash provided by operating activities during fiscal 2018 was negatively impacted by the net change in working capital accounts as of March 31, 2018 compared to March 31, 2017, with a net increase over the comparative periods in current liabilities of \$15,826 offset by an increase in current assets of approximately \$7,651.

### ***Investing Activities***

During the year ended March 31, 2020, cash used in investing activities was approximately \$46,717, which includes the acquisition of Mobile Posse for \$41,872 and capital expenditures of \$4,845 comprised mostly of internally-developed software.

During the year ended March 31, 2019, cash used in investing activities was approximately \$2,314, which includes capital expenditures of \$2,314 comprised mostly of internally-developed software.

During the year ended March 31, 2018, cash used in investing activities was approximately \$1,992, which includes capital expenditures of \$1,992 comprised mostly of internally-developed software.

### ***Financing Activities***

During the year ended March 31, 2020, cash provided by financing activities was approximately \$26,175, which is primarily attributable to proceeds from borrowings of \$20,000 to partially finance the acquisition of Mobile Posse and proceeds received from the exercise of stock options and warrants of approximately \$6,488, offset by the payment of debt issuance costs of \$313 related to the borrowings for the Mobile Posse acquisition.

During the year ended March 31, 2019, cash used in financing activities was approximately \$916, which is primarily attributable to the repayment of debt obligations of approximately \$1,650 offset by proceeds received from the exercise of stock options and warrants of approximately \$734.

During the year ended March 31, 2018, cash provided by financing activities was approximately \$1,743, which is primarily attributable to proceeds from borrowings of \$2,500 and proceeds received from the exercise of stock options and warrants of approximately \$687, offset by the repayment of debt obligations of approximately \$1,098 and payment of debt issuance costs of \$346 related to borrowings.

### ***Senior Credit Facility***

On February 28, 2020, the Company entered into a Credit Agreement (the "New Credit Agreement") with Western Alliance Bank (the "Bank"), which provides for (1) a term loan of \$20,000, the proceeds of which the Company used to pay a portion of the closing cash purchase price for the acquisition of Mobile Posse, and (2) a revolving line of credit of \$5,000 to be used for working capital purposes. DT USA and DT Media are additional co-borrowers under the New Credit Agreement.

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 to \$1,250 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 New 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. As of March 31, 2020, no amount was drawn under the revolving line of credit.

Amounts outstanding under the New 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 New Credit Agreement are secured by a perfected first-priority security interest in all the assets of the Company and its subsidiaries. The New 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. The Company's Business Finance Agreement, dated May 23, 2017 (the "Credit Agreement"), with the Bank was terminated on February 28, 2020.

### ***Convertible Notes and Warrants***

On September 28, 2016, the Company sold \$16,000 aggregate principal amount of 8.75% convertible notes maturing on September 23, 2020, unless converted, repurchased or redeemed in accordance with their terms prior to such date (the "Notes"). As of March 31, 2019, all of the Notes had been extinguished and the underlying indenture relieved. The Company also issued warrants to purchase shares of the Company's common stock in connection with the issuance of the Notes. During

the year ended March 31, 2020, all remaining warrants were exercised. No outstanding warrants remained outstanding at March 31, 2020.

#### ***Earn-Out Payment Obligation under Mobile Posse Stock Purchase Agreement***

On February 28, 2020, DT Media, a wholly-owned subsidiary of the Company, completed the acquisition of Mobile Posse pursuant to a Stock Purchase Agreement with ACME Mobile, LLC (“ACME”), Mobile Posse, and certain equityholders of ACME. DT Media acquired all of the outstanding capital stock of Mobile Posse in exchange for an estimated total consideration of: (1) \$41,500 in cash paid at closing (which was subject to customary closing purchase price adjustments) and (2) an estimated earn-out of \$23,735, 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 will 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 will be paid every three months with a true-up calculation and payment after the first nine months of the Earn-Out Period. The earn-out amounts are determined based on the actual results of operations of Mobile Posse and therefore cannot be determined at March 31, 2020. Accordingly, no amounts associated with this earn-out payment obligation are included in the table of Contractual Cash Obligations below.

#### ***Off-Balance Sheet Arrangements***

We do not have any relationships with unconsolidated entities or financial partners, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not have any undisclosed borrowings or debt, and we have not entered into any synthetic leases. We believe, therefore, that we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

#### ***Contractual Cash Obligations***

The following table summarizes our contractual cash obligations at March 31, 2020:

<i>Contractual cash obligations</i>	<b>Total</b>	<b>Payments Due by Period</b>			
		<b>Less Than 1 Year</b>	<b>1-3 Years</b>	<b>3 to 5 Years</b>	<b>More Than 5 Years</b>
Operating leases (a)	\$ 8,720	\$ 1,658	\$ 3,423	\$ 2,757	\$ 882
Debt repayments	20,000	1,250	4,750	14,000	—
Bank fees	10	10	—	—	—
Uncertain tax positions (b)	—	—	—	—	—
<b>Total contractual cash obligations</b>	<b>\$ 28,730</b>	<b>\$ 2,918</b>	<b>\$ 8,173</b>	<b>\$ 16,757</b>	<b>\$ 882</b>

(a) Consists of operating leases for our office facilities.

(b) We have approximately \$975 in additional liabilities associated with uncertain tax positions that are not expected to be liquidated within the next twelve months. We are unable to reliably estimate the expected payment dates for these additional non-current liabilities.

## **Critical Accounting Policies**

The discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to contingencies, litigation and goodwill and intangibles acquired relating to our acquisitions. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

### *Basis of Presentation*

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for annual financial statements. The financial statements, in the opinion of management, include all adjustments necessary for a fair statement of the results of operations, financial position and cash flows for each period presented.

### *Estimates and Assumptions*

The preparation of our financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## **Revenue from Contracts with Customers**

The Company adopted Accounting Standards Codification ("ASC") 606 on April 1, 2018, and ASC 606 is effective from the period beginning April 1, 2018, using the modified retrospective method for all contracts not completed as of the effective date. For contracts that were modified before the effective date, the Company reflected the aggregate effect of all modifications when identifying performance obligations and allocating transaction price in accordance with practical expedient ASC 606-10-65-1-(f)-4, which did not have a material effect on the adjustment to accumulated deficit. The adoption of ASC 606 represents a change in accounting principle that will more closely align revenue recognition with the delivery of the Company's services and will provide financial statement readers with enhanced disclosures. In accordance with ASC 606, revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these services.

*To achieve this core principle, the Company applied the following five steps:*

### *1) Identify the contract with a customer*

A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights regarding the services to be transferred and identifies the payment terms related to these services, (ii) the contract has commercial substance, and (iii) the Company determines that collection of substantially all consideration for services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. The Company applies judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience or, in the case of a new customer, published credit and financial information pertaining to the customer.

## *2) Identify the performance obligations in the contract*

Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised services, the Company must apply judgment to determine whether promised services are capable of being distinct and distinct in the context of the contract. If these criteria are not met the promised services are accounted for as a combined performance obligation.

## *3) Determine the transaction price*

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring services to the customer. None of the Company's contracts contain financing or variable consideration components.

## *4) Allocate the transaction price to performance obligations in the contract*

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis. The Company determines standalone selling price based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

## *5) Recognize revenue when or as the Company satisfies a performance obligation*

The Company satisfies performance obligations at a point in time as discussed in further detail under "Disaggregation of Revenue" below. Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised service to a customer.

### ***Disaggregation of Revenue***

All of the Company's performance obligations, and associated revenue, are generally transferred to customers at a point in time.

### ***Media Distribution***

The Company's advertising business consists of Media Distribution, an advertiser solution for unique and exclusive carrier and OEM inventory, which is comprised of services including:

- An application management software that enables mobile operators and OEMs to control, manage, and monetize applications installed at the time of activation and over the life of a mobile device. This allows mobile operators to personalize the application activation experience for customers and monetize their home screens via Cost-Per-Install or CPI arrangements, Cost-Per-Placement or CPP arrangements, and/or Cost-Per-Action or CPA arrangements with third party advertisers. There are several different delivery methods available to operators and OEMs on first boot of the device: Wizard, Silent, or Software Development Kit ("SDK"). Optional notification features are available throughout the life-cycle of the device, providing operators additional opportunity for advertising revenue streams.
- Programmatic advertising and targeted media delivery. This allows operators to monetize their operator branded on phone applications by showing in application advertisements via cost per thousand impression arrangements, and page view arrangements; and
- Other products and professional services offered related to the core platform.

### *Carriers and OEMs*

The Company generally offers these services under a vendor contract revenue share model or under a customer contract per device license fee model with carriers and OEMs for a two to four year software as a service ("SaaS") license agreement. These agreements typically include the following services: the access to the SaaS platform, hosting fees, solution features, and general support and maintenance. The Company has concluded that each promised service is delivered concurrently with all other promised service over the contract term and, as such, has concluded these promises are a single performance obligation that includes a series of distinct services that have the same pattern of transfer to the customer. Consideration for the Company's license arrangements consist of fixed and usage based fees, invoiced monthly or quarterly. The Company's contracts do not include advance non-refundable fees. Monthly license fees are based on the number of devices on a per device license fee basis. Monthly hosting and maintenance fees are generally fixed. These monthly fees are subject to a service level agreement ("SLA"), which requires that the services are available to the customer based on a predefined performance criteria. If the services do not meet these criteria, monthly fees are subject to adjustment or refund. The Company satisfies its performance obligation by providing access to its SaaS platform over time and processing transactions. For non-usage based fees, the period of time over which the Company performs its obligations is inherently commensurate with the contract term. The performance obligation is recognized on time elapsed basis, by month for which the services are provided. For usage-based fees, revenue is recognized in the month in which the Company provides the usage to the customer.

### *Third-Party Advertisers*

#### *Application Management Software*

The Company generally offers these services under a customer contract Cost-Per-Install or CPI arrangements, Cost-Per-Placement or CPP arrangements, Cost-Per-Action or CPA arrangements with third-party advertisers and developers, as well as advertising aggregators, generally in the form of insertion orders that specify the type of arrangement (as detailed above) at particular set budget amounts/restraints. These advertiser customer contracts are generally short term in nature at less than one year as the budget amounts are typically spent in full within this time period. These agreements typically include the delivery of applications through partner networks, defined as carriers or OEMs, to home screens of devices. The Company has concluded that the delivery of the advertisers application is delivered at a point in time and, as such, has concluded these deliveries are a single performance obligation. The Company invoices fees which are generally variable based on the arrangement, which would typically include the number of applications delivered at a specified price per application. For applications delivered, revenue is recognized in the month in which the Company delivers the application to the end consumer.

#### *Programmatic advertising and targeted media delivery.*

The Company generally offers these services under cost per thousand impression and page view arrangements.

Through its mobile phone first screen applications and mobile web portals, the Company allocates space/inventory within its content products for display advertising. The Company's advertising customers can bid on each individual display ad and the highest bid wins the right to fill each ad impression. Advertising agencies acting on the behalf of advertisers bid on the ad placement via the Company's advertising exchange customers. If the bid is won, the ad is placed. The entire process happens almost instantly and on a continuous basis. The advertising exchanges bill and collect from the winning bidders and provide daily and monthly reports of the activity to the Company. Payments by the advertising exchanges are made net of revenue shares and certain administrative expenses to the Company. Revenue is sourced from the actual ad sales.

Through its mobile phone first screen applications and mobile web portals, the Company's platform recommends sponsored content to mobile phone users. This sponsored content takes the form of articles, graphics, pictures and similar content. Typical content sponsors are Outbrain and Taboola. Revenue is sourced from the clicks provided by the Company's user base.

Through its mobile phone first screen applications and mobile web portals, the Company drives consumers (web traffic) to the customer's website in exchange for a share of the revenue that the customer generates from the web traffic sourced from the Company's applications. The monetizing of the click/impression is performed by the customer through its website.

### *Professional Services*

The Company offers professional services that support the implementation of its platform for carriers and OEMs, including technology development and integration services. These contracts generally include delivery and integration of the technology development product and revenue recognized when formal acceptance is confirmed by the customer. Services are billed in one lump sum. For the majority of these contracts, for which the Company has the right to invoice the customer in an amount that directly corresponds with the value to the customer of the Company's performance to date, the Company recognizes revenue based on the amount billable to the customer in accordance with practical expedient ASC 606-10-55-18.

### *Costs to Obtain and Fulfill a Contract*

The Company capitalizes commission expenses paid to internal sales personnel that are incremental to obtaining customer contracts. These costs are deferred in "prepaid expenses and other current assets," net of any long-term portion included in "other non-current assets." The judgments made in determining the amount of costs incurred include whether the commissions are in fact incremental and would not have occurred absent the customer contract. Costs to obtain a contract are amortized as sales and marketing expense on a straight-line basis over the expected period of benefit. These costs are periodically reviewed for impairment. The Company has evaluated related activity in prior periods and have determined the costs to obtain a contract to be immaterial and do not require disclosure.

The Company capitalizes costs incurred to fulfill its contracts that i) relate directly to the contract, ii) are expected to generate resources that will be used to satisfy the Company's performance obligation under the contract and iii) are expected to be recovered through revenue generated under the contract. Contract fulfillment costs are expensed to cost of revenue as the Company satisfies its performance obligations by transferring the service to the customer. These costs, which are classified in "prepaid expenses and other current assets," net of any long term portion included in "other non-current assets," principally relate to direct costs that enhance resources under the Company's demand response contracts that will be used in satisfying future performance obligations. The Company has evaluated related activity in prior periods and have determined the costs to fulfill a contract to be immaterial and do not require disclosure.

### *Financial Statement Impact of Adopting ASC 606*

The Company adopted ASC 606 using the modified retrospective method. After applying the new guidance to all contracts with customers that were not completed as of April 1, 2017, the Company has determined no changes in revenues or contract costs for which an adjustment would be required to accumulated deficit as of the adoption date. As a result of applying the modified retrospective method to adopt the new revenue guidance, the Company determined that the impact of adoption was not material and that no adjustments would need to be made to accounts to the consolidated balance sheet as of April 1, 2017.

### *Carrier Revenue Share*

Revenues generated from advertising via direct CPI, CPP or CPA arrangements with application developers, indirect arrangements through advertising aggregators (ad networks), and cost per thousand impression or page view arrangements are shared with the carrier and the shared revenue is recorded as a cost of goods sold. In each case the revenue share with the carrier varies depending on the agreement with the carrier, and, in some cases, is based upon revenue tiers.

### *Software Development Costs*

The Company applies the principles of FASB ASC 985-20, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed ("ASC 985-20"). ASC 985-20 requires that software development costs incurred in conjunction with product development be charged to research and development expense until technological feasibility is established. Thereafter, until the product is released for sale, software development costs must be capitalized and reported at the lower of unamortized cost or net realizable value of the related product. At this time, we do not invest significant capital into the research and development phase of new products and features as the technological feasibility aspect of our platform products has either already been met or is met very quickly.

The Company has adopted the "tested working model" approach to establishing technological feasibility for its products and games. Under this approach, the Company does not consider a product in development to have passed the technological feasibility milestone until the Company has completed a model of the product that contains essentially all the functionality and features of the final product and has tested the model to ensure that it works as expected. Through fiscal year 2016, the Company had not incurred significant costs between the establishment of technological feasibility and the release of a product for sale; thus, the Company had expensed all software development costs as incurred. In fiscal year 2017, the Company began capitalizing costs related the development of software to be sold, leased, or otherwise marketed as we believe we have met the "tested working model" threshold. Costs will continue to be capitalized until the related software is released. The Company considers the following factors in determining whether costs can be capitalized: the emerging nature of the mobile market; the gradual evolution of the wireless carrier platforms and mobile phones for which it develops products; the lack of pre-orders or sales history for its products and games; the uncertainty regarding a product's or game's revenue-generating potential; its lack of control over the carrier distribution channel resulting in uncertainty as to when, if ever, a product will be available for sale; and its historical practice of canceling products at any stage of the development process.

After products and features are released, all product maintenance cost are expensed.

### *Presentation*

In order to facilitate the comparison of financial information, certain amounts reported in the prior year have been reclassified to conform to the current year presentation.

### *Concentrations of Credit Risk and Significant Customers*

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and accounts receivable. A significant portion of the Company's cash is held at two major financial institutions that the Company's management has assessed to be of high credit quality. The Company has not experienced any losses in such accounts.

The Company mitigates its credit risk with respect to accounts receivable by performing credit evaluations and monitoring advertisers' and carriers' accounts receivable balances. As of March 31, 2020, two major customers, Oath Inc., a subsidiary of Verizon Communications, represented 11.6% of the Company's net accounts receivable balance; and Outbrain Inc. represented 11.5% of the Company's net accounts receivable balance. As of March 31, 2019, one major customer, Oath Inc., a subsidiary of Verizon Communications, represented 25.7% of the Company's net accounts receivable balance.

### *Goodwill and Indefinite Life Intangible Assets*

Goodwill represents the excess of cost over fair value of net assets of businesses acquired. In accordance with FASB ASC 350-20 Goodwill and Other Intangible Assets, the value assigned to goodwill and indefinite lived intangible assets is not amortized to expense, but rather they are evaluated at least on an annual basis to determine if there are potential impairments. For goodwill and indefinite lived intangible assets, we complete what is referred to as the "Step 0" analysis which involves evaluating qualitative factors including macroeconomic conditions, industry and market considerations, cost factors, and overall financial performance. If our "Step 0" analysis indicates it is more likely than not that the fair value is less than the carrying amount, we would perform a quantitative two-step impairment test. The quantitative analysis compares the fair value of our reporting unit or indefinite-lived intangible assets to the carrying amounts, and an impairment loss is recognized equivalent to the excess of the carrying amount over the fair value. Fair value is determined based on discounted cash flows, market multiples or appraised values, as appropriate. Discounted cash flow analysis requires assumptions about the timing and amount of future cash inflows and outflows, risk, the cost of capital, and terminal values. Each of these factors can significantly affect the value of the intangible asset. The estimates of future cash flows, based on reasonable and supportable assumptions and projections, require management's judgment. Any changes in key assumptions about the Company's businesses and their prospects, or changes in market conditions, could result in an impairment charge. Some of the more significant estimates and assumptions inherent in the intangible asset valuation process include: the timing and amount of projected future cash flows; the discount rate selected to measure the risks inherent in the future cash flows; and the assessment of the asset's life cycle and the competitive trends impacting the asset, including consideration of any technical, legal or regulatory trends.

In the year ended March 31, 2020, the Company determined that there was no indicator of impairment of goodwill. In the year ended March 31, 2019 the Company determined that there was an impairment of goodwill related to the divestiture of its A&P and Content business lines, see Note "Goodwill" to the Company's consolidated financial statements in Item 8 of this Annual Report, no impairment was recorded against the Company's continuing operations. In performing the related valuation analysis, the Company used various valuation methodologies, including probability-weighted discounted cash flows, comparable transaction analysis, and market capitalization and comparable company multiple comparison.

### *Impairment of Long-Lived Assets and Finite Life Intangibles*

Long-lived assets, including, intangible assets subject to amortization primarily consist of customer relationships, license agreements and software that have been acquired and are amortized using the straight-line method over their useful life ranging from five to eight years and are reviewed for impairment in accordance with FASB ASC 360-10, Accounting for the Impairment or Disposal of Long-Lived Assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

### *Income Taxes*

The Company accounts for income taxes in accordance with FASB ASC 740-10, Accounting for Income Taxes (“ASC 740-10”), which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in its financial statements or tax returns. Under ASC 740-10, the Company determines deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of assets and liabilities along with net operating losses, if it is more likely than not the tax benefits will be realized using the enacted tax rates in effect for the year in which it expects the differences to reverse. To the extent a deferred tax asset cannot be recognized, a valuation allowance is established if necessary.

ASC 740-10 prescribes that a company should use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the “more-likely-than-not” recognition threshold should be measured as the largest amount of the tax benefits, determined on a cumulative probability basis, which is more likely than not to be realized upon ultimate settlement in the financial statements. We recognize interest and penalties related to income tax matters as a component of the provision for income taxes.

The Company’s income is subject to taxation in both the U.S. and foreign jurisdictions, including Israel, Germany, Luxembourg, Singapore and Australia. Significant judgment is required in evaluating the Company’s tax positions and determining its provision for income taxes. The Company establishes reserves for income tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves for tax contingencies are established when the Company believes that positions do not meet the more-likely-than-not recognition threshold. The Company adjusts uncertain tax liabilities in light of changing facts and circumstances, such as the outcome of a tax audit or lapse of a statute of limitations. The provision for income taxes includes the impact of uncertain tax liabilities and changes in liabilities that are considered appropriate.

### *Stock-based compensation*

We have applied FASB ASC 718 Share-Based Payment (“ASC 718”) and accordingly, we record stock-based compensation expense for all of our stock-based awards.

