

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

(Mark One)

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

For the quarterly period ended **December 31, 2022**

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)

The Nasdaq Stock Market LLC
(NASDAQ Capital Market)
(Name of Each Exchange on Which Registered)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

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

As of February 5, 2023, the Company had 99,197,058 shares of its common stock, \$0.0001 par value per share, outstanding.

DIGITAL TURBINE, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED December 31, 2022

TABLE OF CONTENTS

<u>PART I</u>	<u>FINANCIAL INFORMATION</u>	3
<u>ITEM 1.</u>	<u>CONSOLIDATED FINANCIAL STATEMENTS</u>	3
	<u>CONDENSED CONSOLIDATED BALANCE SHEETS</u>	3
	<u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME / (LOSS)</u>	4
	<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	5
	<u>CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY</u>	6
	<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	8
<u>ITEM 2.</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	24
<u>ITEM 3.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	33
<u>ITEM 4.</u>	<u>CONTROLS AND PROCEDURES</u>	34
<u>PART II</u>	<u>OTHER INFORMATION</u>	36
<u>ITEM 1.</u>	<u>LEGAL PROCEEDINGS</u>	36
<u>ITEM 1A.</u>	<u>RISK FACTORS</u>	36
<u>ITEM 2.</u>	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	36
<u>ITEM 3.</u>	<u>DEFAULTS UPON SENIOR SECURITIES</u>	36
<u>ITEM 4.</u>	<u>MINE SAFETY DISCLOSURES</u>	36
<u>ITEM 5.</u>	<u>OTHER INFORMATION</u>	36
<u>ITEM 6.</u>	<u>EXHIBITS</u>	37
	<u>SIGNATURES</u>	37

PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

Digital Turbine, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except par value and share amounts)

	December 31, 2022 (Unaudited)	March 31, 2022
ASSETS		
Current assets		
Cash	\$ 79,307	\$ 126,768
Restricted cash	554	394
Accounts receivable, net	231,001	263,139
Prepaid expenses and other current assets	31,912	20,570
Total current assets	342,774	410,871
Property and equipment, net	38,759	31,086
Right-of-use assets	10,973	15,439
Intangible assets, net	395,181	440,589
Goodwill	560,340	559,792
Other non-current assets	4,648	732
TOTAL ASSETS	\$ 1,352,675	\$ 1,458,509
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable	\$ 154,320	\$ 167,858
Accrued license fees and revenue share	75,380	95,170
Accrued compensation	16,206	28,775
Acquisition purchase price liabilities	—	50,000
Current portion of debt	—	12,500
Other current liabilities	43,460	30,960
Total current liabilities	289,366	385,263
Long-term debt, net of debt issuance costs	422,310	520,785
Deferred tax liabilities, net	18,786	19,976
Other non-current liabilities	14,586	16,270
Total liabilities	745,048	942,294
Commitments and contingencies (Note 13)		
Stockholders' equity		
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)	100	100
Common stock		
\$0.0001 par value; 200,000,000 shares authorized; 99,901,328 issued and 99,143,203 outstanding at December 31, 2022; 97,921,826 issued and 97,163,701 outstanding at March 31, 2022	10	10
Additional paid-in capital	810,994	745,661
Treasury stock (758,125 shares at December 31, 2022, and March 31, 2022)	(71)	(71)
Accumulated other comprehensive loss	(44,201)	(39,341)
Accumulated deficit	(161,183)	(191,788)
Total stockholders' equity	605,649	514,571
Non-controlling interest	1,978	1,644
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,352,675	\$ 1,458,509

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

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

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
Net revenue	\$ 162,310	\$ 216,818	\$ 525,802	\$ 563,461
Costs of revenue and operating expenses				
License fees and revenue share	73,370	109,053	237,618	284,369
Other direct costs of revenue	9,324	9,090	27,438	21,385
Product development	14,218	13,755	43,087	40,594
Sales and marketing	16,469	15,857	48,017	47,072
General and administrative	39,132	39,924	114,328	105,225
Total costs of revenue and operating expenses	152,513	187,679	470,488	498,645
Income from operations	9,797	29,139	55,314	64,816
Interest and other income / (expense), net				
Change in fair value of contingent consideration	—	(18,200)	—	(40,287)
Interest expense, net	(6,913)	(2,195)	(16,224)	(5,307)
Foreign exchange transaction gain / (loss)	17	2,122	(595)	1,603
Other income / (expense), net	8	(86)	392	(598)
Total interest and other income / (expense), net	(6,888)	(18,359)	(16,427)	(44,589)
Income before income taxes	2,909	10,780	38,887	20,227
Income tax provision / (benefit)	(1,153)	3,718	8,164	4,799
Net income	4,062	7,062	30,723	15,428
Less: net income / (loss) attributable to non-controlling interest	43	48	118	(18)
Net income attributable to Digital Turbine, Inc.	4,019	7,014	30,605	15,446
Other comprehensive loss				
Foreign currency translation adjustment	10,144	(8,389)	(4,644)	(45,062)
Comprehensive income / (loss)	14,206	(1,327)	26,079	(29,634)
Less: comprehensive income / (loss) attributable to non-controlling interest	59	(11)	334	(932)
Comprehensive income / (loss) attributable to Digital Turbine, Inc.	\$ 14,147	\$ (1,316)	\$ 25,745	\$ (28,702)
Net income per common share				
Basic	\$ 0.04	\$ 0.07	\$ 0.31	\$ 0.16
Diluted	\$ 0.04	\$ 0.07	\$ 0.30	\$ 0.15
Weighted-average common shares outstanding				
Basic	99,108	96,548	98,623	94,620
Diluted	103,348	103,287	103,674	101,346

¹In the fiscal quarter ended June 30, 2021, the Company initiated two significant acquisitions. Please refer to Note 3, "Acquisitions," in the accompanying condensed consolidated financial statements.

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

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

	Nine months ended December 31,	
	2022	2021
Cash flows from operating activities		
Net income	\$ 30,723	\$ 15,428
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	60,147	40,946
Non-cash interest expense	619	500
Stock-based compensation expense	19,643	15,369
Foreign exchange transaction (gain) / loss	581	(1,603)
Change in fair value of contingent consideration	—	40,287
Right-of-use asset	4,868	3,270
Deferred income taxes	(2,494)	4,799
(Increase) / decrease in assets:		
Accounts receivable, gross	32,816	(104,535)
Allowance for credit losses	3,009	412
Prepaid expenses and other current assets	(11,397)	(5,760)
Other non-current assets	100	74
Increase / (decrease) in liabilities:		
Accounts payable	(14,113)	38,467
Accrued license fees and revenue share	(20,324)	29,377
Accrued compensation	(13,131)	(33,506)
Other current liabilities	11,784	1,114
Other non-current liabilities	(5,317)	(1,177)
Net cash provided by operating activities	97,514	43,462
Cash flows from investing activities		
Equity investments	(4,000)	—
Business acquisitions, net of cash acquired	(2,708)	(148,192)
Capital expenditures	(18,598)	(15,692)
Net cash used in investing activities	(25,306)	(163,884)
Cash flows from financing activities		
Proceeds from borrowings	18,000	369,913
Payment of debt issuance costs	(94)	(4,044)
Payment of deferred business acquisition consideration	—	(98,175)
Options and warrants exercised	1,095	2,814
Payment of withholding taxes for net share settlement of equity awards	(6,202)	(7,587)
Repayment of debt obligations	(129,500)	(52,623)
Net cash provided by / (used in) financing activities	(116,701)	210,298
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(2,808)	(5,554)
Net change in cash and cash equivalents and restricted cash	(47,301)	84,322
Cash and cash equivalents and restricted cash, beginning of period	127,162	31,118
Cash and cash equivalents and restricted cash, end of period	\$ 79,861	\$ 115,440
Supplemental disclosure of cash flow information		
Interest paid	\$ 12,912	\$ 3,882
Income taxes paid	\$ 3,917	\$ 954
Supplemental disclosure of non-cash activities		
Common stock issued for the acquisition of Fyber	\$ 50,000	\$ 356,686
Unpaid cash consideration for the acquisition of Fyber Minority Interest	\$ 2,578	\$ 3,106
Fair value of unpaid contingent consideration in connection with business acquisitions	\$ 2,738	\$ 204,500

¹In the fiscal quarter ended June 30, 2021, the Company initiated two significant acquisitions. Please refer to Note 3, "Acquisitions," in the accompanying condensed consolidated financial statements.

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

Digital Turbine, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity¹
(Unaudited)
(in thousands, except share counts)