Under ASC 718, we estimate the fair value of stock options granted using the Black-Scholes option pricing model. The fair value for awards that are expected to vest is then amortized on a straight-line basis over the requisite service period of the award, which is generally the option vesting term. The amount of expense recognized represents the expense associated with the stock options we expect to ultimately vest based upon an estimated rate of forfeitures; this rate of forfeitures is updated as necessary and any adjustments needed to recognize the fair value of options that actually vest or are forfeited are recorded.

The Black-Scholes option pricing model, used to estimate the fair value of an award, requires the input of subjective assumptions, including the expected volatility of our common stock, interest rates, dividend rates and an option’s expected life. As a result, the financial statements include amounts that are based upon our best estimates and judgments relating to the expenses recognized for stock-based compensation.

### *Preferred Stock*

The Company applies the guidance enumerated in FASB ASC 480-10, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (“ASC 480-10”) when determining the classification and measurement of preferred stock. Preferred shares subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value in accordance with ASC 480-10. All other issuances of preferred stock are subject to the classification and measurement principles of ASC 480-10. Accordingly, the Company classifies conditionally redeemable preferred shares (if any), which includes preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company’s control, as temporary equity. At all other times, the Company classifies its preferred shares in stockholders’ equity.

### **Recently Issued Accounting Pronouncements**

Recent accounting pronouncements are detailed in Note 5 to our Consolidated Financial Statements included in PART II, Item 8 of this Annual Report on Form 10-K.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### ITEM 7A.

We have operations both within the United States and internationally and we are exposed to market risks in the ordinary course of our business. These risks primarily consist of interest rate fluctuation and foreign currency exchange risks.

#### *Interest Rate Fluctuation Risk*

The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Our cash consists of cash and deposits which are not insensitive to interest rate changes.

Our borrowings under our credit facility are subject to variable interest rates and thus expose us to interest rate fluctuations, depending on the extent to which we utilize the credit facility. If market interest rates materially increase, our results of operations could be adversely affected. A hypothetical increase in market interest rates of 100 basis points would result in an increase in our interest expense of \$0.01 million per year for every \$1 million of outstanding debt under the credit facility.

#### *Foreign Currency Exchange Risk*

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. dollar.

While a portion of our sales are denominated in these foreign currencies and then translated into the U.S. dollar, the vast majority of our media costs are billed in the U.S. dollar, causing both our revenue and, disproportionately, our operating income / (loss) and net income / (loss) to be impacted by fluctuations in exchange rates. In addition, gains / (losses) related to translating certain cash balances, trade accounts receivable balances, and inter-company balances that are denominated in these currencies impact our net income / (loss). As our foreign operations expand, our results may be more impacted by fluctuations in the exchange rates of the currencies in which we do business. At this time, we do not, but we may in the future, enter into financial instruments to hedge our foreign currency exchange risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

DIGITAL TURBINE, INC.

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The supplementary financial information required by this Item 8 is set forth in Note 21 of the Notes to the Consolidated Financial Statements under the caption "Supplemental Consolidated Financial Information."

## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Digital Turbine, Inc. and Subsidiaries

### Opinion on Financial Statements

We have audited the accompanying consolidated balance sheets of Digital Turbine, Inc. and Subsidiaries (collectively, the “Company”) as of March 31, 2020 and 2019, the related consolidated statements of operations and comprehensive income / (loss), stockholders’ equity and cash flows for each of the three years in the period ended March 31, 2020, and the related notes to consolidated financial statements (collectively, the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2020, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated June 2, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ SingerLewak LLP

We have served as the Company's auditor since 2009.

Los Angeles, California  
June 2, 2020

## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Digital Turbine, Inc. and Subsidiaries

### Opinion on Internal Control Over Financial Reporting

We have audited Digital Turbine, Inc. and Subsidiaries' (collectively, the "Company") internal control over financial reporting as of March 31, 2020, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2020, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), consolidated balance sheets as of March 31, 2020 and 2019 and the related consolidated statements of operations and comprehensive income / (loss), stockholders' equity and cash flows for each of the three years in the period ended March 31, 2020, and our report dated June 2, 2020 expressed an unqualified opinion.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded Mobile Posse, Inc. ("Mobile Posse") from its assessment of internal control over financial reporting as of March 31, 2020, because it was acquired by the Company in a purchase business combination in the fourth quarter of 2020. We have also excluded Mobile Posse from our audit of internal control over financial reporting. Mobile Posse is a wholly owned subsidiary whose total assets and net income represent approximately 51% and 7%, respectively, of the related consolidated financial statement amounts as of and for the year ended March 31, 2020.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company, in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations from management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the company's financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

/s/ SingerLewak LLP  
Los Angeles, California  
June 2, 2020

**Digital Turbine, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
(in thousands, except share and per share amounts)

	March 31, 2020	March 31, 2019
<b>ASSETS</b>		
Current assets		
Cash	\$ 21,534	\$ 10,894
Restricted cash	125	165
Accounts receivable, net of allowances of \$4,059 and \$895, respectively	33,135	22,707
Prepaid expenses and other current assets	3,653	1,331
Current assets held for disposal	—	2,026
<b>Total current assets</b>	<b>58,447</b>	<b>37,123</b>
Property and equipment, net	8,183	3,430
Right-of-use assets	4,237	—
Deferred tax assets	—	40
Intangible assets, net	43,882	—
Goodwill	69,262	42,268
<b>TOTAL ASSETS</b>	<b>\$ 184,011</b>	<b>\$ 82,861</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 31,579	\$ 14,912
Accrued license fees and revenue share	19,423	16,205
Accrued compensation	4,311	2,441
Accrued earn-out	23,735	—
Short-term debt, net of debt issuance costs of \$62 and \$0, respectively	1,188	—
Other current liabilities	2,573	826
Current liabilities held for disposal	—	3,924
<b>Total current liabilities</b>	<b>82,809</b>	<b>38,308</b>
Long-term debt, net of debt issuance costs of \$245 and \$0, respectively	18,505	—
Warrant liability	—	8,013
Other non-current liabilities	5,243	182
<b>Total liabilities</b>	<b>106,557</b>	<b>46,503</b>
<b>Stockholders' equity</b>		
Preferred stock		
Series A convertible preferred stock at \$0.0001 par value; 2,000,000 shares authorized, 100,000 issued and outstanding (liquidation preference of \$1,000)	100	100
Common stock		
\$0.0001 par value: 200,000,000 shares authorized; 88,041,240 issued and 87,306,784 outstanding at March 31, 2020; 82,354,940 issued and 81,620,485 outstanding at March 31, 2019	10	10
Additional paid-in capital	360,224	332,793
Treasury stock (754,599 shares at March 31, 2020 and March 31, 2019)	(71)	(71)
Accumulated other comprehensive loss	(591)	(356)
Accumulated deficit	(282,218)	(296,118)
<b>Total stockholders' equity</b>	<b>77,454</b>	<b>36,358</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 184,011</b>	<b>\$ 82,861</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Digital Turbine, Inc. and Subsidiaries**  
**Consolidated Statements of Operations and Comprehensive Income / (Loss)**  
(in thousands, except per share amounts)

	Year ended March 31,		
	2020	2019	2018
Net revenues	\$ 138,715	\$ 103,569	\$ 74,751
Costs of revenues			
License fees and revenue share	83,588	65,981	47,967
Other direct costs of revenues	1,454	2,023	1,729
Total cost of revenues	85,042	68,004	49,696
Gross profit	53,673	35,565	25,055
Operating expenses			
Product development	12,018	10,876	9,653
Sales and marketing	11,244	8,212	6,087
General and administrative	17,199	13,032	15,124
Total operating expenses	40,461	32,120	30,864
Income / (loss) from operations	13,212	3,445	(5,809)
Interest and other income / (expense), net			
Interest income / (expense)	41	(1,120)	(2,067)
Foreign exchange transaction gain / (loss)	—	3	(148)
Change in fair value of convertible note embedded derivative liability	—	(1,008)	(7,559)
Change in fair value of warrant liability	(9,580)	(4,875)	(3,208)
Loss on extinguishment of debt	—	(431)	(1,785)
Other income / (expense)	232	153	(72)
Total interest and other income / (expense), net	(9,307)	(7,278)	(14,839)
Income / (loss) from continuing operations before income taxes	3,905	(3,833)	(20,648)
Income tax (benefit) / provision	(10,375)	469	(951)
Income / (loss) from continuing operations, net of taxes	14,280	(4,302)	(19,697)
Loss from discontinued operations	(380)	(1,708)	(33,160)
Loss from discontinued operations, net of taxes	(380)	(1,708)	(33,160)
Net income / (loss)	13,900	(6,010)	(52,857)
Other comprehensive loss			
Foreign currency translation adjustment	(235)	(31)	(4)
Comprehensive income / (loss)	\$ 13,665	\$ (6,041)	\$ (52,861)
Basic net income / (loss) per common share			
Continuing operations	0.17	(0.06)	(0.28)
Discontinued operations	—	(0.02)	(0.47)
Basic net income / (loss) per common share	\$ 0.17	\$ (0.08)	\$ (0.75)
Weighted-average common shares outstanding, basic	84,594	77,440	70,263
Diluted net income / (loss) per common share			
Continuing operations	0.16	(0.06)	(0.28)
Discontinued operations	—	(0.02)	(0.47)
Diluted net income / (loss) per common share	\$ 0.16	\$ (0.08)	\$ (0.75)
Weighted-average common shares outstanding, diluted	89,558	77,440	70,263

The accompanying notes are an integral part of these consolidated financial statements.

**Digital Turbine, Inc. and Subsidiaries**  
**Consolidated Statements of Stockholders' Equity**  
(in thousands, except share amounts)

	Common Stock Shares	Amount	Preferred Stock Shares	Amount	Treasury Stock Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Total
Balance at March 31, 2017	66,594,807	\$ 8	100,000	\$ 100	754,599	\$ (71)	\$299,580	\$ (321)	\$(237,251)	\$ 62,045
Net loss	—	—	—	—	—	—	—	—	(52,857)	(52,857)
Foreign currency translation	—	—	—	—	—	—	—	(4)	—	(4)
Warrants issued for services rendered	—	—	—	—	—	—	28	—	—	28
Stock-based compensation	265,138	—	—	—	—	—	3,138	—	—	3,138
Compensation related to restricted shares and warrants issued for services rendered	100,000	—	—	—	—	—	69	—	—	69
Options exercised	258,281	—	—	—	—	—	269	—	—	269
Warrants exercised	266,152	—	—	—	—	—	350	—	—	350
Stock issued for settlement of liability	8,624,445	2	—	—	—	—	14,632	—	—	14,634
Balance at March 31, 2018	76,108,823	\$ 10	100,000	\$ 100	754,599	\$ (71)	\$318,066	\$ (325)	\$(290,108)	\$27,672
Net loss	—	—	—	—	—	—	—	—	(6,010)	(6,010)
Foreign currency translation	—	—	—	—	—	—	—	(31)	—	(31)
Stock-based compensation	306,656	—	—	—	—	—	2,568	—	—	2,568
Options exercised	424,817	—	—	—	—	—	423	—	—	423
Warrants exercised	333,924	—	—	—	—	—	1,154	—	—	1,154
Stock issued for settlement of liability	4,446,265	—	—	—	—	—	10,582	—	—	10,582
Balance at March 31, 2019	81,620,485	\$ 10	100,000	\$ 100	754,599	\$ (71)	\$332,793	\$ (356)	\$(296,118)	\$36,358
Net income	—	—	—	—	—	—	—	—	13,900	13,900
Foreign currency translation	—	—	—	—	—	—	—	(235)	—	(235)
Settlement of derivative liability	—	—	—	—	—	—	17,588	—	—	17,588
Stock-based compensation	48,449	—	—	—	—	—	2,710	—	—	2,710
Stock-based compensation for services rendered	75,494	—	—	—	—	—	643	—	—	643
Options exercised	2,279,266	—	—	—	—	—	3,865	—	—	3,865
Warrants exercised	3,283,090	—	—	—	—	—	2,625	—	—	2,625
Balance at March 31, 2020	87,306,784	\$ 10	100,000	\$ 100	754,599	\$ (71)	\$360,224	\$ (591)	\$(282,218)	\$77,454

The accompanying notes are an integral part of these consolidated financial statements.

**Digital Turbine, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(in thousands)

	Year ended March 31,		
	2020	2019	2018
<b>Cash flows from operating activities</b>			
Net income / (loss) from continuing operations, net of taxes	\$ 14,280	\$ (4,302)	\$ (19,697)
Adjustments to reconcile net income / (loss) to net cash used in operating activities:			
Depreciation and amortization	2,342	2,766	2,660
Change in allowance for doubtful accounts	2,866	383	299
Non-cash interest expense	6	798	1,018
Stock-based compensation	2,710	2,011	2,655
Stock-based compensation for services rendered	643	520	323
Change in fair value of convertible note embedded derivative liability	—	1,008	7,559
Change in fair value of warrant liability	9,580	4,875	3,208
Loss on extinguishment of debt	—	431	1,785
(Increase) / decrease in assets:			
Accounts receivable	(2,431)	(6,040)	(7,071)
Deferred tax assets	40	556	(244)
Prepaid expenses and other current assets	(747)	(430)	(336)
Right-of-use asset	(1,858)	—	—
Increase / (decrease) in liabilities:			
Accounts payable	16,168	(4,983)	8,108
Accrued license fees and revenue share	(3,630)	7,973	5,221
Accrued compensation	1,661	(525)	2,445
Other current liabilities	1,040	(253)	52
Other non-current liabilities	(9,000)	182	(695)
Net cash provided by operating activities - continuing operations	33,670	4,970	7,290
Net cash used in operating activities - discontinued operations	(2,293)	(3,701)	(324)
<b>Net cash provided by operating activities</b>	<b>31,377</b>	<b>1,269</b>	<b>6,966</b>
<b>Cash flows from investing activities</b>			
Capital expenditures	(4,845)	(2,314)	(1,992)
Acquisition of Mobile Posse, net of cash received	(41,872)	—	—
Net cash used in investing activities - continuing operations	(46,717)	(2,314)	(1,992)
Net cash used in investing activities - discontinued operations	—	—	(142)
<b>Net cash used in investing activities</b>	<b>(46,717)</b>	<b>(2,314)</b>	<b>(2,134)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	20,000	—	2,500
Payment of debt issuance costs	(313)	—	(346)
Options and warrants exercised	6,488	734	687
Repayment of debt obligations	—	(1,650)	(1,098)
<b>Net cash provided by / (used in) financing activities</b>	<b>26,175</b>	<b>(916)</b>	<b>1,743</b>
Effect of exchange rate changes on cash	(235)	(31)	(4)
<b>Net change in cash</b>	<b>10,600</b>	<b>(1,992)</b>	<b>6,571</b>
<b>Cash and restricted cash, beginning of year</b>	<b>11,059</b>	<b>13,051</b>	<b>6,480</b>
<b>Cash and restricted cash, end of year</b>	<b>\$ 21,659</b>	<b>\$ 11,059</b>	<b>\$ 13,051</b>
<b>Supplemental disclosure of cash flow information</b>			
Interest paid	\$ 101	\$ 383	\$ 1,071
<b>Supplemental disclosure of non-cash financing activities</b>			
Common stock of the Company issued for extinguishment of debt	\$ —	\$ 10,582	\$ 14,632
Cashless exercise of warrants to purchase common stock of the Company	\$ —	\$ 144	\$ 10
Derecognition of liability upon warrant exercise	\$ 17,593	\$ —	\$ —

The accompanying notes are an integral part of these consolidated financial statements.



**Digital Turbine, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**(in thousands, except share and per share amounts)**

**1. Organization**

Digital Turbine was incorporated in the state of Delaware in 1998. Digital Turbine, through its subsidiaries, works at the convergence of media and mobile communications, delivering end-to-end products and solutions for mobile operators, application advertisers, device OEMs and other third parties to enable them to effectively monetize media content and generate higher value user acquisition.

**2. Liquidity**

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern.

Our primary sources of liquidity have historically been issuance of common and preferred stock and debt. As of March 31, 2020, we had cash, including restricted cash, totaling approximately \$21,659.

On May 23, 2017, the Company entered into a business finance agreement (the "Credit Agreement") with Western Alliance Bank (the "Bank"). The Credit Agreement provides for a \$5,000 total facility. On May 22, 2019, the Company entered into an amendment to the Credit Agreement that extends the agreement through May 23, 2021 and provided for up to a \$20,000 total facility, subject to draw limitations derived from current levels of eligible domestic receivables.

On February 28, 2020, the Company entered into a new credit agreement (the "New Credit Agreement") with the Bank, which provides for (1) a term loan of \$20,000, the proceeds of which the Company used to pay a portion of the closing cash purchase price for the acquisition of Mobile Posse (the "Acquisition"), and (2) a revolving line of credit of \$5,000 to be used for working capital purposes. DT USA and DT Media are additional co-borrowers under the New Credit Agreement. 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 to \$1,250 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 New 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.

In connection with the Company entering into the New Credit Agreement with the Bank on February 28, 2020, the Company and the Bank terminated the Credit Agreement, dated as of May 23, 2017 (and the amendments thereto), which was the previous revolving credit facility of the Company.

As of March 31, 2020, the Company's drawn amount on the New Credit Agreement was \$20,000. Please refer to the "Debt" footnote for more detail.

The Company anticipates that its primary sources of liquidity will continue to be cash on hand, cash provided by operations, and the credit available under the New Credit Agreement. In addition, the Company may raise additional capital through future equity or, subject to restrictions contained in the Credit Agreement, debt financing to provide for greater flexibility to make acquisitions, make new investments in under-capitalized opportunities, or invest in organic opportunities. Additional financing may not be available on acceptable terms or at all. If the Company issues additional equity securities to raise funds, the ownership percentage of its existing stockholders would be reduced. New investors may demand rights, preferences, or privileges senior to those of existing holders of common stock.

During the evaluation by management of the Company's financial position, factors such as working capital, current market capitalization, enterprise value, and the fiscal year 2021 operating plan of the Company were considered when determining the ability of the Company to continue as a going concern. Recoverability of a major portion of the recorded asset amounts shown in the accompanying consolidated balance sheet is dependent upon continued operations of the Company, which, in turn, is dependent upon the Company's ability to generate positive cash flows from operations. Based on the year-over-year revenue and gross margin increases coupled with the Company's management of operating expenses and access to debt, management has determined that when considering all relevant quantitative and qualitative factors, the Company has sufficient cash and capital resources to continue to operate its business for at least twelve months from the filing date of this annual report on Form 10-K.

In view of the matters described in the preceding paragraphs, the consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts, or amounts and classifications of liabilities, that might be necessary should the Company be unable to continue its existence.

### 3. Acquisitions

On February 28, 2020, the Company completed the acquisition of Mobile Posse, Inc. ("Mobile Posse") pursuant to the previously-reported stock purchase agreement (the "Purchase Agreement") with ACME Mobile, LLC ("ACME"), Mobile Posse, and certain equity holders of ACME. The Company acquired (the "Acquisition") all of the outstanding capital stock of Mobile Posse in exchange for an estimated total consideration of: (1) \$41,500 in cash paid at closing (subject to customary closing purchase price adjustments) and (2) an estimated earn-out of \$23,735, 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, the Company will 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 will be paid quarterly with a true-up calculation and payment after the first nine months of the Earn-Out Period. The acquisition of cash is not reflected in the total consideration detailed above. Final working capital adjustments have not yet been determined.

The preliminary fair values of the assets acquired and liabilities assumed at the date of acquisition are as follows:

<b>Assets</b>	
Cash	\$ 4,613
Accounts receivable	10,864
Other current assets	422
Property, plant, and equipment	2,041
Right-of-use asset	2,379
Developed technology	1,600
Customer relationships	42,500
Goodwill	27,267
Other non current assets	1,473
<b>Total Assets</b>	<b>\$ 93,159</b>
<b>Liabilities</b>	
Accounts payable	\$ 499
Accrued license fees and revenue share	6,847
Accrued compensation	180
Other current liabilities	827
Non-current deferred tax liability	10,854
Other non-current liabilities	3,469
<b>Total Liabilities</b>	<b>\$ 22,676</b>

Note the the total consideration listed above excludes cash of \$4,613 and working capital adjustments.

The amortization period for the intangible assets acquired in the transaction are as follows:

<b>Intangible Asset</b>	<b>Remaining Useful Life</b>
Developed technology	5 years
Customer relationships	18 years
Goodwill	Indefinite

The operating results of Mobile Posse, Inc. which are included in the accompanying consolidated statements of operations from the acquisition date to March 31, 2020 are as follows:

	<b>Unaudited</b>	
Revenues	\$	4,817
Cost of goods sold		2,512
Gross profit		2,305
Operating expenses		1,290
<b>Net income</b>	<b>\$</b>	<b>1,015</b>

Unaudited pro forma combined financial statements are presented below for informational purposes only. The unaudited pro forma combined statements of operations for the twelve months ended March 31, 2020, 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.

**DIGITAL TURBINE, INC.**  
**PRO FORMA COMBINED STATEMENT OF OPERATIONS**  
**For the twelve months ended March 31, 2020**  
**(Unaudited)**  
**(in thousands, except share and per share data)**

	Historical Digital Turbine	Historical Mobile Posse	Pro Forma Adjustments	Footnote	Pro Forma Combined
	US\$	US\$	US\$		US\$
Net revenues	\$ 138,715	\$ 52,205	\$ —		\$ 190,920
Cost of revenues					
License fees and revenue share	83,588	24,932			108,520
Other direct cost of revenues	1,454	1,735			3,189
Total cost of revenues	85,042	26,667			111,709
Gross profit	53,673	25,538			79,211
Operating expenses					
Product development	12,018	6,831			18,849
Sales and marketing	11,244	4,794			16,038
General and administrative	17,199	5,518	173	(a)	22,890
Total operating expenses	40,461	17,143	173		57,777
Gain / (loss) from operations	13,212	8,395	(173)		21,434
Interest and other income / (expense), net					
Interest income / (expense), net	41	(1,741)	675	(b) (c)	(1,025)
Change in fair value of warrant liability	(9,580)	—			(9,580)
Loss on extinguishment of debt	—	(590)	590	(d)	—
Other income / (expense)	232	(1,421)			(1,189)
Total interest and other income / (expense), net	(9,307)	(3,752)	1,265		(11,794)
Income / (loss) from operations before income taxes	3,905	4,643	1,092		9,640
Income tax provision	(10,375)	1,668			(8,707)
Net income / (loss) from continuing operations, net of taxes	14,280	\$ 2,975	\$ 1,092		18,347
Income / (loss) from discontinued operations	(380)				(380)
Net income / (loss) from discontinued operations	(380)				(380)
Net income / (loss)	13,900				17,967
Foreign currency translation adjustment	(235)				(235)
Comprehensive income / (loss):	\$ 13,665				\$ 17,732
Basic net income / (loss) per common share					
Continuing operations	0.17				\$ 0.22
Discontinued operations	—				—
Net income / (loss)	\$ 0.17				\$ 0.22
Weighted average common shares outstanding, basic	84,594				84,594
Diluted net income / (loss) per common share					
Continuing operations	0.16				0.20
Discontinued operations	—				\$ —
Diluted net income / (loss) per common share	\$ 0.16				\$ 0.20
Weighted-average common shares outstanding, diluted	89,558				\$ 89,558

**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 US\$	Historical Mobile Posse US\$	Pro Forma Adjustments US\$	Footnote	Pro Forma Combined 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	—		3,926
Total cost of revenues	68,004	32,367	—		100,371
Gross profit	35,565	27,020	—		62,585
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	197	(a)	23,677
Total operating expenses	32,120	21,859	197		54,176
Gain / (loss) from operations	3,445	5,161	(197)		8,409
Interest and other income / (expense), net					
Interest income / (expense), net	(1,120)	(3,233)	2,071	(b) (c)	(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	1,874		(31)
Income tax provision	469	887	—		1,356
Net income / (loss) from continuing operations, net of taxes	(4,302)	\$ 1,041	\$ 1,874		(1,387)
Income / (loss) from discontinued operations	(1,708)				(1,708)
Net income / (loss) from discontinued operations	(1,708)				(1,708)
Net income / (loss)	(6,010)				(3,095)
Foreign currency translation adjustment	(31)				(31)
Comprehensive income / (loss):	\$ (6,041)				\$ (3,126)
Basic and diluted net income / (loss) per common share					
Continuing operations	\$ (0.06)				\$ (0.02)
Discontinued operations	(0.02)				(0.02)
Net income / (loss)	\$ (0.08)				\$ (0.04)
Weighted average common shares outstanding, basic	77,440				77,440
Weighted average common shares outstanding, diluted	77,440				77,440

Pro Forma Adjustments

(a) *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 18 years for customer relationships and 5 years for developed technology.

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

(c) *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.

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

#### 4. Discontinued Operations

On April 29, 2018, the Company entered into two distinct disposition agreements with respect to selected assets owned by our subsidiaries.

DT APAC and DT Singapore (together, "Pay Seller"), each wholly owned subsidiaries of the Company, entered into an Asset Purchase Pay Agreement (the "Pay Agreement"), dated as of April 23, 2018, with Chargewave Ptd Ltd ("Pay Purchaser") to sell certain assets (the "Pay Assets") owned by the Pay Seller related to the Company's Direct Carrier Billing business. The Pay Purchaser is principally owned and controlled by Jon Mooney, an officer of the Pay Seller. At the closing of the asset sale, Mr. Mooney was no longer employed by the Company or Pay Seller. As consideration for this asset sale, Digital Turbine is entitled to receive certain license fees, profit-sharing, and equity participation rights as outlined in the Company's Form 8-K filed on May 1, 2018 with the SEC. The transaction was completed on July 1, 2018 with an effective date of July 1, 2018. With the sale of these assets, the Company has determined that it will exit the segment of the business previously referred to as the Content business.

In accordance with the Pay Agreement, the Company assigned and transferred a material contract to the Pay Purchaser. Subsequent to the closing of the transaction associated with the Pay Agreement, the Company received notification from the Pay Purchaser that the partner to the material contract had terminated the contract with the Pay Purchaser. Due to the material contract being terminated, the Company has determined that the estimated earn out from the Pay Purchaser to be \$0. As all the assets being transferred had been fully impaired prior to the closing of the transaction, the gain/loss on sale related to the Pay Agreement transaction is currently estimated at \$0. Furthermore, the Company retained certain receivables and payables for content delivered for the benefit of the partner to the material contract, where these certain receivables and payables were all recognized prior to the closing of the Pay Agreement. These amounts were presented as assets and liabilities held for disposal in prior presented periods. As of March 31, 2020, the Company has determined there to be uncertainty surrounding the collectability of the receivables due to a breakdown in ongoing discussions with the business partner. We have determined that the amounts recorded are more likely than not to be uncollectible due to disputes surrounding the content delivered, furthermore the related payables would also be contractually withheld unless payment is received at a later date. At this time, the Company has reserved for all balances remaining, both receivables and payables, related to the discontinued operations of the Pay business. The total impact to the Company if all of the remaining receivables and payables are subsequently collected is immaterial. These fully reserved assets and liabilities remain on our books as of March 31, 2020.

DT Media, a wholly-owned subsidiary of the Company, entered into an Asset Purchase Agreement (the "A&P Agreement"), dated as of April 28, 2018, with Creative Clicks B.V. (the "A&P Purchaser") to sell business relationships with various advertisers and publishers (the "A&P Assets") related to the Company's Advertising and Publishing business. As consideration for this asset sale, we are entitled to receive a percentage of the gross profit derived from these customer agreements, for a period of three years, as outlined in the Company's Form 8-K filed on May 1, 2018 with the SEC. The transaction was completed on June 28, 2018 with an effective date of June 1, 2018. With the sale of these assets, the Company has determined that it will exit the operating segment of the business previously referred to as the A&P business, which was previously part of Advertising, the Company's sole continuing reporting unit. No gain or loss on sale was recognized related to this divestiture. All transferred assets and liabilities, with the exception of goodwill, were fully amortized prior to entering into the sales agreement. As the consideration given by the purchaser was already materially determined at March 31, 2018, goodwill was impaired to the estimated future cash flows of the divested business, which was effectively the purchase price. With the consummation of the sale, the remaining goodwill asset was netted against the purchase price receivable for a net impact of \$0 on the Consolidated Statement of Operations for the year ended March 31, 2019.

These dispositions have allowed the Company to benefit from a streamlined business model, simplified operating structure, and enhanced management focus.

The following table summarizes the financial results of our discontinued operations for all periods presented herein:

**Condensed Statements of Operations and Comprehensive Loss**  
**For Discontinued Operations**  
(in thousands, except per share amounts)

	Year ended March 31,		
	2020	2019	2018
Net revenues	—	3,970	48,877
Total cost of revenues	(1,202)	1,788	42,950
Gross profit	1,202	2,182	5,927
Product development	60	732	2,194
Sales and marketing	—	350	1,444
General and administrative	1,433	2,671	1,835
Income / (loss) from operations	(291)	(1,571)	454
Loss on impairment of goodwill	—	—	(34,045)
Interest and other income / (expense), net	(89)	(137)	431
Loss from discontinued operations before income taxes	(380)	(1,708)	(33,160)
Income tax provision / (benefit)	—	—	—
Loss from discontinued operations, net of taxes	(380)	(1,708)	(33,160)
Foreign currency translation adjustment	—	—	—
Comprehensive loss	(380)	(1,708)	(33,160)
Basic and diluted net loss per common share	\$ —	\$ (0.02)	\$ (0.47)
Weighted-average common shares outstanding, basic	84,594	77,440	70,263
Weighted-average common shares outstanding, diluted	89,558	77,440	70,263

*Notes on the impairment of goodwill for discontinued operations*

We perform an annual impairment assessment in the fourth quarter of each year, or more frequently if indicators of potential impairment exist, to determine whether it is more likely than not that the fair value of a reporting unit in which goodwill resides is less than its carrying value. Qualitative factors considered in this assessment include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting unit. During the fiscal year ended March 31, 2018, in connection with the planned sale of the Content reporting unit and the A&P business within the Advertising reporting segment, we performed a full analysis of the carrying value of the associated goodwill. Since the impairment assessment concluded, based on the future cash flows of the businesses, that it is more likely than not that the fair value is less than its carrying value, we performed the first step of the goodwill impairment test, which compares the fair value of the reporting unit to its carrying value. The carrying value of the net assets assigned to the aforementioned reporting units exceeded the fair value of the reporting units, therefore the associated goodwill was impaired. The impairment recorded above represents the results of this assessment.

Based on the results of the annual impairment tests performed during the fourth quarter of fiscal 2018, the Company recorded an impairment of approximately \$34,045 at March 31, 2018 which is detailed in the table above. No remaining goodwill remains related to the discontinued reporting units.

Details on assets and liabilities classified as held for disposal in the accompanying consolidated balance sheets are presented in the following table:

	Year ended March 31,	
	2020	2019
<b>Assets held for disposal</b>		
Accounts receivable, net of allowances of \$0 and \$1,589, respectively	\$ —	\$ 1,883
Property and equipment, net	—	143
<b>Total assets held for disposal</b>	<b>\$ —</b>	<b>\$ 2,026</b>
<b>Liabilities held for disposal</b>		
Accounts payable	\$ —	\$ 3,158
Accrued license fees and revenue share	—	537
Accrued compensation	—	226
Other current liabilities	—	3
<b>Total liabilities held for disposal</b>	<b>\$ —</b>	<b>\$ 3,924</b>

The following table provides reconciling cash flow information for our discontinued operations:

	Year ended March 31,		
	2020	2019	2018
<b>Cash flows from operating activities</b>			
Net loss from discontinued operations, net of taxes	\$ (380)	\$ (1,708)	\$ (33,160)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	19	279	1,037
Change in allowance for doubtful accounts	(1,589)	1,011	194
Loss on disposal of fixed assets	109	—	—
Stock-based compensation	—	37	189
Impairment of intangible assets	—	—	1,065
Impairment of goodwill	—	—	34,045
(Increase) / decrease in assets:			
Accounts receivable	3,472	5,119	(1,928)
Goodwill	—	309	—
Prepaid expenses and other current assets	—	54	8
Increase / (decrease) in liabilities:			
Accounts payable	(3,158)	(5,631)	708
Accrued license fees and revenue share	(537)	(2,522)	(2,459)
Accrued compensation	(226)	(303)	(24)
Other current liabilities	(3)	(346)	25
Other non-current liabilities	—	—	(24)
<b>Cash used in operating activities</b>	<b>(2,293)</b>	<b>(3,701)</b>	<b>(324)</b>
<b>Cash flows from investing activities</b>			
Capital expenditures	—	—	(142)
<b>Cash used in investing activities</b>	<b>—</b>	<b>—</b>	<b>(142)</b>
<b>Cash used in discontinued operations</b>	<b>\$ (2,293)</b>	<b>\$ (3,701)</b>	<b>\$ (466)</b>

## 5. Summary of Significant Accounting Policies

### Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for annual financial statements. The financial statements, in the opinion of management, include all adjustments necessary for a fair statement of the results of operations, financial position and cash flows for each period presented.

### Principles of Consolidation

The consolidated financial statements include the accounts of the Company and our wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

## Revenue from Contracts with Customers

The Company adopted ASC 606 on April 1, 2018, and ASC 606 is effective from the period beginning April 1, 2018 using the modified retrospective method for all contracts not completed as of the effective date. For contracts that were modified before the effective date, the Company reflected the aggregate effect of all modifications when identifying performance obligations and allocating transaction price in accordance with practical expedient ASC 606-10-65-1-(f)-4, which did not have a material effect on the adjustment to accumulated deficit. The reported results for fiscal year 2017 reflect the application of ASC 606 guidance while the reported results for fiscal year 2016 were prepared under the guidance of ASC 605, Revenue Recognition (ASC 605), which is also referred to herein as "legacy GAAP" or the "previous guidance". The adoption of ASC 606 represents a change in accounting principle that will more closely align revenue recognition with the delivery of the Company's services and will provide financial statement readers with enhanced disclosures. In accordance with ASC 606, revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these services.

*To achieve this core principle, the Company applied the following five steps:*

*1) Identify the contract with a customer*

A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights regarding the services to be transferred and identifies the payment terms related to these services, (ii) the contract has commercial substance and, (iii) the Company determines that collection of substantially all consideration for services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. The Company applies judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience or, in the case of a new customer, published credit and financial information pertaining to the customer.

*2) Identify the performance obligations in the contract*

Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised services, the Company must apply judgment to determine whether promised services are capable of being distinct and distinct in the context of the contract. If these criteria are not met the promised services are accounted for as a combined performance obligation.

*3) Determine the transaction price*

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring services to the customer. None of the Company's contracts contain financing or variable consideration components.

*4) Allocate the transaction price to performance obligations in the contract*

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis. The Company determines standalone selling price based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

*5) Recognize revenue when or as the Company satisfies a performance obligation*

The Company satisfies performance obligations at a point in time as discussed in further detail under "Disaggregation of Revenue" below. Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised service to a customer.

## *Disaggregation of Revenue*

All of the Company's performance obligations, and associated revenue, are generally transferred to customers at a point in time.

### *Media Distribution Services*

The Company's Media Distribution business consists of an advertiser solution for unique and exclusive carrier and OEM inventory, which is comprised of services including:

- An application and content management software platform that enables mobile operators and OEMs to control, manage, and monetize applications installed at the time of activation and over the life of a mobile device. This allows operators to personalize the application activation experience for customers and monetize their home screens via Cost-Per-Install or CPI arrangements, Cost-Per-Placement or CPP arrangements, and/or Cost-Per-Action or CPA arrangements, with third party advertisers. There are several different delivery methods available to operators and OEMs on first boot of the device: Wizard, Silent, or Software Development Kit ("SDK"). Optional notifications and other features are available throughout the life-cycle of the device, providing operators and OEMs opportunity for additional revenue streams;
- Programmatic advertising and targeted media delivery. This allows operators to monetize their operator branded on phone applications by showing in application advertisements via cost per thousand impression arrangements, and page view arrangements; and
- Other products and professional services offered related to the core platform.

### *Carriers and OEMs*

The Company generally offers these services under a vendor contract revenue share model or under a customer contract per device license fee model with carriers and OEMs for a two to four year software as a service ("SaaS") license agreement. These agreements typically include the following services: the access to the SaaS platform, hosting fees, solution features, and general support and maintenance. The Company has concluded that each promised service is delivered concurrently with all other promised service over the contract term and, as such, has concluded these promises are a single performance obligation that includes a series of distinct services that have the same pattern of transfer to the customer. Consideration for the Company's license arrangements consist of fixed and usage based fees, invoiced monthly or quarterly. The Company's contracts do not include advance non-refundable fees. Monthly license fees are based on the number of devices on a per device license fee basis. Monthly hosting and maintenance fees are generally fixed. These monthly fees are subject to a service level agreement ("SLA"), which requires that the services are available to the customer based on a predefined performance criteria. If the services do not meet these criteria, monthly fees are subject to adjustment or refund. The Company satisfies its performance obligation by providing access to its SaaS platform over time and processing transactions. For non-usage based fees, the period of time over which the Company performs its obligations is inherently commensurate with the contract term. The performance obligation is recognized on time elapsed basis, by month for which the services are provided. For usage-based fees, revenue is recognized in the month in which the Company provides the usage to the customer.

### *Third-Party Advertisers*

#### *Application Management Software*

The Company generally offers these services under a customer contract Cost-Per-Install or CPI arrangements, Cost-Per-Placement or CPP arrangements, and/or Cost-Per-Action or CPA arrangements with third-party advertisers and developers, as well as advertising aggregators, generally in the form of insertion orders that specify the type of arrangement (as detailed above) at particular set budget amounts/restraints. These advertiser customer contracts are generally short term in nature at less than one year as the budget amounts are typically spent in full within this time period. These agreements typically include the delivery of applications through partner networks, defined as carriers or OEMs, to home screens of devices. The Company has concluded that the delivery of the advertisers application is delivered at a point in time and, as such, has concluded these deliveries are a single performance obligation. The Company invoices fees which are generally variable based on the arrangement, which would typically include the number of applications delivered at a specified price per application. For applications delivered, revenue is recognized in the month in which the Company delivers the application to the end consumer.

#### *Programmatic advertising and targeted media delivery.*

The Company generally offers these services under cost per thousand impression and page view arrangements.

Through its mobile phone first screen applications and mobile web portals, the Company allocates space/inventory within its content products for display advertising. The Company's advertising customers can bid on each individual display ad and the highest bid wins the right to fill each ad impression. Advertising agencies acting on the behalf of advertisers bid on the ad placement via the Company's advertising exchange customers. If the bid is won, the ad is placed. The entire process happens almost instantly and on a continuous basis. The advertising exchanges bill and collect from the winning bidders and provide daily and monthly reports of the activity to the Company. Payments by the advertising exchanges are made net of revenue shares and certain administrative expenses to the Company. Revenue is sourced from the actual ad sales.

Through its mobile phone first screen applications and mobile web portals, the Company's platform recommends sponsored content to mobile phone users. This sponsored content takes the form of articles, graphics, pictures and similar content. Typical content sponsors are Outbrain and Taboola. Revenue is sourced from the clicks provided by the Company's user base.

Through its mobile phone first screen applications and mobile web portals, the Company drives consumers (web traffic) to the customer's website in exchange for a share of the revenue that the customer generates from the web traffic sourced from the Company's applications. The monetizing of the click/impression is performed by the customer through its website.

#### *Professional Services*

The Company offers professional services that support the implementation of its platform for carriers and OEMs, including technology development and integration services. These contracts generally include delivery and integration of the technology development product and revenue recognized when formal acceptance is confirmed by the customer. Services are billed in one lump sum. For the majority of these contracts, for which the Company has the right to invoice the customer in an amount that directly corresponds with the value to the customer of the Company's performance to date, the Company recognizes revenue based on the amount billable to the customer in accordance with practical expedient ASC 606-10-55-18.

#### *Costs to Obtain and Fulfill a Contract*

The Company capitalizes commission expenses paid to internal sales personnel that are incremental to obtaining customer contracts. These costs are deferred in "prepaid expenses and other current assets," net of any long-term portion included in "other non-current assets." The judgments made in determining the amount of costs incurred include whether the commissions are in fact incremental and would not have occurred absent the customer contract. Costs to obtain a contract are amortized as sales and marketing expense on a straight-line basis over the expected period of benefit. These costs are periodically reviewed for impairment. The Company has evaluated related activity in prior periods and have determined the costs to obtain a contract to be immaterial and do not require disclosure.

The Company capitalizes costs incurred to fulfill its contracts that i) relate directly to the contract, ii) are expected to generate resources that will be used to satisfy the Company's performance obligation under the contract and iii) are expected to be recovered through revenue generated under the contract. Contract fulfillment costs are expensed to cost of revenue as the Company satisfies its performance obligations by transferring the service to the customer. These costs, which are classified in "prepaid expenses and other current assets," net of any long term portion included in "other non-current assets," principally relate to direct costs that enhance resources under the Company's demand response contracts that will be used in satisfying future performance obligations. The Company has evaluated related activity in prior periods and have determined the costs to fulfill a contract to be immaterial and do not require disclosure.