	Common Stock Shares	Amount	Preferred Stock Shares	Amount	Treasury Stock Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non- Controlling Interest	Total
Balance at March 31, 2022	97,163,701	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 745,661	\$ (39,341)	\$ (191,788)	\$ 1,644	\$ 516,215
Net income	—	—	—	—	—	—	—	—	14,922	36	14,958
Foreign currency translation	—	—	—	—	—	—	—	(5,749)	—	207	(5,542)
Stock-based compensation expense	—	—	—	—	—	—	6,463	—	—	—	6,463
Shares issued:											
Exercise of stock options	380,176	—	—	—	—	—	296	—	—	—	296
Issuance of restricted shares and vesting of restricted units	7,763	—	—	—	—	—	—	—	—	—	—
Shares for acquisition of Fyber	1,205,982	—	—	—	—	—	50,000	—	—	—	50,000
Payment of withholding taxes related to the net share settlement of equity awards	—	—	—	—	—	—	(4,357)	—	—	—	(4,357)
Balance at June 30, 2022	98,757,622	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 798,063	\$ (45,090)	\$ (176,866)	\$ 1,887	\$ 578,033
Net income	—	—	—	—	—	—	—	—	11,664	39	11,703
Foreign currency translation	—	—	—	—	—	—	—	(9,239)	—	(7)	(9,246)
Stock-based compensation expense	—	—	—	—	—	—	6,142	—	—	—	6,142
Shares issued:											
Exercise of stock options	198,778	—	—	—	—	—	643	—	—	—	643
Issuance of restricted shares and vesting of restricted units	29,035	—	—	—	—	—	—	—	—	—	—
Payment of withholding taxes related to the net share settlement of equity awards	—	—	—	—	—	—	(1,572)	—	—	—	(1,572)
Balance at September 30, 2022	98,985,435	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 803,276	\$ (54,329)	\$ (165,202)	\$ 1,919	\$ 585,703
Net income	—	—	—	—	—	—	—	—	4,019	43	4,062
Foreign currency translation	—	—	—	—	—	—	—	10,128	—	16	10,144
Stock-based compensation expense	—	—	—	—	—	—	7,835	—	—	—	7,835
Shares issued:											
Exercise of stock options	84,594	—	—	—	—	—	156	—	—	—	156
Issuance of restricted shares and vesting of restricted units	73,174	—	—	—	—	—	—	—	—	—	—
Payment of withholding taxes related to the net share settlement of equity awards	—	—	—	—	—	—	(273)	—	—	—	(273)
Balance at December 31, 2022	99,143,203	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 810,994	\$ (44,201)	\$ (161,183)	\$ 1,978	\$ 607,627

¹In the fiscal quarter ended June 30, 2021, the Company initiated two significant acquisitions. Please refer to Note 3, "Acquisitions," in the accompanying condensed consolidated financial statements.

Digital Turbine, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity¹
(Unaudited)
(in thousands, except share counts)

	Common Stock Shares	Amount	Preferred Stock Shares	Amount	Treasury Stock Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non- Controlling Interest	Total
Balance at March 31, 2021	89,790,086	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 373,310	\$ (903)	\$ (227,334)	\$ —	\$ 145,112
Net income	—	—	—	—	—	—	—	—	14,284	(31)	14,253
Foreign currency translation	—	—	—	—	—	—	—	(20,019)	—	(762)	(20,781)
Stock-based compensation expense	—	—	—	—	—	—	3,705	—	—	—	3,705
Shares issued:											
Exercise of stock options	178,127	—	—	—	—	—	695	—	—	—	695
Vesting of restricted and performance stock units	207,758	—	—	—	—	—	—	—	—	—	—
Shares for acquisition of Fyber	4,716,935	—	—	—	—	—	359,233	—	—	—	359,233
Acquisition of non-controlling interests in Fyber	—	—	—	—	—	—	—	—	—	24,558	24,558
Balance at June 30, 2021	94,892,906	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 736,943	\$ (20,922)	\$ (213,050)	\$ 23,765	\$ 526,775
Net loss	—	—	—	—	—	—	—	—	(5,852)	(35)	(5,887)
Foreign currency translation	—	—	—	—	—	—	—	(15,799)	—	(93)	(15,892)
Stock-based compensation expense	—	—	—	—	—	—	5,925	—	—	—	5,925
Shares issued:											
Exercise of stock options	480,422	—	—	—	—	—	1,460	—	—	—	1,460
Issuance of restricted shares and vesting of restricted units	28,477	—	—	—	—	—	—	—	—	—	—
Shares for acquisition of Fyber	1,058,364	—	—	—	—	—	(2,547)	—	—	—	(2,547)
Acquisition of non-controlling interests in Fyber	—	—	—	—	—	—	—	—	—	(21,452)	(21,452)
Balance at September 30, 2021	96,460,169	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 741,781	\$ (36,721)	\$ (218,902)	\$ 2,185	\$ 488,382
Net income	—	—	—	—	—	—	—	—	7,014	48	7,062
Foreign currency translation	—	—	—	—	—	—	—	(8,330)	—	(59)	(8,389)
Stock-based compensation expense	—	—	—	—	—	—	5,739	—	—	—	5,739
Shares issued:											
Exercise of stock options	201,015	—	—	—	—	—	659	—	—	—	659
Issuance of restricted shares and vesting of restricted units	70,043	—	—	—	—	—	—	—	—	—	—
Payment of withholding taxes related to the net share settlement of equity awards	—	—	—	—	—	—	(7,587)	—	—	—	(7,587)
Balance at December 31, 2021	96,731,227	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 740,592	\$ (45,051)	\$ (211,888)	\$ 2,174	\$ 485,866

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

Digital Turbine, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
December 31, 2022
(in thousands, except share and per share amounts)