#### *Financial Statement Impact of Adopting ASC 606*

The Company adopted ASC 606 using the modified retrospective method. After applying the new guidance to all contracts with customers that were not completed as of April 1, 2017, the Company has determined no changes in revenues or contract costs for which an adjustment would be required to accumulated deficit as of the adoption date. As a result of applying the modified retrospective method to adopt the new revenue guidance, the Company determined that the impact of adoption was not material and that no adjustments would need to be made to accounts to the consolidated balance sheet as of April 1, 2017.

## **Comprehensive Loss**

Comprehensive loss consists of two components, net loss and other comprehensive loss. Other comprehensive loss refers to gains and losses that, under generally accepted accounting principles, are recorded as an element of stockholders' equity, but are excluded from net income. The Company's other comprehensive loss currently includes only foreign currency translation adjustments.

## **Cash and Cash Equivalents**

The Company considers all highly liquid short-term investments purchased with a maturity of three months or less to be cash equivalents.

## **Restricted Cash**

Cash accounts that are restricted as to withdrawal or usage are presented as restricted cash. As of March 31, 2020 and March 31, 2019, the Company had \$125 and \$165, respectively, of restricted cash held by a bank in a collateral account as collateral to cover the Company's corporate credit cards as well as a letter of credit issued to guarantee a facility lease in the prior period.

## **Accounts Receivable**

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves.

## **Deposits**

As of March 31, 2020, the Company had deposits of \$159 comprised of facility and equipment lease deposits, as compared to \$132 as of March 31, 2019.

## **Fair Value of Financial Instruments**

The Company measures certain financial assets and liabilities at fair value based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Where available, fair value is based on or derived from observable market prices or other observable inputs. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity.

The carrying amounts of certain financial instruments, such as cash equivalents, short term investments, accounts receivable, accounts payable and accrued liabilities, approximate fair value due to their relatively short maturities. The fair value of the Notes issued on September 28, 2016 is determined using the residual method of accounting whereby, first, a portion of the proceeds from the issuance of the Notes is allocated to derivatives embedded in the Notes and the warrants issued in connection with the issuance of the Notes, and the proceeds so allocated are accounted for as a convertible note embedded derivative liability and warrant liability, respectively, and second, the remainder of the proceeds from the issuance of the Notes is allocated to the convertible notes, resulting in debt discount. The convertible notes are carried on the consolidated balance sheet on a historical cost basis, net of discounts and debt issuance costs. The carrying value of debt, less capitalized debt issuance costs, approximates fair value.

The Company estimated the fair value of the convertible note embedded derivative liability and warrant liability using a lattice approach that incorporates a Monte Carlo simulation valuation model that considers the Company's future stock price, stock price volatility, probability of a change of control, and the trading information of the Company's common stock into which the Notes are or may become convertible while the Notes were outstanding. After the conversion of all outstanding Notes in the fiscal year ended March 31, 2019, the Company simplified the process for valuing the remaining warrant liability using a Black-Scholes valuation model for the entirety of the fiscal year ended March 31, 2020. As of the March 31, 2020 balance sheet date, all remaining warrants had been exercised and no liability remained.

Changes in the inputs into these valuation models have had a significant impact on the estimated fair value of the convertible note embedded derivative liability and warrant liability. For example, a decrease (increase) in the stock price results

in a decrease (increase) in the estimated fair value of the liabilities. The change in the fair value of the convertible note embedded derivative liability and warrant liability are primarily related to the change in price of the Company's underlying common stock and are reflected in the consolidated statements of operations and comprehensive loss as "Change in fair value of convertible note embedded derivative liability" and "Change in fair value of warrant liability." Refer to Note "Fair Value Measurements" for more details.

As of March 31, 2020 and 2019, the carrying value of cash, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued license fees, accrued compensation, and other current liabilities approximates fair value due to the short-term nature of such instruments.

#### **Convertible Note Embedded Derivative Liability**

Embedded derivatives that are required to be bifurcated from the underlying debt instrument (i.e. host) are accounted for and valued as a separate financial instrument. We evaluated the terms and features of the Notes issued on September 28, 2016 and identified embedded derivatives (i.e. conversion options that contain "make-whole interest" provisions, fundamental change provisions, or down round conversion price adjustment provisions) requiring bifurcation and accounting at fair value due to the economic and contractual characteristics of the embedded derivatives meeting the criteria for bifurcation and separate accounting. ASC 815-10-15-83 (c) states that if terms implicitly or explicitly require or permit net settlement, then it can readily be settled net by means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement. The conversion features related to the Notes consisted of a "make-whole interest" provision, fundamental change provision, and down round conversion price adjustment provisions which, as the Notes were to be converted, placed the Note holder in a position not substantially different from net settlement. Given this fact pattern, the conversion features met the definition of embedded derivatives and required bifurcation and accounting at fair value. All Notes were converted prior to the March 31, 2019 balance sheet date.

See Note "Fair Value Measurements," of this report for a description of our embedded derivatives related to the Notes and information on the valuation model used to calculate the fair value of the embedded derivatives, otherwise called the convertible note embedded derivative liability. Changes in the inputs into the valuation model had a significant impact on the estimated fair value of the convertible note embedded derivative liability. For example, a decrease (increase) in the stock price resulted in a decrease (increase) in the estimated fair value of the liability. Change in the fair value of the liability was primarily attributable to the change in price of the underlying common stock of the Company and is reflected in our consolidated statements of operations as "Change in fair value of convertible note embedded derivative liability."

#### **Warrant Liability**

The Company issued detachable warrants with the Notes issued on September 28, 2016. The Company accounts for its warrants issued in accordance with US GAAP accounting guidance under ASC 815 applicable to derivative instruments, which required every derivative instrument within its scope to be recorded on the balance sheet as either an asset or liability measured at its fair value, with changes in fair value recognized in earnings. Based on this guidance, the Company determined that these warrants did not meet the criteria for classification as equity. Accordingly, the Company classified the warrants as long-term liabilities. The warrants were subject to re-measurement at each balance sheet date, with any change in fair value recognized as a component of other income (expense), net in the consolidated statements of operations. We estimated the fair value of these warrants at the respective balance sheet dates using a lattice approach that incorporates a Monte Carlo simulation that considers the Company's future stock price through the March 31, 2019 balance sheet date in conjunction with the valuation approach taken to value the Notes. As all the Notes were converted prior to the March 31, 2019 balance sheet date, during the fiscal year ended March 31, 2020, the Company simplified the approach to valuing the remaining warrants using a Black-Scholes valuation model. Option pricing models employ subjective factors, including judgments and assumptions, to estimate liability.

See Note "Fair Value Measurements," of this report for a description of our warrant liability and information on the valuation model used to calculate the fair value of the warrant liability. Changes in the inputs into the valuation model had a significant impact on the estimated fair value of the warrant liability. For example, a decrease (increase) in the stock price resulted in a decrease (increase) in the estimated fair value of the liability. The change in the fair value of the liability is primarily related to the change in price of the underlying common stock of the Company and is reflected in our consolidated statements of operations as "Change in fair value of warrant liability."

## **Debt Issuance Costs**

In April 2015, the FASB issued accounting guidance which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability under ASU 2015-03. The guidance is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years; as such, the Company adopted this guidance in the quarter ended June 30, 2016. The Company has determined that adopting ASU 2015-03 did not have a significant impact on its consolidated results of operations, financial condition, and cash flows. Refer to Note "Debt" for more details.

## **Carrier Revenue Share and Content Provider License Fees**

### *Carrier Revenue Share*

Revenues generated from advertising via direct CPI, CPP, or CPA arrangements with application developers, or indirect arrangements through advertising aggregators (ad networks) are shared with the carrier and the shared revenue is recorded as a cost of goods sold. In each case the revenue share with the carrier varies depending on the agreement with the carrier, and, in some cases, is based upon revenue tiers.

## **Software Development Costs**

The Company applies the principles of FASB ASC 985-20, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed ("ASC 985-20"). ASC 985-20 requires that software development costs incurred in conjunction with product development be charged to research and development expense until technological feasibility is established. Thereafter, until the product is released for sale, software development costs must be capitalized and reported at the lower of unamortized cost or net realizable value of the related product. At this time, we do not invest significant capital into the research and development phase of new products and features as the technological feasibility aspect of our platform products has either already been met or is met very quickly.

The Company has adopted the "tested working model" approach to establishing technological feasibility for its products and games. Under this approach, the Company does not consider a product in development to have passed the technological feasibility milestone until the Company has completed a model of the product that contains essentially all the functionality and features of the final product and has tested the model to ensure that it works as expected. Through fiscal year 2016, the Company had not incurred significant costs between the establishment of technological feasibility and the release of a product for sale; thus, the Company had expensed all software development costs as incurred. In fiscal year 2017, the Company began capitalizing costs related to the development of software to be sold, leased, or otherwise marketed as we believe we have met the "tested working model" threshold. Costs will continue to be capitalized until the related software is released. The Company considers the following factors in determining whether costs can be capitalized: the emerging nature of the mobile market; the gradual evolution of the wireless carrier platforms and mobile phones for which it develops products; the lack of pre-orders or sales history for its products and games; the uncertainty regarding a product's or game's revenue-generating potential; its lack of control over the carrier distribution channel resulting in uncertainty as to when, if ever, a product will be available for sale; and its historical practice of canceling products at any stage of the development process.

After products and features are released, all product maintenance cost are expensed.

The Company also applies the principles of FASB ASC 350-40, Accounting for the Cost of Computer Software Developed or Obtained for Internal Use ("ASC 350-40"). ASC 350-40 requires that software development costs incurred before the preliminary project stage be expensed as incurred. We capitalize development costs related to these software applications once the preliminary project stage is complete and it is probable that the project will be completed and the software will be used to perform the function intended. For fiscal years 2020, 2019, and 2018, the Company capitalized software development costs in the amount of \$1,453, \$1,544, and \$1,641.

## **Product Development Costs**

The Company charges non-capitalizable costs related to design, development, deployment, and maintenance of products to product development expense as incurred. The types of costs included in product development expenses include salaries, contractor fees and allocated facilities costs.

## Advertising Expenses

The Company expenses the costs of advertising as incurred. Advertising expense was \$200, \$135, and \$83 in the years ended March 31, 2020, 2019, and 2018, respectively.

## Foreign Currency Translation

The Company uses the United States dollar for financial reporting purposes. Assets and liabilities of foreign operations are translated using current rates of exchange prevailing at the balance sheet date. Equity accounts have been translated at their historical exchange rates when the capital transaction occurred. Statement of Operations amounts are translated at average rates in effect for the reporting period. The foreign currency translation adjustment loss of \$235, \$31, and \$4 in the years ended March 31, 2020, 2019, and 2018 has been reported as a component of comprehensive income / (loss) in the consolidated statements of stockholders' equity and comprehensive income / (loss).

## Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are the lesser of 8 to 10 years or the term of the lease for leasehold improvements and 3 to 5 years for other assets.

## Leases

On April 1, 2019, we adopted Accounting Standards Update 2016-02, Leases (Topic 842) using the modified retrospective transition approach such that we accounted for leases that commenced before the effective date of ASU 2016-02 in accordance with previous GAAP unless the lease is modified, except that we recognized right-of-use ("ROU") assets and a lease liability for all such leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous GAAP. Results and disclosure requirements for reporting periods beginning after June 30, 2019 are presented under Topic 842, while prior period amounts have not been adjusted and continue to be reported in accordance with our historical accounting under Topic 840. The adoption of ASU No. 2016-02 resulted in the recognition of incremental right-of-use assets and related lease liabilities on the Consolidated Balance Sheet as of June 30, 2019.

Under Topic 842, we determine if an arrangement is a lease at inception. ROU assets and lease liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. For this purpose, we consider only payments that are fixed and determinable at the time of commencement. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Our incremental borrowing rate is a hypothetical rate based on our understanding of what our credit rating would be. The ROU asset also includes any lease payments made prior to commencement and is recorded net of any lease incentives received. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise such options. When determining the probability of exercising such options, we consider contract-based, asset-based, entity-based, and market-based factors. Our lease agreements may contain variable costs such as common area maintenance, insurance, real estate taxes or other costs. Variable lease costs are expensed as incurred on the consolidated statements of operations. Our lease agreements generally do not contain any residual value guarantees or restrictive covenants.

Operating leases are included in operating lease ROU assets, operating lease liabilities, current and operating lease liabilities, non-current on our consolidated balance sheets. Finance leases are included in property and equipment, accrued expenses and other current liabilities, and other liabilities on our consolidated balance sheets.

## Goodwill and Indefinite Life Intangible Assets

Goodwill represents the excess of cost over fair value of net assets of businesses acquired. In accordance with FASB ASC 350-20, Goodwill and Other Intangible Assets, the value assigned to goodwill and indefinite lived intangible assets, including trademarks and trade names, through ASC 805 Purchase Price Accounting, is not amortized to expense, but rather evaluated on an at least annual basis to determine if there are potential impairments. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the reporting unit goodwill is less than the carrying value. If the fair value of an indefinite lived intangible (such as trademarks and trade names) is less than its carrying amount, an impairment loss is recorded. Fair value is determined based on discounted cash flows, market multiples or appraised values, as appropriate. Discounted cash flow analysis requires assumptions about the timing and amount of future cash inflows and outflows, risk, the cost of capital, and terminal values. Each of these factors can significantly affect the value of the intangible asset. The estimates of future cash flows, based on reasonable and supportable assumptions and projections, require management's judgment. Any changes in key assumptions about the Company's businesses and their prospects, or changes in market conditions, could result in an impairment charge. Some of the more significant estimates and assumptions inherent in the intangible asset valuation process include: the timing and amount of projected future cash flows; the discount rate selected to measure the risks inherent in the future cash flows; and the assessment of the asset's life-cycle and the competitive trends impacting the asset, including consideration of any technical, legal or regulatory trends.

Goodwill values assigned through ASC 805, Purchase Price Accounting, related to the acquisition of Mobile Posse are subject to adjustments prior to the finalization of the purchase price accounting, one year from the date of acquisition, notably related to the actual earn-out amount due to the seller.

## Impairment of Long-Lived Assets and Finite Life Intangibles

Long-lived assets, including intangible assets subject to amortization, primarily consist of customer relationships and software that have been acquired and are amortized using the straight-line method over their useful lives, ranging from five to eighteen years, and are reviewed for impairment in accordance with FASB ASC 360-10, Accounting for the Impairment or Disposal of Long-Lived Assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

There were no indications of impairment present or that the carrying amounts may not be recoverable during the fiscal years ended March 31, 2020 and March 31, 2019.

In the fiscal year ended March 31, 2018, the Company did not record any impairment related to continuing operations. The Company did record an impairment related to planned dispositions which is detailed in Note "Discontinued Operations."

## Income Taxes

The Company accounts for income taxes in accordance with FASB ASC 740-10, Accounting for Income Taxes ("ASC 740-10"), which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in its financial statements or tax returns. Under ASC 740-10, the Company determines deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of assets and liabilities along with net operating losses, if it is more likely than not the tax benefits will be realized using the enacted tax rates in effect for the year in which it expects the differences to reverse. To the extent a deferred tax asset cannot be recognized, a valuation allowance is established if necessary.

ASC 740-10 prescribes that a company should use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the "more-likely-than-not" recognition threshold should be measured as the largest amount of the tax benefits, determined on a cumulative probability basis, which is more likely than not to be realized upon ultimate settlement in the financial statements. We recognize interest and penalties related to income tax matters as a component of the provision for income taxes.

## Stock-Based Compensation

We have applied FASB ASC 718 Share-Based Payment (“ASC 718”) and accordingly, we record stock-based compensation expense for all of our stock-based awards.

Under ASC 718, we estimate the fair value of stock options granted using the Black-Scholes option pricing model. The fair value for awards that are expected to vest is then amortized on a straight-line basis over the requisite service period of the award, which is generally the option vesting term. The amount of expense recognized represents the expense associated with the stock options we expect to ultimately vest based upon an estimated rate of forfeitures; this rate of forfeitures is updated as necessary and any adjustments needed to recognize the fair value of options that actually vest or are forfeited are recorded.

The Black-Scholes option pricing model, used to estimate the fair value of an award, requires the input of subjective assumptions, including the expected volatility of our common stock, interest rates, dividend rates and an option’s expected life. As a result, the financial statements include amounts that are based upon our best estimates and judgments relating to the expenses recognized for stock-based compensation.

The Company grants restricted stock subject to market or performance conditions that vest based on the satisfaction of the conditions of the award. Unvested restricted stock entitles the grantees to dividends, if any, with voting rights determined in each agreement. The fair value of performance-based awards is determined using the market closing price on the grant date. Derived service periods and the periods charged with compensation expense for performance-based awards are estimated based on the Company’s judgment of likely future performance and may be adjusted in future periods depending on actual performance.

## Preferred Stock

The Company applies the guidance enumerated in FASB ASC 480-10, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (“ASC 480-10”) when determining the classification and measurement of preferred stock. Preferred shares subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value in accordance with ASC 480-10. All other issuances of preferred stock are subject to the classification and measurement principles of ASC 480-10. Accordingly, the Company classifies conditionally redeemable preferred shares (if any), which includes preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company’s control, as temporary equity. At all other times, the Company classifies its preferred shares in stockholders’ equity.

## Concentrations of Credit Risk and Significant Customers

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and accounts receivable. A significant portion of the Company’s cash is held at two major financial institutions that the Company’s management has assessed to be of high credit quality. The Company has not experienced any losses in such accounts.

The Company mitigates its credit risk with respect to accounts receivable by performing credit evaluations and monitoring advertisers’ and carriers’ accounts receivable balances. As of March 31, 2020, two major customers represented 11.6% and 11.5% of the Company’s net accounts receivable balance. As of March 31, 2019, one major customer represented 25.7% of the Company’s net accounts receivable balance.

With respect to revenue concentration, the Company defines a customer as an advertiser or a carrier that is a distinct source of revenue and is legally bound to pay for the services that the Company delivers on the advertiser’s or carrier’s behalf. The Company counts all advertisers and carriers within a single corporate structure as one customer, even in cases where multiple brands, branches, or divisions of an organization enter into separate contracts with the Company. During the year ended March 31, 2020, one major customer represented 15.3% of our consolidated net revenue. During the year ended March 31, 2019 one major customer represented 28.6% of our consolidated net revenues. During the year ended March 31, 2018, two major customers represented 23.5% and 16.1% of our consolidated net revenues, respectively.

The Company partners with mobile carriers and OEMs to deliver applications on our platform through the carrier network. During the years ended March 31, 2020 and 2019, Verizon Wireless, a subsidiary of Verizon Communications, a carrier partner, generated 37.3% and 45.9%, respectively, while AT&T Inc., a carrier partner, including its Cricket subsidiary, generated 30.0% and 38.7%, respectively, of our net revenues. Additionally, during the year ended March 31, 2020 America Movil, primarily through its subsidiary Tracfone Wireless Inc., generated 10.7% of our net revenues.

## Use of Estimates

The preparation of financial statements in accordance with GAAP requires the use of management's estimates. These estimates are subjective in nature and involve judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at fiscal year-end, and the reported amounts of revenues and expenses during the fiscal year. Actual results could differ from those estimates.

The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which may cause further business slowdowns or shutdowns, depress demand for our advertising business, and adversely impact our results of operations. We expect uncertainties around our key accounting estimates to continue to evolve depending on the duration and degree of impact associated with the COVID-19 pandemic. Our estimates may change as new events occur and additional information emerges, and such changes may be recognized and disclosed in our consolidated financial statements.

## Recently Issued Accounting Pronouncements Not Yet Adopted

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2020-04, Reference Rate Reform (Topic 848), which contains practical expedients for reference rate reform related activities that affect debt, leases, derivatives and other contracts. The guidance in ASU No. 2020-04 is optional and may be elected over time as reference rate reform activities occur. The Company continues to evaluate the impact of the guidance and may apply elections as applicable as changes in the market occur.

In January 2020, the FASB issued Accounting Standards Update 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) (ASU 2020-01), which clarifies the interaction of the accounting for equity securities under Topic 321, the accounting for equity method investments in Topic 323, and the accounting for certain forward contracts and purchased options in Topic 815. This guidance is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2021 on a prospective basis, with early adoption permitted. The Company will adopt ASU 2020-01 during the quarter ended June 30, 2022 and does not expect the impact of the future adoption of this standard to have a material impact on its consolidated results of operations, financial condition and cash flows based on our current investments.

In December 2019, the FASB issued Accounting Standard Update 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes. This guidance is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2020 on a prospective basis, with early adoption permitted. The Company will adopt ASU 2020-01 during the quarter ended June 30, 2022 and does not expect the impact of the future adoption of this standard to have a material impact on its consolidated results of operations, financial condition and cash flows based on our current investments.

In August 2018, the FASB issued Accounting Standard Update 2018-15, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). This guidance is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2019. Early adoption is permitted upon its issuance. The amendments in this update will be applied prospectively. The Company will adopt ASU 2018-15 during the quarter ended June 30, 2020 and does not expect the impact of the future adoption of this standard to have a material impact on its consolidated results of operations, financial condition and cash flows.

In August 2018, the FASB issued Accounting Standard Update 2018-13: Fair Value Measurement (Topic 820). The amendments in this update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, as a result of the FASB's final deliberations of the financial reporting concepts pursuant to the March 4, 2014 issued FASB Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements, as they relate to fair value measurement disclosures. This guidance is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2019. Early adoption is permitted upon its issuance. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The Company will adopt ASU 2018-13 during the quarter ended June 30, 2020, and does not expect the impact of the future adoption of this standard on its consolidated results of operations, financial condition and cash flows to be material.

Other authoritative guidance issued by the FASB (including technical corrections to the FASB Accounting Standards Codification), the American Institute of Certified Public Accountants, and the SEC did not, or are not expected to have a material effect on the Company's consolidated financial statements.

#### Accounting Pronouncements Adopted During the Period

In February 2016, the FASB issued Account Standard Update 2016-02: Leases (Topic 842). This update changes lessee accounting to reflect the financial liability and right-of-use assets that are inherent to leasing an asset on the balance sheet. The Company adopted ASU No. 2016-02 during the quarter ended June 30, 2019, and applied the modified retrospective approach such that we accounted for leases that commenced before the effective date of ASU No. 2016-02 in accordance with previous GAAP unless the lease is modified, except that we recognized right-of-use assets and a lease liability for all such leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous GAAP. The adoption of ASU No. 2016-02 resulted in the recognition of incremental right-of-use assets and related lease liabilities on the Consolidated Balance Sheet as of June 30, 2019 and did not have a material impact on our consolidated results of operations, financial condition, and cash flows. Please refer to Note "Leases" for related disclosures.

In June 2018, the FASB issued Accounting Standard Update 2018-07: Compensation—Stock Compensation - Improvements to Non-employee Share-Based Payment Accounting. This update aligns the accounting for share-based payment awards issued to employees and non-employees. The existing employee guidance will now apply to non-employee share-based transactions with some exceptions. This guidance is effective for annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2018. Early adoption is permitted upon its issuance. The amendments in this update should be applied prospectively. The Company adopted ASU 2018-07 during the quarter ended June 30, 2019 and it has had de minimus impact on our consolidated results of operations, financial condition, and cash flows.

#### 6. Accounts Receivable

	March 31, 2020	March 31, 2019
Billed	\$ 18,927	\$ 11,833
Unbilled	18,267	11,769
Allowance for doubtful accounts	(4,059)	(895)
Accounts receivable, net	\$ 33,135	\$ 22,707

Billed accounts receivable represent amounts billed to customers that have yet to be collected. Unbilled accounts receivable represent revenue recognized, but billed after period end. All unbilled receivables as of March 31, 2020 are expected to be billed and collected within twelve months.

The Company recorded \$1,739, \$300, and \$530 of bad debt expense during the years ended March 31, 2020, 2019, and 2018 respectively.

#### 7. Property and Equipment

	March 31, 2020	March 31, 2019
Computer-related equipment	\$ 11,649	\$ 7,077
Furniture and fixtures	681	223
Leasehold improvements	2,099	558
	14,429	7,858
Accumulated depreciation	(6,246)	(4,428)
Property and equipment, net	\$ 8,183	\$ 3,430

Depreciation expense for the years ended March 31, 2020, 2019, and 2018 was \$2,124, \$1,535, and \$1,244, respectively.

During the years ended March 31, 2020, 2019, and 2017, depreciation expense includes \$670, \$839, \$931 respectively, related to internal-use assets included in General and Administrative Expense and \$1,454, \$696, and \$313

respectively, related to internally-developed software to be sold, leased, or otherwise marketed included in Other Direct Costs of Revenue.

## 8. Leases

The Company has entered into various non-cancellable operating lease agreements for certain offices. These leases currently have lease periods expiring between fiscal years 2024 and 2026. The lease agreements may include one or more options to renew. Renewals were not assumed in the Company's determination of the lease term unless the renewals were deemed to be reasonably assured at lease commencement. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. The components of lease costs, weighted-average lease term, and discount rate are detailed below.

Schedule, by fiscal year, of maturities of lease liabilities as of:

	<b>March 31, 2020</b>
Fiscal year 2021	\$ 1,390
Fiscal year 2022	1,493
Fiscal year 2023	1,549
Fiscal year 2024	1,374
Fiscal year 2025	1,081
Thereafter	882
Total undiscounted cash flows	7,769
(Less imputed interest)	(1,137 )
Present value of lease liabilities	<u>\$ 6,632</u>

The current portion of our lease liabilities, payable within the next 12 months, is included in other current liabilities and the long-term portion of our lease liabilities is included in other non-current liabilities on our Consolidated Balance Sheets.

Associated with this financial liability, the Company has recorded a right-of-use asset of \$4,237, which is calculated using the present value of lease liabilities less any lease incentives received from our landlords and any deferred rent liability balance as of the date of implementation. The discount rates used to calculate the imputed interest above range from 5.50% to 6.75% and the weighted-average remaining lease term is 5.29 years.

## 9. Intangible Assets

We make judgments about the recoverability of purchased finite-lived intangible assets whenever events or changes in circumstances indicate that an impairment may exist. Recoverability of finite-lived intangible assets is measured by comparing the carrying amount of the asset to the future undiscounted cash flows that the asset is expected to generate. We perform an annual impairment assessment in the fourth quarter of each year for indefinite-lived intangible assets, or more frequently if indicators of potential impairment exist, to determine whether it is more likely than not that the carrying value of the assets may not be recoverable. Recoverability of indefinite-lived intangible assets is measured by comparing the carrying amount of the asset to the future undiscounted cash flows that the asset is expected to generate. If we determine that an individual asset is impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

The assumptions and estimates used to determine future values and remaining useful lives of our intangible and other long-lived assets are complex and subjective. They can be affected by various factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our forecasts.

We complete our annual impairment tests in the fourth quarter of each year unless events or circumstances indicate that an asset may be impaired. During the fiscal years ended March 31, 2020, 2019, and 2018, we determined that there were no indicators of impairment related to the Company's continuing operations.

The components of intangible assets as at March 31, 2020 and 2019 were as follows:

As of March 31, 2020			
	Cost	Accumulated Amortization	Net
Developed Technology	\$ 7,926	\$ (5,861)	\$ 2,065
Customer relationships	46,971	(5,154)	41,817
<b>Total</b>	<b>\$ 54,897</b>	<b>\$ (11,015)</b>	<b>\$ 43,882</b>

As of March 31, 2019			
	Cost	Accumulated Amortization	Net
Developed Technology	\$ 5,826	\$ (5,826)	\$ —
<b>Total</b>	<b>\$ 5,826</b>	<b>\$ (5,826)</b>	<b>\$ —</b>

During the fiscal years ended March 31, 2020, 2019, and 2018, the Company recorded amortization expense in the amount of \$218, \$1,231, and \$1,416, respectively. For the fiscal year ended March 31, 2020, amortization expense is a component of general and administrative operating expenses on the Statements of Operations and Comprehensive Income / (Loss). For the fiscal years ended March 31, 2019 and 2018, amortization expense is a component of other direct costs of revenues on the Statements of Operations and Comprehensive Income / (Loss). The determination of the expense category for amortization of intangible assets is determined by capitalization under ASC 350, Intangibles - Goodwill and Other, or ASC 985-20, Costs of Software to be Sold, Leased, or Otherwise Marketed. ASC 350 leads to accounting for amortization of intangible assets under operating expenses, while ASC 985-20 leads to accounting for amortization of intangible assets under other direct costs of revenues.

Based on the amortizable intangible assets as of March 31, 2020, the Company expects future amortization expense to be approximately \$2,681 per year over the next five fiscal years and \$30,482 in residual expense thereafter.

Below is a summary of intangible assets:

	Intangible Assets
Balance as of March 31, 2017	\$ 2,647
Amortization of intangibles	(1,416)
Balance as of March 31, 2018	1,231
Amortization of intangibles	(1,231)
Balance as of March 31, 2019	—
Purchase of Mobile Posse	44,100
Amortization of intangibles	(218)
Balance as of March 31, 2020	\$ 43,882

## 10. Goodwill

A reconciliation of the changes to the Company's carrying amount of goodwill for the periods or as of the dates indicated:

	O&O	Total
Goodwill as of March 31, 2017	\$ 42,268	\$ 42,268
Adjustments	—	—
Goodwill as of March 31, 2018	42,268	42,268
Adjustments	—	—
Goodwill as of March 31, 2019	42,268	42,268
Purchase of Mobile Posse	26,994	26,994
Goodwill as of March 31, 2020	\$ 69,262	\$ 69,262

Fair value is defined under ASC 820, Fair Value Measurements and Disclosures as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” The Company considered the income and market approaches to derive an opinion of value. Under the income approach, the Company utilized the discounted cash flow method, and under the market approach, consideration was given to the guideline public company method, the merger and acquisition method, and the market capitalization method.

Goodwill is recorded when the purchase price for an acquisition exceeds the estimated fair value of the net tangible and identified intangible assets acquired. Goodwill is allocated to our reporting units based on relative fair value of the future benefit of the purchased operations to our existing business units as well as the acquired business unit. Reporting units may be operating segments as a whole or an operation one level below an operating segment, referred to as a component. Our reporting units are consistent with the operating segments identified in Part I, Item 1 under the section “Business” of this Form 10-K.

We perform an annual impairment assessment in the fourth quarter of each year, or more frequently if indicators of potential impairment exist, to determine whether it is more likely than not that the fair value of a reporting unit in which goodwill resides is less than its carrying value. For reporting units in which this assessment concludes that it is more likely than not that the fair value is more than its carrying value, goodwill is not considered impaired and we are not required to perform the two-step goodwill impairment test. Qualitative factors considered in this assessment include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting unit.

For reporting units in which the impairment assessment concludes that it is more likely than not that the fair value is less than its carrying value, we perform the first step of the goodwill impairment test, which compares the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not considered impaired and we are not required to perform additional analysis. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the goodwill impairment test to determine the implied fair value of the reporting unit’s goodwill. If we determine during the second step that the carrying value of a reporting unit’s goodwill exceeds its implied fair value, we record an impairment loss equal to the difference.

Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. The goodwill impairment test we utilized in the fourth quarter ended March 31, 2020 utilized an income method to estimate a reporting unit’s fair value. The Company believes that the income method is the best method of determining fair value for our Company. The income method is based on a discounted future cash flow approach that uses the following reporting unit estimates: revenue, based on assumed growth rates; estimated costs; and appropriate discount rates based on a reporting unit’s weighted average cost of capital as determined by considering the observable weighted average cost of capital of comparable companies. We test the reasonableness of the inputs and outcomes of our discounted cash flow analysis against available comparable market data and against the Company’s market capitalization value which includes a control premium estimate. A reporting unit’s carrying value represents the assignment of various assets and liabilities.

Based on the analysis performed for fiscal 2020 all continuing operations, which is comprised entirely of the O&O reporting unit, have an estimated fair value in excess of the carrying value of the associated goodwill.

In the years ended March 31, 2020 and 2019, the Company determined there was no impairment to goodwill.

## 11. Debt

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
<b><i>Short-term debt</i></b>		
Short-term debt, net of debt issuance costs of \$62 and \$0, respectively	\$ 1,188	\$ —
	<u>March 31, 2020</u>	<u>March 31, 2019</u>
<b><i>Long-term debt</i></b>		
Long-term debt, net of debt issuance costs of \$245 and \$0, respectively	\$ 18,505	\$ —

## Convertible Notes

On September 28, 2016, the Company sold to the Initial Purchaser, \$16,000 aggregate principal amount of 8.75% convertible notes maturing on September 23, 2020, unless converted, repurchased or redeemed in accordance with their terms prior to such date. As of the close of the issuance of the Notes on September 28, 2016, the Company incurred \$1,700 in debt issuance costs directly related to the issuance of the Notes, which in accordance with ASU 2015-03, the Company recorded these costs as a direct reduction to the face value of the Notes and amortized this amount over the life of the Notes as a component of interest expense on the consolidated statement of operation and comprehensive loss. During the remainder of fiscal 2017, the Company further incurred \$234 in costs directly associated with the issuance of the Notes, for the preparation and filing of the registration statement on Form S-1 to register the underlying common stock related to the Notes issued and related Warrants issued along with the Notes, which was required to be done in accordance with the indenture. The convertible notes remained on the consolidated balance sheet at historical cost, accreted up for the amount of cumulative amortization of the debt discount over the life of the debt. As of March 31, 2019, all of the Notes have been extinguished, the underlying indenture relieved, and all derivative liabilities related to the Notes settled.

Each purchaser of the Notes also received warrants to purchase 256.60 shares of the Company's common stock for each \$1 in Notes purchased, or up to 4,105,600 warrants in aggregate, in addition to the 250,000 warrants issued to the initial purchaser, as described above. The warrants were issued under a Warrant Agreement (the "Warrant Agreement"), dated as of September 28, 2016, between Digital Turbine, Inc. and US Bank National Association, as the warrant agent.

The warrants were immediately exercisable on the date of issuance at an initial exercise price of \$1.364 per share and will expire on September 23, 2020. Certain caps on the number of shares that could be issued under the Notes and the Warrants were effectively lifted by our stockholders approving the full issuance of all potentially issuable shares at our January 2017 annual meeting of stockholders.

During the year ended March 31, 2019, 484,900 of the warrants were exercised. During the year ended March 31, 2020, 3,614,100 of the warrants were exercised. No outstanding warrants related to the Warrant Agreement remained outstanding at March 31, 2020.

## Senior Secured Credit Facility

On May 23, 2017, the Company entered a Business Finance Agreement (the "Credit Agreement") with Western Alliance Bank (the "Bank"). The Credit Agreement provides for a \$5,000 total facility.

The amounts advanced under the Credit Agreement mature in two (2) years, and accrue interest at the following rates and bear the following fees:

- (1) Wall Street Journal Prime Rate + 1.25% (currently approximately 5.25%), with a floor of 4.0%.
- (2) Annual Facility Fee of \$45.5.
- (3) Early termination fee of 0.5% if terminated during the first year.

The obligations under the Credit Agreement are secured by a perfected first position security interest in all assets of the Company and its subsidiaries, subject to partial (65%) pledges of stock of non-US subsidiaries. The Company's subsidiaries Digital Turbine USA and Digital Turbine Media are co-borrowers.

In addition to customary covenants, including restrictions on payments (subject to specified exceptions), and restrictions on indebtedness (subject to specified exceptions), the Credit Agreement requires the Company to comply with the following financial covenants, measured on a monthly basis:

- (1) Maintain a Current Ratio of at least 0.65, defined as unrestricted cash plus accounts receivable, divided by all current liabilities.
- (2) Revenue must exceed 85% of projected quarterly revenue.

The Credit Agreement required that at least two-thirds (2/3rds) of the holders of the Notes at all times be subject to subordination agreements with the Bank. The Company obtained the consent of the holders of at least two-thirds (2/3rds) of the Notes, which were held by a small number of institutional investors. In consideration for such consents, the Company entered into a Second Supplemental Indenture, dated May 23, 2017 (the "Supplemental Indenture") to the Indenture, and also entered into a First Amendment, dated May 23, 2017 (the "Warrant Amendment") to the Warrant Agreement. The Supplemental Indenture and Warrant Amendment provided for a 30 day stock price measurement period to determine whether or not there would be any change to the conversion price or exercise price of the Company's outstanding convertible notes or related warrants. The measurement period concluded on September 20, 2017, with no change to the existing \$1.364 per share conversion or exercise price of our convertible notes or related warrants.

On May 22, 2019, the Company entered into an amendment to the Credit Agreement that extends the agreement through May 23, 2021 and provided for up to a \$20,000 total facility, subject to draw limitations derived from current levels of eligible domestic receivables. The amounts advanced under the Credit Agreement, as amended, mature in two years, or May 22, 2021, and accrue interest at prime plus 0.50% subject to a 6.00% floor, with the prime rate defined as the greater of prime rate published in the Wall Street Journal or 5.50%. The Credit Agreement, as amended, also carried an annual facility fee of 0.20% of our available credit limit, and an unused line fee of 0.10% per annum.

On February 28, 2020, the Company entered into a new credit agreement (the "New Credit Agreement") with the Bank, which provides for (1) a term loan of \$20,000, 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 \$5,000 to be used for working capital purposes. DT Media and DT USA are additional co-borrowers under the New Credit Agreement.

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 to \$1,250 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 New Credit Agreement) for the fiscal year, which percentage is determined based on the Company's total funded debt to consolidated adjusted EBITDA ratio. A description of this ratio is provided in Exhibit 10.9, incorporated by reference to this Form 10-K.

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

Amounts outstanding under the New Credit Agreement accrue interest at an annual rate equal to LIBOR (or, if necessary, a broadly-adopted replacement index), subject to a 1.75% floor, plus 3.75%. The obligations under the New Credit Agreement are secured by a perfected first-priority security interest in all the assets of the Company and its subsidiaries. The New 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.

The description of the New Credit Agreement provided herein is qualified by reference to the New Credit Agreement, which is incorporated by reference to this Form 10-K.

The New Credit Agreement contains representations and warranties by each of the parties to the New Credit Agreement, which were made only for purposes of the New Credit Agreement and as of specified dates. The representations, warranties and covenants in the New Credit Agreement were made solely for the benefit of the parties to the New Credit Agreement, are subject to limitations agreed upon by such parties, including being qualified by schedules, may have been made for the purposes of allocating contractual risk between the parties instead of establishing these matters as facts, and are subject to standards of materiality applicable to the parties that may differ from those applicable to others. Others should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the Company or any of its subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the New Credit Agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures.

In connection with the Company entering into the New Credit Agreement with the Bank, on February 28, 2020, the Company and the Bank terminated the existing Credit Agreement, dated as of May 23, 2017, between the Company, DT Media, DT USA and the Bank (and the amendments thereto), which was the previous revolving credit facility of the Company.

At March 31, 2020, there was \$20,000 outstanding principal on the New Credit Agreement and the Company had \$5,000 available to draw.

### **Interest Expense**

Inclusive of the Notes issued on September 28, 2016 and the Credit Agreement entered into on May 23, 2017 in prior years, and the New Credit Agreement in the current year, the Company recorded \$101, \$322, and \$1,049 of interest expense during the years ended March 31, 2020, 2019, and 2018 respectively.

Additionally, aggregate debt discount and debt issuance cost amortization related to the Notes in the prior years, detailed in the paragraph above, and debt issuance cost amortization related to the New Credit Agreement in the current year, is reflected on the Consolidated Statement of Operations as interest expense. Inclusive of this amortization of \$6 recorded during the year ended March 31, 2020, \$798 recorded during the year ended March 31, 2019, and \$1,018 recorded during March 31, 2018, the Company recorded \$107, \$1,120, and \$2,067 of total interest expense for the years ended March 31, 2020, 2019, and 2018 respectively.

## **12. Fair Value Measurements**

The Company applies the provisions of ASC 820-10, "Fair Value Measurements and Disclosures." ASC 820-10 defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, "Distinguishing Liabilities From Equity" and ASC 815, "Derivatives and Hedging." Derivative liabilities are adjusted to reflect

fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives. The effects of interactions between embedded derivatives are calculated and accounted for in arriving at the overall fair value of the financial instruments. In addition, the fair values of freestanding derivative instruments such as warrant and option derivatives are valued using the Black-Scholes model.

The Company's financial liabilities as of the issuance date of the convertible notes on the initial measurement date of September 28, 2016 are presented below at fair value and were classified within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Balance as of September 28, 2016
<b>Financial Liabilities</b>				
Convertible note embedded derivative liability	\$ —	\$ —	\$ 3,693	\$ 3,693
Warrant liability	—	—	1,223	1,223
<b>Total</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,916</u>	<u>\$ 4,916</u>

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the liability. Fair value of the Notes is determined using the residual method of accounting whereby, first, a portion of the proceeds from the issuance of the Notes is allocated to derivatives embedded in the Notes and the warrants issued in connection with the issuance of the Notes, and the proceeds so allocated are accounted for as a convertible note embedded derivative liability and warrant liability, respectively, and second, the remainder of the proceeds from the issuance of the Notes is allocated to the convertible notes, resulting in an original debt discount amounting to \$4,916. The convertible notes remained on the Consolidated Balance Sheets at historical cost, accreted up for the amount of cumulative amortization of the debt discount over the life of the debt. The method of determining the fair value of the convertible note embedded derivative liability and warrant liability are described subsequently in this note. Market risk associated with the convertible note embedded derivative liability and warrant liability relates to the potential reduction in fair value and negative impact to future earnings from an increase in price of the Company's common stock. Please refer to Note 9 "Debt" for more information.

The carrying amounts of certain financial instruments, such as cash, accounts receivable, accounts payable and accrued liabilities, approximate fair value due to their relatively short maturities.

As of March 31, 2020, and 2019 the Company's financial assets and financial liabilities are presented below at fair value and were classified within the fair value hierarchy as follows (in thousands):

	Level 1	Level 2	Level 3	Balance as of March 31, 2020
<b>Financial Liabilities</b>				
Convertible note embedded derivative liability	\$ —	\$ —	\$ —	\$ —
Warrant liability	—	—	—	—
<b>Total</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

	Level 1	Level 2	Level 3	Balance as of March 31, 2019
<b>Financial Liabilities</b>				
Convertible note embedded derivative liability	\$ —	\$ —	\$ —	\$ —
Warrant liability	—	—	8,013	8,013
<b>Total</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,013</u>	<u>\$ 8,013</u>

### Convertible Note Embedded Derivative Liability

On September 28, 2016, the Company sold to an investment bank (the "Initial Purchaser"), \$16,000 principal amount of 8.75% convertible notes maturing on September 23, 2020 (the "Notes"), unless converted, repurchased, or redeemed in accordance with their terms prior to such date. We evaluated the terms and features of our convertible notes and identified embedded derivatives (conversion options that contain "make-whole interest" provisions, fundamental change provisions, or down round conversion price adjustment provisions; collectively called the "convertible note embedded derivative liability") requiring bifurcation and accounting at fair value because the economic and contractual characteristics of the embedded derivatives met the criteria for bifurcation and separate accounting. ASC 815-10-15-83 (c) states that if terms implicitly or explicitly require or permit net settlement, then it can readily be settled net by means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement. The conversion features related to the convertible notes consists of a "make-whole interest" provision, fundamental change provision, and down round conversion price adjustment provisions, which if the convertible notes were to be converted, would put the convertible note holder in a position not substantially different from net settlement. Given this fact pattern, the conversion features meet the definition of embedded derivatives and require bifurcation and accounting at fair value.

During fiscal 2018, holders of \$10,300 of the Notes elected to convert such Notes. During fiscal 2019, holders of \$5,700 of the Notes elected to convert such notes, thereby converting all of our outstanding notes and leaving an aggregate principal amount of \$0 of Notes outstanding, net of debt issuance costs and discounts of \$0 and \$0, respectively, as of March 31, 2019. Refer to Note "Debt" sub section *Convertible Notes* and Note "Capital Stock Transactions" for more details.

Changes in the fair value of the convertible note embedded derivative liability is reflected in our consolidated statements of operations as "Change in fair value of convertible note embedded derivative liability."

The Company recorded a gain / (loss) of \$0 during the year ended March 31, 2020 since all Notes were converted prior to fiscal 2020.

Due to the Company's closing stock price increasing from March 31, 2018 to March 31, 2019 from \$2.01 to \$3.50, the Company recorded a loss of \$1,008 during the year ended March 31, 2019.

The market-based assumptions and estimates used in valuing the convertible note embedded derivative liability include amounts in the following amounts:

	March 31, 2019
Stock price volatility	60 %
Stock price (per share)	\$4.18
Expected term	0.50 years
Risk-free rate (1)	0.17 %

(1) The Black Scholes model assumes the continuously compounded equivalent (CCE) interest rate of 1.17% based on the 1-year U.S. Treasury securities as of the valuation date.

Changes in valuation assumptions can have a significant impact on the valuation of the convertible note embedded derivative liability. For example, all other things being equal, a decrease/ increase in our stock price, probability of change of control, or stock price volatility decreases/increases the valuation of the liabilities, whereas a decrease/increase in risk-free interest rates increases/decreases the valuation of the liabilities.

## Warrant Liability

The Company issued detachable warrants with the convertible notes issued on September 28, 2016. The Company accounts for its warrants issued in accordance with US GAAP accounting guidance under ASC 815 applicable to derivative instruments, which requires every derivative instrument within its scope to be recorded on the balance sheet as either an asset or liability measured at its fair value, with changes in fair value recognized in earnings. Based on this guidance, the Company determined that these warrants did not meet the criteria for classification as equity. Accordingly, the Company classified the warrants as long-term liabilities. The warrants are subject to re-measurement at each balance sheet date, with any change in fair value recognized as a component of other income (expense), net in the statements of operations. We estimated the fair value of these warrants at the respective balance sheet dates using a lattice approach that incorporates a Monte Carlo simulation that considers the Company's future stock price. Option pricing models employ subjective factors to estimate warrant liability; and, therefore, the assumptions used in the model are judgmental.

Changes in the fair value of the warrant liability is primarily related to the change in price of the underlying common stock of the Company and is reflected in our consolidated statements of operations as "Change in fair value of warrant liability."

The following table provides a reconciliation of the beginning and ending balances for the warrant liability measured at fair value using significant unobservable inputs (Level 3):

	Level 3	
Balance at March 31, 2019	\$	8,013
Change in fair value of warrant liability		9,580
De-recognition of liability upon exercise		(17,593)
Balance at March 31, 2020	\$	—

Due to the valuation of the derivative liability being highly sensitive to the trading price of the Company's stock, the increase and decrease in the trading price of the Company's stock has the impact of increasing the (loss) and gain, respectively.

Due to the Company's closing stock price increasing from March 31, 2019 to March 31, 2020 from \$3.50 to \$4.18, the Company recorded a loss of \$9,580 during the year ended March 31, 2020.

Due to the Company's closing stock price increasing from March 31, 2018 to March 31, 2019 from \$2.01 to \$3.50, the Company recorded a loss of \$4,875 during the year ended March 31, 2019.

The market-based assumptions and estimates used in valuing the warrant liability include amounts in the following amounts:

	March 31, 2020
Stock price volatility	60 %
Stock price (per share)	\$4.18
Expected term	0.50 years
Risk-free rate (1)	0.17 %

(1) The Black Scholes model assumes the continuously compounded equivalent (CCE) interest rate of 0.17% based on the 1-year U.S. Treasury securities as of the valuation date.

Changes in valuation assumptions can have a significant impact on the valuation of the warrant liability. For example, all other things being equal, a decrease/increase in our stock price, probability of change of control, or stock price volatility decreases/increases the valuation of the liabilities, whereas a decrease/increase in risk-free interest rates increases/decreases the valuation of the liabilities.

### 13. Description of Stock Plans

#### *Employee Stock Plan*

The Company is currently issuing stock awards under the Amended and Restated Digital Turbine, Inc. 2011 Equity Incentive Plan (the "2011 Plan"), which was approved and adopted by our stockholders by written consent on May 23, 2012. No future grants will be made under the previous plan, the 2007 Employee, Director and Consultant Stock Plan (the "2007 Plan"). In the year ended March 31, 2015, in connection with the acquisition of Appia, the Company assumed the Appia, Inc. 2008 Stock Incentive Plan (the "Appia Plan"). The 2011 Plan and 2007 Plan are collectively referred to as "Digital Turbine's Incentive Plans." Digital Turbine's Incentive Plans and the Appia Plan are all collectively referred to as the "Stock Plans."

The 2011 Plan provides for grants of stock-based incentive awards to our and our subsidiaries' officers, employees, non-employee directors, and consultants. Awards issued under the 2011 Plan can include stock options, stock appreciation rights ("SARs"), restricted stock, and restricted stock units (sometimes referred to individually or collectively as "Awards"). Stock options may be either "incentive stock options" ("ISOs"), as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or non-qualified stock options ("NQSOs").

The 2011 Plan reserves 20,000,000 shares for issuance, of which 6,366,088 and 8,685,457 remained available for future grants as of March 31, 2020 and 2019, respectively. The change over the comparative period represents stock option grants, stock option forfeitures/cancellations, and restricted share grants of common stock of 2,624,244, 489,785, and 184,910, respectively.

#### *Restricted Stock Units*

Awards of restricted stock units ("RSUs") may be either grants of time-based restricted units or performance-based restricted units that are issued at no cost to the recipient. The cost of these awards is determined using the fair market value of the Company's common stock on the date of the grant. No capital transaction occurs until the units vest, at which time they are converted to restricted or unrestricted stock. Compensation expense for RSUs with a time condition is recognized on a straight-line basis over the requisite service period. Compensation expense for RSUs with a performance condition are recognized on a straight-line basis based on the most likely attainment scenario, which is re-evaluated each period.

In June 2018, the Company issued 232,558 RSUs to its Chief Executive Officer and Chief Financial Officer. The shares vest over three years. The fair value of the shares on the date of issuance was \$400.

In May 2019, the Company issued 109,416 RSUs to its Chief Executive Officer and Chief Financial Officer. The shares vest over three years. The fair value of the shares on the date of issuance was \$413.

With respect to RSUs, the Company expensed \$220 during the year ended March 31, 2020 and \$140 during the year ended March 31, 2019, respectively. For the year ended March 31, 2018, there were no outstanding RSU agreements or associated expense.

#### *Stock Option Agreements*

Stock options granted under the Company's Stock Plans typically vest over a three-to-four-year period. These options, which are granted with option exercise prices equal to the fair market value of the Company's common stock on the date of grant, generally expire up to ten years from the date of grant.

Stock Option Activity

The following table summarizes stock option activity for the Stock Plans during the years ended March 31, 2020 and 2019:

	Number of Shares	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Options Outstanding, March 31, 2018	9,741,969	\$ 2.08	7.82	\$ 6,286
Granted	1,463,925	1.69		
Forfeited / Canceled	(1,552,192)	3.72		
Exercised	(524,817)	0.94		
Options Outstanding, March 31, 2019	9,128,885	1.80	7.31	16,347
Granted	2,624,244	5.00		
Forfeited / Canceled	(488,952)	2.05		
Exercised	(2,279,747)	1.70		
Options Outstanding, March 31, 2020	8,984,430	\$ 2.75	7.17	\$ 16,517
Vested and expected to vest (net of estimated forfeitures) at March 31, 2020 (a)	7,987,627	\$ 2.59	6.96	\$ 15,424
Exercisable, March 31, 2020	5,377,389	\$ 2.21	6.16	\$ 11,552

a. For options vested and expected to vest, options exercisable, and options outstanding, the aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between Digital Turbine's closing stock price on March 31, 2020 and the exercise price multiplied by the number of in-the-money options) that would have been received by the option holders had the holders exercised their options on March 31, 2020. The intrinsic value changes based on changes in the price of Digital Turbine's common stock.

Information about options outstanding and exercisable at March 31, 2020 is as follows:

	Options Outstanding			Options Exercisable	
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)	Number of Shares	Weighted-Average Exercise Price
\$0.51 - 1.00	1,539,065	0.73	6.60	826,195	0.73
\$1.01 - 1.50	1,839,036	1.29	6.35	1,739,744	1.30
\$1.51 - 2.00	969,494	1.67	8.06	545,113	1.66
\$2.01 - 2.50	548,972	2.23	8.06	293,356	2.21
\$2.51 - 3.00	535,958	2.59	4.09	535,958	2.59
\$3.51 - 4.00	1,763,300	3.89	7.85	764,985	3.93
\$4.01 - 4.50	475,000	4.13	4.54	475,000	4.13
\$4.51 - 5.00	60,000	4.65	2.99	60,000	4.65
\$5.01 and over	1,253,605	6.29	9.56	137,038	6.14
	8,984,430			5,377,389	

Other information pertaining to stock options for the Stock Plans is as follows:

	Year ended March 31,		
	2020	2019	2018
Total fair value of options vested	\$ 2,577	\$ 1,977	\$ 3,335
Total intrinsic value of options exercised (a)	\$ 10,890	\$ 603	\$ 202

a. The total intrinsic value of options exercised represents the total pre-tax intrinsic value (the difference between the stock price at exercise and the exercise price multiplied by the number of options exercised) that was received by the option holders who exercised their options during the fiscal year.

During the years ended March 31, 2020, 2019, and 2018, the Company granted options to purchase 2,624,244, 1,463,925, and 1,963,378 shares of its common stock, respectively, to employees with weighted-average grant-date fair values of \$2.86, \$1.02, and \$0.94, respectively.

At March 31, 2020, 2019, and 2018, there was \$4,787, \$2,639, and \$2,353 of total unrecognized stock-based compensation expense, net of estimated forfeitures, related to unvested stock options expected to be recognized over a weighted-average period of 2.3 years, 1.9 years, and 2.2 years, respectively.

#### Valuation of Awards

For stock options granted under Digital Turbine's Incentive Plans, the Company typically uses the Black-Scholes option pricing model to estimate the fair value of stock options at grant date. The Black-Scholes option pricing model incorporates various assumptions, including volatility, expected term risk-free interest rates, and dividend yields. The assumptions utilized in this model during fiscal years 2020, 2019, and 2018 are presented below.

	Year ended March 31,		
	2020	2019	2018
Risk-free interest rate	0.64% to 2.25%	2.38% to 2.96%	1.77% to 2.73%
Expected life of the options	5.02 to 9.83 years	5.52 to 9.19 years	5.65 to 9.84 years
Expected volatility	64% to 66%	66%	66% to 73%
Expected dividend yield	—%	—%	—%
Expected forfeitures	29%	29%	28% to 29%

Expected volatility is based on a blend of implied and historical volatility of Digital Turbine's common stock over the most recent period commensurate with the estimated expected term of Digital Turbine's stock options. Digital Turbine uses this blend of implied and historical volatility, as well as other economic data, because management believes such volatility is more representative of prospective trends. The expected term of an award is based on historical experience and on the terms and conditions of the stock awards granted to employees.

Total stock compensation expense for the Company's equity plans, which includes both stock options, restricted stock, and warrants issued, is included in the following Consolidated Statements of Operations and Comprehensive Income / (Loss) components. See Note "Capital Stock Transactions" regarding restricted stock.

	Year ended March 31,		
	2020	2019	2018
Product development	\$ —	\$ —	\$ —
Sales and marketing	—	—	—
General and administrative	3,353	2,531	2,978
<b>Total</b>	<b>\$ 3,353</b>	<b>\$ 2,531</b>	<b>\$ 2,978</b>

## 14. Capital Stock Transactions

### *Preferred Stock*

There are 2,000,000 shares of Series A Convertible Preferred Stock, \$0.0001 par value per share ("Series A"), authorized and 100,000 shares issued and outstanding, which are currently convertible into 20,000 shares of common stock. The Series A holders are entitled to: (1) vote on an equal per share basis as common stock, (2) dividends paid to the common stock holders on an as-if-converted basis and (3) a liquidation preference equal to the greater of \$10 per share of Series A (subject to adjustment) or such amount that would have been paid to the common stock holders on an as-if-converted basis.

### *Common Stock and Warrants*

For the years ended March 31, 2020 and 2019, the Company issued 2,279,747 and 524,817 shares, respectively, of common stock for the exercise of employee options.

For the years ended March 31, 2020 and 2019, the Company issued 0 and 4,446,265 shares, respectively, of common stock to the holders of the Notes in exchange for the extinguishment of the Notes. See Notes "Debt" and "Fair Value Measurements" for more details.

In September 2016, in connection with the issuance of the Notes, the Company issued 250,000 and 4,105,600 warrants to the initial purchaser and holders of the Notes, respectively. The warrants were immediately exercisable on the date of issuance at an initial exercise price of \$1.364 per share and set to expire on September 23, 2020. The exercise price is subject to proportional adjustment for adjustments to outstanding common stock and anti-dilution provisions in case of dividends or distributions, stock split or combination, or if the Company issues or sells shares of common stock at a price per share less than the conversion price on the trading day immediately preceding such issuance of sale. See Note "Fair Value Measurements" for more details.

For the years ended March 31, 2020 and 2019, the Company issued 3,283,090 and 333,924 shares, respectively, of common stock to the holders of these warrants upon exercise.

The following table provides activity for warrants issued and outstanding during the year ended March 31, 2020:

	Number of Warrants Outstanding	Weighted-Average Exercise Price
Outstanding as of March 31, 2019	3,639,100	\$ 1.37
Issued	—	—
Exercised	(3,614,100)	1.36
Canceled/Expired	—	—
Outstanding as of March 31, 2020	25,000	\$ 2.04

#### ***Restricted Stock Agreements***

From time to time, the Company enters into restricted stock agreements ("RSAs") with certain employees and consultants. The RSAs have performance conditions, market conditions, time conditions, or a combination thereof. In some cases, once the stock vests, the individual is restricted from selling the shares of stock for a certain defined period, from three months to two years, depending on the terms of the RSA. As reported in our Current Reports on Form 8-K filed with the SEC on February 12, 2014 and June 25, 2014, the Company adopted a Board Member Equity Ownership Policy that supersedes any post-vesting lock-up in RSAs that are applicable to people covered by the policy, which includes the Company's Board of Directors and Chief Executive Officer.

During the years ended March 31, 2020 and 2019, the Company issued 75,493 and 306,655 restricted shares, respectively, to its directors for services. The shares vest over 1 year.

With respect to RSAs, during the years ended March 31, 2020, 2019, and 2018, the Company expensed \$424, \$380, and \$323 related to time condition RSAs, respectively. As of March 31, 2020, 37,746 shares remain unvested.

During the years ended March 31, 2020 and 2019, the Company entered into restricted stock units (RSU) agreements with certain officers of the Company to issue 109,416 and 232,558 shares of common stock, respectively, upon vesting. As of March 31, 2020, 67,830 RSUs related to these agreements were vested and an equivalent number of shares of common stock were issued.

The following is a summary of restricted stock awards and activities for all vesting conditions for the years ended March 31, 2020 and 2019, respectively:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested restricted stock outstanding as of March 31, 2018	132,569	\$ 1.09
Granted	306,655	1.39
Vested	(285,896)	1.24
Cancelled	—	—
Unvested restricted stock outstanding as of March 31, 2019	153,328	1.39
Granted	75,494	5.58
Vested	(191,076)	2.22
Cancelled	—	—
Unvested restricted stock outstanding as of March 31, 2020	37,746	\$ 5.58

All restricted shares, vested and unvested, cancellable and not cancelled, have been included in the outstanding shares as of March 31, 2020.

At March 31, 2020 and March 31, 2019, there was \$140 and \$144, respectively, of unrecognized stock-based compensation expense, net of estimated forfeitures, related to unvested restricted stock awards expected to be recognized over a weighted-average period of approximately 0.34 and 0.34 years, respectively.

#### 15. Net Income / (Loss) per Common Share

Basic and diluted net income / (loss) per share is calculated by dividing net income / (loss) by the weighted-average number of shares of common stock outstanding during the period, less shares subject to repurchase, and excludes any dilutive effects of employee stock-based awards in periods where the Company has net losses. Because the Company had net losses for the years ended March 31, 2019 and 2018, all potentially dilutive shares of common stock were determined to be anti-dilutive and, accordingly, were not included in the calculation of diluted net loss per share for those fiscal years.

The following table sets forth the computation of net income / (loss) per share of common stock (in thousands, except per share amounts):

	Year ended March 31,		
	2020	2019	2018
Income / (loss) from continuing operations, net of taxes	\$ 14,280	\$ (4,302)	\$ (19,697)
Weighted-average common shares outstanding, basic	84,594	77,440	70,263
Basic net income / (loss) per common share	\$ 0.17	\$ (0.06)	\$ (0.28)
Weighted-average common shares outstanding, diluted	89,558	77,440	70,263
Diluted net income / (loss) per common share	\$ 0.16	\$ (0.06)	\$ (0.28)
Common stock equivalents excluded from net loss per diluted share because their effect would have been anti-dilutive	4,964	3,312	2,572

#### 16. Employee Benefit Plans

The Company has a qualified contributory retirement plan under section 401(k) of the IRC covering eligible full-time employees. Employees may voluntarily contribute eligible compensation up to the annual IRS limit. During the years ended March 31, 2020, 2019, and 2018, the Company made matching contributions of \$267, \$226, and \$172, respectively.

#### 17. Related-Party Transactions

On April 29, 2018, Digital Turbine Asia Pacific Pty, Ltd. and Digital Turbine Singapore Pte Ltd. (together, "Pay Seller"), each wholly-owned subsidiaries of the Company, entered into an Asset Purchase Agreement (the "Pay Agreement"), dated as of April 23, 2018, with Chargewave Ptd Ltd ("Pay Purchaser") to sell certain assets (the "Pay Assets") owned by the

Pay Seller related to the Company's Direct Carrier Billing business. The Pay Purchaser is principally-owned and controlled by Jon Mooney, an officer of the Pay Seller. At the closing of the asset sale, Mr. Mooney was no longer employed by the Company or Pay Seller.

## 18. Income Taxes

The provision (benefit) for income taxes by taxing jurisdiction was as follows:

	Year ended March 31,		
	2020	2019	2018
Current state and local	\$ 182	\$ —	\$ —
Current non-U.S.	(55)	(63)	(116)
<b>Total current</b>	<b>127</b>	<b>(63)</b>	<b>(116)</b>
Deferred U.S. federal	(7,928)	—	—
Deferred state and local	(2,624)	—	—
Deferred non-U.S.	50	532	(835)
<b>Total deferred</b>	<b>(10,502)</b>	<b>532</b>	<b>(835)</b>
<b>Total income tax (benefit) / provision</b>	<b>\$ (10,375)</b>	<b>\$ 469</b>	<b>\$ (951)</b>

A reconciliation of income tax expense using the statutory U.S. income tax rate compared with the actual income tax provision follows:

	Year ended March 31,		
	2020	2019	2018
Statutory federal income taxes	\$ 741	\$ (1,163)	\$ (5,750)
State income taxes, net of federal benefit	144	—	—
Non-deductible expenses	900	2,074	1,355
Rate change	—	—	14,830
Change in uncertain tax liability	32	(5)	(103)
Change in valuation allowance	(12,262)	(2,422)	(10,528)
Return-to-provision adjustments	70	1,985	(755)
<b>Income tax provision / (benefit)</b>	<b>\$ (10,375)</b>	<b>\$ 469</b>	<b>\$ (951)</b>

As part of the stock acquisition of Mobile Posse on February 28, 2020, the Company recorded a net U.S. deferred tax liability of \$10,552 on the opening balance sheet. The deferred tax liability primarily relates to intangible assets recorded at fair market value for financial accounting compared to the carryover of historical tax basis. The acquired deferred tax liabilities represent a source of positive evidence with respect to the Company's ability to realize deferred tax assets. In accordance with ASC 805-740-30-3, a change in the acquirer's valuation allowance as a result of a business combination is recorded as a component of income tax expense. As a result of the business combination, the Company released \$10,552 of valuation allowance as a component of income tax expense in the year ended March 31, 2020. The remainder of the change in valuation allowance impacting the March 31, 2020 effective tax rate relates to annual income or loss by tax jurisdiction.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) requiring companies to pay a one-time deemed repatriation transition tax (the "Transition Tax") on certain earnings of foreign subsidiaries; (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (4) requiring a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations; (5) eliminating the corporate alternative minimum tax ("AMT") and changing how AMT credits can be realized; (6) capital expensing; (7) eliminating the deduction on U.S. manufacturing activities; and (8) creating new limitations on deductible interest expense and executive compensation.

The Securities Exchange Commission staff issued Staff Accounting Bulletin ("SAB") 118 which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a

company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

In connection with our initial analysis of the impact of the Tax Act, we determined that the tax law changes have no effect on the Company's tax provision in the period ending March 31, 2018 due to the valuation allowance against the U.S. deferred tax assets. The Company remeasured its U.S. deferred tax assets and liabilities as of March 31, 2018 using the reduced statutory rate of 21%, resulting in a reduction of the U.S. deferred tax assets of \$14,830, and adjusted the valuation allowance against the U.S. deferred taxes for a net zero impact on the tax provision. Additionally, the Company does not estimate having a liability for the Transition Tax as a result of deficits in earnings and profits of its non-U.S. subsidiaries. The Accounting for the Tax Act was completed in the year ended March 31, 2019 consistent with our initial accounting in the prior year.

Deferred tax assets and liabilities consist of the following:

	Year ended March 31,		
	2020	2019	2018
<b>Deferred income tax assets</b>			
Net operating loss carryforward	\$ 21,913	\$ 23,471	\$ 25,848
Stock-based compensation	3,775	3,996	3,095
Other	2,312	1,228	2,732
Gross deferred income tax assets	28,000	28,695	31,675
Valuation allowance	(15,710)	(27,972)	(30,394)
<b>Net deferred income tax assets</b>	<b>\$ 12,290</b>	<b>\$ 723</b>	<b>\$ 1,281</b>
<b>Deferred income tax liabilities</b>			
Depreciation and amortization	\$ (1,648)	\$ (678)	\$ (680)
Intangibles and goodwill	(10,356)	—	—
Other	—	(5)	(5)
<b>Net deferred income tax assets / (liabilities)</b>	<b>\$ 286</b>	<b>\$ 40</b>	<b>\$ 596</b>

As of March 31, 2020, the Company had net operating loss (NOL) carry-forwards for U.S. federal and state tax of approximately \$80,500, Australia federal tax of approximately \$8,403, and Israel federal tax of approximately \$3,025. The U.S. federal and state NOLs expire between 2028 and 2037, and the Australia and Israel NOLs have an unlimited carryover period. Utilization of the NOLs in the U.S. are subject to annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as similar state and foreign limitations. These ownership changes limit the amount of NOLs that can be utilized annually to offset future taxable income and tax, respectively. In general, an "ownership change" as defined by Section 382 of the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50% percentage points of the outstanding stock of a company by certain stockholders or public groups.

As of March 31, 2020, realization of a large portion of the Company's gross deferred tax assets was not considered more likely than not and, accordingly, a valuation allowance of \$15,710 has been provided. During the year ended March 31, 2020, the valuation allowance decreased by \$12,262. The reduction primarily relates to U.S. deferred tax liabilities recorded in the acquisition accounting for Mobile Posse as described above.

ASC 740 requires the consideration of a valuation allowance, on a jurisdictional basis, to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining any valuation allowance recorded against deferred tax assets. Based on the history of cumulative book and tax losses, a valuation allowance has been recorded for assets that management believes are not more likely than not realizable.

ASC 740 provides guidance on the minimum threshold that an uncertain income tax position is required to meet before it can be recognized in the financial statements. ASC 740 contains a two-step approach to recognizing and measuring uncertain income tax positions. The first step is to evaluate the income tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of

related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit can be recorded. We recognize accrued interest and penalties related to uncertain income tax positions in income tax expense on our Consolidated Statements of Operations and Comprehensive Income / (Loss).

The Company's income is subject to taxation in both the U.S. and foreign jurisdictions. Significant judgment is required in evaluating the Company's tax positions and determining its provision for income taxes. The Company establishes liabilities for income tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These liabilities for tax contingencies are established when the Company believes that a tax position is not more likely than not sustainable. The Company adjusts these liabilities in light of changing facts and circumstances, such as the outcome of a tax audit or lapse of a statute of limitations. The provision for income taxes includes the impact of uncertain tax liabilities and changes in liabilities that are considered appropriate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended March 31, 2020, 2019, and 2018 is as follows:

	2020	2019	2018
<b>Balance at April 1</b>	\$ 788	\$ 838	\$ 941
Additions for tax position of prior years	—	—	59
Reductions for tax positions of prior years	(1)	(50)	(162)
<b>Balance at March 31</b>	<b>\$ 787</b>	<b>\$ 788</b>	<b>\$ 838</b>

Included in the balances at March 31, 2020, 2019, and 2018 are \$787, \$788, and \$838, respectively, of unrecognized tax benefits, which would affect the annual effective tax rate if recognized. The Company recognized \$33, \$45 and \$26 of expense for interest and penalties on uncertain income tax liabilities in its statement of operations for the years ended March 31, 2020, 2019, and 2018 respectively. The Company does not expect the amount of unrecognized tax benefits to change significantly in the next twelve months.

The Company's U.S. federal, state, and foreign income tax returns generally remain subject to examination for the tax years ended 2015 through 2020.

## 19. Segment and Geographic Information

The Company manages its business in one operating and reportable segment: Media Distribution. Our chief operating decision maker does not evaluate operating segments using asset information. The Company has considered guidance in Accounting Standards Codification (ASC) 280 in reaching its conclusion with respect to aggregating its operating segment into one reportable segment. Specifically, the Company has evaluated guidance in ASC 280-10-50-11 and determined that aggregation is consistent with the objectives of ASC 280 in that aggregation into one reportable segment allows users of our financial statements to view the Company's business through the eyes of management based upon the way management reviews performance and makes decisions. Additional factors that were considered included: whether or not an operating segment has similar economic characteristics, the nature of the products/services under each operating segment, the nature of the production/go-to-market process, the type and geographic location of our customers, and the distribution of our products/services.

The Company attributes its long-lived assets, which primarily consist of property and equipment, to a country primarily based on the physical location of the assets. Goodwill and intangibles are not included in this allocation.

The following table sets forth geographic information on our net revenues and net property and equipment for the years ended March 31, 2020, 2019, and 2018. Net revenues by geography are based on the billing addresses of our customers.

	Year ended March 31,		
	2020	2019	2018
<b>Net revenues</b>			
United States and Canada	\$ 90,245	\$ 72,898	\$ 40,743
Europe, Middle East, and Africa	34,970	18,606	5,691
Asia Pacific and China	11,865	9,324	23,608
Mexico, Central America, and South America	1,635	2,741	4,709
<b>Consolidated net revenues</b>	<b>\$ 138,715</b>	<b>\$ 103,569</b>	<b>\$ 74,751</b>
<b>Property and equipment, net</b>			
United States and Canada	\$ 8,132	\$ 3,405	\$ 2,701
Europe, Middle East, and Africa	38	15	41
Asia Pacific and China	13	10	15
Mexico, Central America, and South America	—	—	—
<b>Consolidated property and equipment, net</b>	<b>\$ 8,183</b>	<b>\$ 3,430</b>	<b>\$ 2,757</b>

## 20. Commitments and Contingencies

### *Operating Lease Obligations*

The Company leases office facilities under non-cancellable operating lease agreements expiring between fiscal years 2024 and 2026.

The following table provides a summary of future minimum payments under initial terms of leases as of:

Year ending March 31,	
2021	\$ 1,390
2022	1,493
2023	1,549
2024	1,374
2025	1,081
Thereafter	882
<b>Total Minimum Lease Payments</b>	<b>\$ 7,769</b>

These amounts do not reflect future escalations for real estate taxes and building operating expenses. Rental expense for continuing operations amounted to \$1,093, \$1,065, and \$857, for the years ended March 31, 2020, 2019, and 2018, respectively.

### *Debt Repayment Obligations*

On February 28, 2020, the Company entered into a new credit agreement (the "New Credit Agreement") with the Bank, which provides for a term loan of \$20,000, the proceeds of which the Company used to pay a portion of the closing cash purchase price for the Acquisition. See Note "Debt" for further details.

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 to \$1,250 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 New Credit Agreement) for the fiscal year, which percentage is determined based on the Company's total funded debt to consolidated adjusted EBITDA ratio.

The following table provides a summary of future minimum payments under initial terms of the New Credit Agreement as of:

Year ending March 31,	
2021	\$ 1,250
2022	2,000
2023	2,750
2024	3,750
2025	10,250
Thereafter	—
<b>Total Minimum Debt Payments</b>	<b>\$ 20,000</b>

Amounts outstanding under the New Credit Agreement accrue interest at an annual rate equal to LIBOR (or, if necessary, a broadly-adopted replacement index), subject to a 1.75% floor, plus 3.75%.

Inclusive of the Notes issued on September 28, 2016 and the Credit Agreement entered into on May 23, 2017 in prior years, and the New Credit Agreement in the current year, the Company recorded \$101, \$322, and \$1,049 of interest expense during the years ended March 31, 2020, 2019, and 2018 respectively.

Additionally, aggregate debt discount and debt issuance cost amortization related to the Notes in the prior years, detailed in the paragraph above, and debt issuance cost amortization related to the New Credit Agreement in the current year, is reflected on the Consolidated Statement of Operations as interest expense. Inclusive of this amortization of \$6 recorded during the year ended March 31, 2020, \$798 recorded during the year ended March 31, 2019, and \$1,018 recorded during March 31, 2018, the Company recorded \$107, \$1,120, and \$2,067 of total interest expense for the years ended March 31, 2020, 2019, and 2018 respectively.

#### ***Legal Matters***

The Company may be involved in various claims, suits, assessments, investigations, and legal proceedings that arise from time to time in the ordinary course of its business. The Company accrues a liability when it is both probable that a liability has been incurred, and the amount of the loss can be reasonably estimated. The Company reviews these accruals at least quarterly, and adjusts them to reflect ongoing negotiations, settlements, rulings, advice of legal counsel, and other relevant information. To the extent new information is obtained and the Company's views on the probable outcomes of claims, suits, assessments, investigations, or legal proceedings change, changes in the Company's accrued liabilities would be recorded in the period in which such determination is made. For some matters, the amount of liability is not probable or the amount cannot be reasonably estimated, and therefore, accruals have not been made.

## 21. Supplemental Consolidated Financial Information

### Unaudited Quarterly Results

The following tables set forth our quarterly consolidated statements of operations in dollars for each quarter of fiscal 2020 and 2019. We have prepared the quarterly consolidated statements of operations data on a basis consistent with the audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K. In the opinion of management, the financial information in these tables reflects all adjustments, consisting only of normal recurring adjustments that management considers necessary for a fair presentation of this data. This information should be read in conjunction with the audited consolidated financial statements and related notes included in this Part II, Item 8 of this Annual Report on Form 10-K. The results of historical periods are not necessarily indicative of the results for any future period.

	Three Months Ended							
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Net revenues	\$ 39,351	\$ 36,016	\$ 32,795	\$ 30,553	\$ 27,192	\$ 30,411	\$ 23,854	\$ 22,112
License fees and revenue share	23,591	21,576	20,146	18,275	15,768	19,195	15,802	15,216
Other direct cost of revenues	432	400	344	278	470	538	508	507
Gross profit	15,328	14,040	12,305	12,000	10,954	10,678	7,544	6,389
Total operating expenses	12,403	9,908	9,190	8,960	9,020	8,222	7,229	7,649
Income (loss) from operations	2,925	4,132	3,115	3,040	1,934	2,456	315	(1,260)
Total interest and other income / (expense), net	721	(830)	(4,380)	(4,818)	(8,384)	(3,376)	1,730	2,752
Income / (loss) from operations before income taxes	3,646	3,302	(1,265)	(1,778)	(6,450)	(920)	2,045	1,492
Income tax (benefit) / provision	(10,381)	41	72	(107)	312	216	(23)	(36)
Net income (loss) from operations, net of taxes	14,027	3,261	(1,337)	(1,671)	(6,762)	(1,136)	2,068	1,528
Basic and diluted net income / (loss) per common share from continuing operations	\$ 0.16	\$ 0.04	\$ (0.02)	\$ (0.02)	\$ (0.09)	\$ (0.01)	\$ 0.03	\$ 0.02
Weighted-average common shares outstanding, basic	86,784	85,876	83,909	81,814	79,404	77,645	77,193	76,204
Weighted-average common shares outstanding, diluted	91,875	92,472	83,909	81,814	79,404	77,645	78,780	79,598

### Quarterly Trends and Seasonality

Our overall operating results fluctuate from quarter to quarter as a result of a variety of factors, some of which are outside our control. We have experienced rapid growth since the acquisition of Appia, Inc. on March 6, 2015, which has resulted in a substantial increase in our revenue and a corresponding increase in our operating expenses to support our growth. We are continuously working on enhancing our technology and our operational abilities. This rapid growth has also led to uneven overall operating results due to changes in our investment in sales and marketing and research and development from quarter to quarter and increases in employee headcount. Our historical results should not be considered a reliable indicator of our future results of operations.

Many advertisers spend the largest portion of their advertising budgets during the third quarter, to coincide with the holiday shopping season. As a result, typically the third quarter of each calendar year historically represents the largest percentage of our revenue for the year, and the first quarter of each year represents the smallest percentage.

## Valuation and Qualifying Accounts

Fiscal Year	Description	Balance at Beginning of Period	Charged to Income Statement	Charged to Allowance	Balance at End of Period
(in thousands)					
<b>Trade receivables</b>					
2020	Allowance for doubtful accounts	\$ 895	\$ 1,739	\$ (1,425)	\$ 4,059
2019	Allowance for doubtful accounts	512	300	(83)	895
2018	Allowance for doubtful accounts	228	530	246	512

## 22. Subsequent Events

None.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## CONTROLS AND PROCEDURES

### ITEM 9A.

#### *Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of our management, including our chief executive officer, who is our principal executive officer, and our chief financial officer, who is our principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2020, the end of the period covered by this Annual Report. The term “disclosure controls and procedures,” as set forth in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2020, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

#### *Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting, or in other factors identified in connection with the evaluation required by Exchange Act Rules 13a-15(d) or 15d-15(d), that occurred during the fiscal periods covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### *Management's Annual Report on Internal Control Over Financial Reporting*

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is designed to provide reasonable assurance regarding the

reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with accounting principles generally accepted in the United States of America. Management regularly monitors its internal control over financial reporting and actions are taken to correct deficiencies as they are identified.

Under the supervision and with the participation of management, including the principal executive and principal financial officers, the Company conducted an evaluation of the effectiveness of internal control over financial reporting. This assessment was based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on this evaluation under the framework in Internal Control – Integrated Framework, management concluded that the Company maintained effective internal control over financial reporting as of March 31, 2020, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f).

Management has excluded Mobile Posse, Inc. from its assessment of internal control over financial reporting as of March 31, 2020 because it was acquired by the Company during fiscal year 2020. Total assets and total revenues of Mobile Posse, Inc. represent approximately 51.3%, or \$94.6 million, and 3.5%, or \$4.8 million, respectively, of the related consolidated financial statement amounts of the Company as of, and for the fiscal year ended, March 31, 2020.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Further, because of changes in conditions, internal control effectiveness may vary over time. The Company's independent registered public accounting firm, SingerLewak LLP, has audited the Company's internal control over financial reporting as of March 31, 2020, as stated in their report included herein. SingerLewak LLP also audited the Company's Consolidated Financial Statements as of and for the year ended March 31, 2020.

The foregoing has been approved by our management, including our chief executive officer and chief financial officer, who have been involved with the reassessment and analysis of our internal control over financial reporting.

SingerLewak LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting. This report is included in Part II, Item 8 of this Form 10-K.

#### **ITEM 9B. OTHER INFORMATION**

On May 31, 2020, our Board of Directors (the “Board”) and Compensation Committee of the Board (the “Compensation Committee”) approved compensation for our Chief Executive Officer and Chief Financial Officer for the fiscal year ended March 31, 2020. Our Chief Executive Officer, William Stone, and our Chief Financial Officer, Barrett Garrison, each received a cash bonus pursuant to the terms of his respective, previously-filed, employment agreement, pro-rated for substantial achievement of the target revenue and target adjusted EBITDA goals previously established by the Compensation Committee for such fiscal year, plus the allowed discretionary bonus for achievement of the factors described in the applicable employment agreement. The Board and Compensation Committee also increased annual base salary for Mr. Garrison by \$15,000. In addition, as part of the long term incentive plan provided for in their respective employment agreements, Messrs. Stone and Garrison were granted equity awards consisting of time vesting restricted stock units for 37,764 and 15,106 shares, respectively, of the Company’s common stock and performance vesting restricted stock units for target numbers of 37,764 and 15,106 shares, respectively, of the Company’s common stock. The time vesting units vest over three years, with one-third vesting on the first anniversary of the grant date and the balance monthly thereafter. The vesting of the performance vesting units is based upon achievement of three-year revenue and adjusted EBITDA targets determined by the Board, with the potential for between zero to twice the target number of shares based on the degree of achievement of the applicable goals. The Board and Compensation Committee also granted Messrs. Stone and Garrison stock options to acquire 142,315 and 56,926 shares, respectively, of the Company’s common stock.

In addition, pursuant to Mr. Stone’s employment agreement, he is eligible to receive annual cash incentives of up to 25%, 50% and 100% of base salary based on the achievement of annual revenue and earnings goals set by the Compensation Committee. The Board and the Compensation Committee increased such percentages for fiscal year 2021 annual incentive compensation to 37.5%, 75% and 150%, respectively, for Mr. Stone.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE**

The information required by this item is incorporated by reference to our Proxy Statement for the 2020 Annual Meeting of Stockholders.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item is incorporated by reference to our Proxy Statement for the 2020 Annual Meeting of Stockholders.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

*Adoption of Amended and Restated 2011 Equity Incentive Plan of Digital Turbine, Inc.*

On May 26, 2011, our Board of Directors adopted the 2011 Equity Incentive Plan of Digital Turbine, Inc. and on April 27, 2012, our Board of Directors amended and restated the plan and the related plan documents and directed that they be submitted to our stockholders for their consideration and approval. On May 23, 2012, our stockholders approved and adopted, by written consent, the Amended and Restated 2011 Equity Incentive Plan of Digital Turbine, Inc. (the "2011 Plan"), the Digital Turbine, Inc. Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Restricted Stock Agreement and the Digital Turbine, Inc. Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Stock Option Agreement (collectively, the "Related Documents").

The 2011 Plan provides for grants of stock options, stock appreciation rights ("SARs"), restricted stock, and restricted stock units (sometimes referred to individually or collectively as "Awards") to our and our subsidiaries' officers, employees, non-employee directors, and consultants. Stock options may be either "incentive stock options" ("ISOs"), as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or non-qualified stock options ("NQSOs"). On September 10, 2012, the Company increased the 2011 Plan shares available for issuance from 4,000,000 to 20,000,000, of which 6,366,088 remain available for issuance as of March 31, 2020.

*Equity Compensation Plan Information*

The following table sets forth information concerning our Amended and Restated 2011 Equity Incentive Plan as of March 31, 2020.

	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
<b>Equity compensation plan approved by security holders</b>			
Amended and Restated 2011 Equity Incentive Plan	8,984,430	\$ 2.75	6,366,088
<b>Equity compensation plan not approved by security holders</b>			
	—	—	—
<b>Total</b>	<b>8,984,430</b>	<b>2.75</b>	<b>6,366,088</b>

Other information required by this item is incorporated by reference to our Proxy Statement for the 2020 Annual Meeting of Stockholders.

**ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item is incorporated by reference to our Proxy Statement for the 2020 Annual Meeting of Stockholders.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this item is incorporated by reference to our Proxy Statement for the 2020 Annual Meeting of Stockholders.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

We have filed the following documents as part of this Annual Report on Form 10-K:

#### 1. Consolidated Financial Statements:

Our Consolidated Financial Statements are listed in the "Index to Consolidated Financial Statements" under Part II, Item 8 of this Annual Report on Form 10-K.

[Report of Independent Registered Public Accounting Firm](#) [63](#)

Consolidated Financial Statements:

[Consolidated Balance Sheets](#) [65](#)

[Consolidated Statements of Operations and Comprehensive Income / \(Loss\)](#) [66](#)

[Consolidated Statements of Stockholders' Equity](#) [67](#)

[Consolidated Statements of Cash Flows](#) [68](#)

[Notes to Consolidated Financial Statements](#) [69](#)

The supplementary financial information required by this Item 8 is set forth in the Notes to Consolidated Financial Statements under the Note "Supplemental Consolidated Financial Information."

#### 2. Financial Statement Schedules

Unaudited Quarterly Results and Valuation and Qualifying Accounts for the three fiscal years ended March 31, 2020, 2019, and 2018 are included in Note "Supplemental Consolidated Financial Information" of Notes to Consolidated Financial Statements included in Part II, Item 8. All other schedules called for by Form 10-K are omitted because they are inapplicable or the required information is shown in the Consolidated Financial Statements, or Notes thereto, included herein.

#### 3. Exhibits

See the Exhibits index located below following Item 16 of this Annual Report on Form 10-K.

### ITEM 16. FORM 10-K SUMMARY

None.

Exhibit No.	Description
2.1	<a href="#">Pay Asset Purchase Agreement, dated as of April 23, 2018, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958), filed with the Commission on May 1, 2018</a>
2.2	<a href="#">A&amp;P Asset Purchase Agreement, dated as of April 28, 2018, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958), filed with the Commission on May 1, 2018</a>
2.3	<a href="#">Stock Purchase Agreement, dated February 6, 2020, by and among Digital Turbine Media, Inc., ACME Mobile, LLC, Mobile Posse, Inc., and certain equityholders of ACME Mobile, LLC party thereto (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Commission on February 10, 2020).</a>
3.1	<a href="#">Certificate of Incorporation, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on November 14, 2007.</a>
3.2	<a href="#">Certificate of Merger merging Mediavest, Inc., a New Jersey corporation, with and into NeuMedia Media, Inc., a Delaware corporation, as filed with the Secretary of State of the State of Delaware, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on November 14, 2007.</a>
3.3	<a href="#">Certificate of Ownership merging Mandalay Digital Group, Inc. into Neumedia, Inc., dated February 2, 2012, incorporated by reference to our Annual Report on Form 10-K (File No. 000-10039), filed with the Commission on June 29, 2012.</a>

- 3.4 [Certificate of Amendment of Certificate of Incorporation, dated August 14, 2012, incorporated by reference to Appendix B of the Registrant's Definitive Information Statement on Form 14-C \(File No. 000-10039\), filed with the Commission on July 10, 2012.](#)
- 3.5 [Certificate of Amendment of Certificate of Incorporation, dated March 28, 2013, incorporated by reference to our Current Report on Form 8-K \(File No. 000-10039\), filed with the Commission on April 18, 2013.](#)
- 3.6 [Certificate of Correction of Certificate of Amendment, dated April 9, 2013, incorporated by reference to our Current Report on Form 8-K \(File No. 000-10039\), filed with the Commission on April 18, 2013.](#)
- 3.7 [Certificate of Amendment of Certificate of Incorporation, as amended, filed with the Secretary of State of the State of Delaware on January 13, 2015, incorporated by reference to our Current Report on Form 8-K \(File No. 000-10039\), filed with the Commission on January 16, 2015.](#)
- 3.8 [Bylaws, incorporated by reference to our Current Report on Form 8-K \(File No. 000-10039\), filed with the Commission on November 14, 2007.](#)
- 3.9 [Certificate of Amendment of the Bylaws of NeuMedia, Inc., dated February 2, 2012, incorporated by reference to our Current Report on Form 8-K \(File No. 000-10039\), filed with the Commission on February 7, 2012.](#)
- 3.10 [Certificate of Amendment of the Bylaws dated March 6, 2015 \(incorporated by reference to our Current Report on Form 8-K \(File No. 001-10039\) filed with the Commission on March 11, 2015\).](#)
- 3.11 [Amendment of Bylaws of Digital Turbine, Inc., adopted March 17, 2015, incorporated by reference to our Current Report on Form 8-K \(File No. 000-10039\), filed with the Commission on March 20, 2015.](#)
- 4.1 [Registration Rights Agreement, dated as of September 28, 2016, by the Company and certain guarantors entities, incorporated by reference to Exhibit 4.3 of our Current Report on Form 8-K \(File No. 001-35958\), filed with the Commission on September 29, 2016.](#)
- 4.2 [Form of Common Stock Certificate, incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-1/A \(File No. 333-214321\) filed with the Commission on December 23, 2016.](#)
- 4.3 [Description of our Capital Stock \\*](#)
- 10.1 [Form of Indemnification with Directors and Executive Officers, incorporated by reference to our Current Report on Form 8-K \(File No. 000-10039 \), filed with the Commission on May 10, 2012. †](#)
- 10.2 [Amended and Restated 2011 Equity Incentive Plan of Mandalay Digital Group, Inc., incorporated by reference to our Current Report on Form 8-K \(File No. 000-10039\), filed with the Commission on May 30, 2012.](#)
- 10.2.1 [Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Restricted Stock Agreement of Mandalay Digital Group, Inc, incorporated by reference to our Current Report on Form 8-K \(File No. 000-10039\), filed with the Commission on May 30, 2012.](#)
- 10.2.2 [Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Stock Option Agreement of Mandalay Digital Group, Inc., incorporated by reference to our Current Report on Form 8-K \(File No. 000-10039\), filed with the Commission on May 30, 2012.](#)
- 10.3 [Employment Agreement, effective September 9, 2014, between the Company and Bill Stone, incorporated by reference to our Current Report on Form 8-K \(File No. 001-35958\), filed with the Commission on September 15, 2014. †](#)
- 10.3.1 [Amendment, effective May 26, 2016, to Employment Agreement between the Company and William Stone, incorporated by reference to our Current Report on Form 8-K \(File No. 000-10039 \), filed with the Commission on June 1, 2016. †](#)
- 10.3.2 [Second Amendment, dated March 16, 2018, to Employment Agreement between the Company and William Stone, incorporated by reference to our Current Report on Form 8-K \(File No. 000-10039 \), filed with the Commission on March 21, 2018.†](#)
- 10.4 [Board Equity Ownership Policy, as amended, incorporated by reference to our Current Report on Form 8-K \(File No. 001-35958\) filed with the Commission on June 25, 2014. †](#)
- 10.5 [Software as a Service Agreement between Celco Partnership d/b/a Verizon Wireless and the Company, incorporated by reference to Exhibit 10.28 to our Registration Statement on Form S-1/A \(File No. 333-214321\), filed January 6, 2017††](#)
- 10.5.1 [Software as a Service Renewal Agreement between Celco Partnership d/b/a Verizon Wireless and the Company, dated as of August 14, 2018, incorporated by reference to Exhibit 10.24 to our Current Report on Form 10-Q \(File No. 001-35958\), filed with the Commission on November 5, 2018.††](#)

- 10.6 [Employment Agreement between the Company and Barrett Garrison, dated September 12, 2016, incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K \(File No. 001-35958\), filed with the Commission on August 31, 2016.†](#)
- 10.6.1 [Amendment, effective September 7, 2018, to Employment Agreement between the Company and Barrett Garrison, incorporated by reference to our current report on Form 8-K \(File No. 001-35958\), filed with the Commission on September 10, 2018.†](#)
- 10.7 [License and Software Agreement between AT&T Mobility LLC and the Company, dated as of November 2, 2015, incorporated by reference to Exhibit 10.25 of our Current Report on Form 10-Q \(File No. 001-35958\), filed with the Commission on November 5, 2018.††](#)
- 10.7.1 [Amendment No. 1 to the License and Software Agreement between AT&T Mobility and the Company, dated as of October 17, 2018, incorporated by reference to Exhibit 10.25.1 of our Current Report on Form 10-Q \(File No. 001-35958\), filed with the Commission on November 5, 2018.](#)
- 10.8 [Amendment No. 1 to the Supplement No. 1 to the License and Software Agreement between AT&T Mobility and the Company, dated as of October 17, 2018, incorporated by reference to Exhibit 10.25.2 of our Current Report on Form 10-Q \(File No. 001-35958\), filed with the Commission on February 5, 2019.††](#)
- 10.9 [Credit Agreement, dated February 28, 2020, by and among Digital Turbine, Inc., Digital Turbine Media, Inc., Digital Turbine USA, Inc., and Western Alliance Bank \(incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Commission on March 3, 2020\).](#)
- 21.1 [List of Subsidiaries \\*](#)
- 23.1 [Consent of Independent Registered Public Accounting Firm. \\*](#)
- 31.1 [Certification of William Stone, Principal Executive Officer. \\*](#)
- 31.2 [Certification of Barrett Garrison, Principal Financial Officer. \\*](#)
- 32.1 [Certification of William Stone, Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. \\*\\*](#)
- 32.2 [Certification of Barrett Garrison, Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. \\*\\*](#)
- 101 INS XBRL Instance Document. \*
- 101 SCH XBRL Schema Document. \*
- 101 CAL XBRL Taxonomy Extension Calculation Linkbase Document. \*
- 101 DEF XBRL Taxonomy Extension Definition Linkbase Document. \*
- 101 LAB XBRL Taxonomy Extension Label Linkbase Document. \*
- 101 PRE XBRL Taxonomy Extension Presentation Linkbase Document. \*
- \* Filed herewith
- \*\* The certifications attached as Exhibit 32.1 and 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Digital Turbine, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-K, irrespective of any general incorporation language contained in such filing.
- † Management contract or compensatory plan or arrangement
- †† Confidential treatment requested and received as to certain portions
- ^ Non-material schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company undertakes to furnish supplemental copies of any of the omitted schedules and exhibits upon request by the U.S. Securities and Exchange Commission.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Digital Turbine, Inc.

Dated: June 2, 2020

By: /s/ William Stone

William Stone

Chief Executive Officer

(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Robert Deutschman</u> Robert Deutschman	Chairman of the Board	June 2, 2020
<u>/s/ William Stone</u> William Stone	Chief Executive Officer (Principal Executive Officer) and Director	June 2, 2020
<u>/s/ Barrett Garrison</u> Barrett Garrison	Chief Financial Officer (Principal Financial Officer)	June 2, 2020
<u>/s/ David Wesch</u> David Wesch	Chief Accounting Officer (Principal Accounting Officer)	June 2, 2020
<u>/s/ Mohan Gyani</u> Mohan Gyani	Director	June 2, 2020
<u>/s/ Christopher Rogers</u> Christopher Rogers	Director	June 2, 2020
<u>/s/ Jeffrey Karish</u> Jeffrey Karish	Director	June 2, 2020
<u>/s/ Roy Chestnutt</u> Roy Chestnutt	Director	June 2, 2020
<u>/s/ Michelle Sterling</u> Michelle Sterling	Director	June 2, 2020

## DESCRIPTION OF OUR CAPITAL STOCK

*The following is a description of our common stock and preferred stock. For the complete terms of our common stock and preferred stock, please refer to our certificate of incorporation, as amended, and our bylaws, as amended, which have been previously filed with the SEC, and are incorporated by reference. The terms of these securities may also be affected by the General Corporation Law of the State of Delaware. The summary below is qualified in its entirety by reference to our certificate of incorporation and our bylaws, as either may be amended from time to time after the date this description has been filed.*

### Authorized Capitalization

We have 202,000,000 shares of capital stock authorized under our certificate of incorporation, consisting of 200,000,000 shares of common stock, par value \$0.0001 per share, and 2,000,000 shares of preferred stock, of which 100,000 have been designated as Series A Convertible Preferred Stock, par value \$0.0001 per share, or Series A Preferred Stock. Our authorized shares of common stock and preferred stock are available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. If the approval of our stockholders is not so required, our board of directors may determine not to seek stockholder approval.

### Common Stock

Holders of our common stock are entitled to such dividends as may be declared by our board of directors out of funds legally available for such purpose, subject to any preferential dividend rights of any then outstanding preferred stock. The shares of common stock are neither redeemable nor convertible. Holders of common stock are not entitled to preemptive or subscription rights to purchase any of our securities under our charter documents.

Each holder of our common stock is entitled to one vote for each such share outstanding in the holder's name. No holder of common stock is entitled to cumulate votes in voting for directors.

In the event of our liquidation, dissolution or winding up, the holders of our common stock are entitled to receive pro rata our assets that are legally available for distribution, after payments of all debts and other liabilities and subject to the prior rights of any holders of preferred stock then outstanding. All of the outstanding shares of our common stock are, and the shares of common stock issued upon the conversion of any securities convertible into our common stock will be, fully paid and non-assessable.

Our common stock is listed on The NASDAQ Stock Market under the symbol "APPS." American Stock Transfer is the transfer agent and registrar for our common stock. Its address is 6201 15th Avenue Brooklyn, NY 11219, and its telephone number is (800) 937-5449.

### Preferred Stock

Our certificate of incorporation permits us to issue up to 2,000,000 shares of preferred stock in one or more series and with rights and preferences that may be fixed or designated by our board of directors without any further action by our stockholders.

Subject to the limitations prescribed in our certificate of incorporation and under Delaware law, our certificate of incorporation authorizes the board of directors, from time to time by resolution and without further stockholder action, to provide for the issuance of shares of preferred stock, in one or more series, and to fix the designation, powers, preferences and other rights of the shares and to fix the qualifications, limitations and restrictions thereof. Although our board of directors has no present intention to issue any additional preferred stock, the issuance of preferred stock could adversely affect the rights of holders of our common stock, including with respect to voting, dividends and liquidation, by issuing shares of preferred stock with certain voting, conversion and/or redemption rights. Such issuance of preferred stock may have the effect of delaying, deferring or preventing a change of control.

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Preferred stock could thus be issued quickly with terms calculated to delay or prevent a change in control of our company or to make removal of management more difficult. Additionally, the issuance of preferred stock may decrease the market price of our common stock. The number of authorized shares of preferred stock may be increased or decreased, but not decreased below the number of shares then outstanding plus the number of such shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any other outstanding securities issued by us that are convertible into or exercisable into preferred stock, by the affirmative vote of the holders of a majority of our common stock without a vote of the holders of preferred stock, or any series of preferred stock, unless a vote of any such holder is required pursuant to the terms of such series of preferred stock.

#### *Series A Convertible Preferred Stock*

We currently have 100,000 shares of our Series A Preferred Stock designated, and as of December 31, 2018, we had 100,000 shares of our Series A Preferred Stock outstanding. While shares of our Series A Preferred Stock are outstanding, holders of the Series A Preferred Stock are entitled to receive any dividends if and when declared by the Company's board of directors on the Company's common stock on an as-converted basis.

The Series A Preferred Stock is convertible at any time at the option of the holder into shares of our common stock based on dividing the original purchase price plus the amount of any accumulated but unpaid dividends, by the conversion price then in effect (as may be adjusted).

The Series A Preferred Stock is entitled to vote together with the common stock as a single class (on an as-converted to common stock basis) on any matters submitted to the holders of the Company's common stock, together with any other voting rights provided to the Series A Preferred under law or the General Corporation Law of the State of Delaware.

The Series A Preferred Stock is entitled to receive, prior and in preference to our common stock or any other class designated as junior to the Series A Preferred Stock, upon liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or in the event of its insolvency, an amount per share equal to the greater of (i) \$10.00 per share of Series A Preferred Stock (subject to certain adjustments) or (ii) such amount per share as would have been payable had the Series A Preferred Stock been converted into our common stock immediately prior to such liquidation, dissolution or winding up. Each holder of Series A Preferred Stock also has the right to a cash-out election in the event of certain transactions, including a consolidation or merger of the Company (excluding a transaction involving a reincorporation or a merger with a wholly-owned subsidiary), a sale of all or substantially all of the assets of the Company, the issuance by the Company in a single or integrated transaction shares of common stock (or securities convertible into common stock) representing a majority of the shares of common stock outstanding immediately following such issuance, or any other form of acquisition where the Company is the target and a change of control occurs such that the acquirer has the power to elect a majority of the Company's board of directors.

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**Anti-Takeover Effects of Certain Provisions of Delaware Law**

The following is a summary of certain provisions of Delaware law. This summary does not purport to be complete and is qualified in its entirety by reference to the corporate law of Delaware and our certificate of incorporation and bylaws.

*Effect of Delaware Anti-Takeover Statute.* We may be subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless:

- prior to that date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares of voting stock outstanding (but not the voting stock owned by the interested stockholder) those shares owned by persons who are directors and officers and by excluding employee stock plans in which employee participants do not have the right to determine whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to that date, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66⅔% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines “business combination” to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation, or who beneficially owns 15% or more of the outstanding voting stock of the corporation at any time within a three-year period immediately prior to the date of determining whether such person is an interested stockholder, and any entity or person affiliated with or controlling or controlled by any of these entities or persons.

**List of Subsidiaries**

<b>Entity</b>	<b>Chief Executive Offices or Principal Places of Business</b>	<b>Jurisdiction of Organization</b>	<b>Company Organizational Numbers</b>
Digital Turbine, Inc.	110 San Antonio St, Suite 160 Austin, TX 78701	USA	22-2267658
Digital Turbine USA, Inc.	110 San Antonio St, Suite 160 Austin, TX 78701	USA	45-3982329
Digital Turbine (EMEA) Ltd.	4 Shenkar St Herzliya Pituach, 4672054	Israel	514802875
Digital Turbine Luxembourg S.a.r.l.	121 Avenue De La Faiencerie L-1511 Luxembourg	Luxembourg	Section B, 173 016
Digital Turbine Media, Inc.	406 Blackwell St, Suite 500 Durham, NC 27701	USA	26-2346340
Digital Turbine Singapore Pte Ltd.	128 Tanjong Pagar Rd Singapore , 088535	Singapore	201407526R
Mobile Posse, Inc.	1010 N. Glebe Rd, Suite 800 Arlington, VA 22201	USA	20-3687545

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements (Nos. 333-193022 and 333-202863) on Form S-8 of Digital Turbine, Inc. (the "Company") of our reports dated June 2, 2020, relating to the consolidated financial statements, and the effectiveness of internal control over financial reporting of the Company and its Subsidiaries, appearing in this Annual Report on Form 10-K of the Company for the year ended March 31, 2020.

/s/ SingerLewak LLP  
Los Angeles, California  
June 2, 2020

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, William Stone, certify that:

1. I have reviewed this Annual Report on Form 10-K of Digital Turbine, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 2, 2020

By: /s/William Stone

William Stone  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

I, Barrett Garrison, certify that:

1. I have reviewed this Annual Report on Form 10-K of Digital Turbine, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 2, 2020

By: /s/ Barrett Garrison  
Barrett Garrison  
Chief Financial Officer  
(Principal Financial Officer)

**Certification of Principal Executive Officer  
Pursuant to U.S.C. Section 1350  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Digital Turbine, Inc. (the "Company"), a Delaware corporation, does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the period ending March 31, 2020 of the Company (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 2, 2020

By: /s/William Stone  
William Stone  
Chief Executive Officer  
(Principal Executive Officer)

**Certification of Principal Financial Officer  
Pursuant to U.S.C. Section 1350  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Digital Turbine, Inc. (the "Company"), a Delaware corporation, does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the period ending March 31, 2020 of the Company (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 2, 2020

By: /s/ Barrett Garrison  
Barrett Garrison  
Chief Financial Officer  
(Principal Financial Officer)