1. Description of Business

Digital Turbine, Inc., through its subsidiaries (collectively “Digital Turbine” or the “Company”), is a leading, independent mobile growth platform that levels up the landscape for advertisers, publishers, carriers, and device original equipment manufacturers (“OEMs”). The Company offers end-to-end products and solutions leveraging proprietary technology to all participants in the mobile application ecosystem, enabling brand discovery and advertising, user acquisition and engagement, and operational efficiency for advertisers. In addition, the Company’s products and solutions provide monetization opportunities for OEMs, carriers, and application (“app” or “apps”) publishers and developers.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying condensed consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States (“GAAP”). The condensed consolidated financial statements include the accounts of the Company and its subsidiaries. The Company consolidates the financial results and reports non-controlling interests representing the economic interests held by other equity holders of subsidiaries that are not 100% owned by the Company. The calculation of non-controlling interests excludes any net income / (loss) attributable directly to the Company. All intercompany balances and transactions have been eliminated in consolidation.

These financial statements should be read in conjunction with the Company’s audited financial statements and related notes included in its Annual Report on Form 10-K for the fiscal year ended March 31, 2022.

Unaudited Interim Financial Information

These accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial reporting. In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring items, considered necessary to present fairly the Company’s financial condition, results of operations, comprehensive income, stockholders’ equity, and cash flows for the interim periods indicated. The results of operations for the three and nine months ended December 31, 2022, are not necessarily indicative of the operating results for the full fiscal year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Significant estimates and assumptions reflected in the financial statements include revenue recognition, including the determination of gross versus net revenue reporting, allowance for credit losses, stock-based compensation, fair value of acquired intangible assets and goodwill, useful lives of acquired intangible assets and property and equipment, fair value of contingent earn-out considerations, incremental borrowing rates for right-of-use assets and lease liabilities, and tax valuation allowances. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ materially from management’s estimates using different assumptions or under different conditions.

Management considered the impacts of global inflation, conflict in Ukraine, as well as the continued effects of COVID-19 pandemic on the Company’s critical and significant accounting estimates. As of the date of issuance of these financial statements, the Company is not aware of any specific event or circumstance that would require the Company to update its estimates or judgments or revise the carrying value of its assets or liabilities as a result of global inflation or the COVID-19 pandemic.

Management’s estimates may change as new events occur and additional information is obtained. Actual results could differ from estimates and any such differences may be material to the Company’s condensed consolidated financial statements.

Summary of Significant Accounting Policies

There have been no significant changes to the Company's significant accounting policies in Note 2, "Basis of Presentation and Summary of Significant Accounting Policies," of the notes to the condensed consolidated financial statements included in its Annual Report on Form 10-K for the fiscal year ended March 31, 2022, other than the "Recent Accounting Pronouncements" disclosed below and changes to the Company's segment reporting disclosed in Note 4, "Segment Information."

Accounting Pronouncements Adopted During the Period

ASU 2020-04

In March 2020, the Financial Accounting Standards Board issued Accounting Standard Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions for applying GAAP to amendments to contracts, hedging relationships, and other contractual transactions impacted by the discontinuation of the London Inter-Bank Offered Rate ("LIBOR") or by another reference rate expected to be discontinued. The amendments are effective for all entities through December 31, 2022 and can be adopted as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020. The Company adopted the update as of the quarter ended September 30, 2022 and the impact of the adoption was not material to the Company's condensed consolidated financial statements.

3. Acquisitions

Acquisition of In App Video Services UK LTD.

On November 1, 2022, the Company completed the acquisition of all of the outstanding ownership interests of In App Video Services UK LTD. ("In App") pursuant to a Stock Purchase Agreement (the "In App Acquisition"). Prior to the Acquisition, In App acted as a third-party representative of the Company's App Growth Platform ("AGP") segment's products and services in the United Kingdom ("UK"). The acquisition of In App is part of the Company's strategy to make investments that provide opportunities to grow market share and increase revenues in important markets and geographies like the UK.

The Company acquired In App for total, estimated consideration in the range of \$2,250 to \$5,500, paid as follows: (1) \$2,708 paid in cash at closing, including a working capital adjustment of approximately \$460, with \$1,000 of that amount held in escrow for one year and (2) potential annual earn-out payments based on meeting annual revenue targets for the calendar years ended December 31, 2022, 2023, 2024 and 2025. The annual earn out payments are up to \$250 for the year ended December 31, 2022 and \$1,000 for each of the calendar years ended December 31, 2023, 2024 and 2025. Also, an incremental earn-out payment will be made for each of the calendar years ended 2023, 2024 and 2025 in an amount equal to 25% of revenue that is more than 150% of that calendar year's revenue target.

The Company recorded the preliminary fair values of the assets acquired and liabilities assumed in the In App Acquisition, which resulted in the recognition of: (1) current assets, net of cash acquired, of \$836, (2) current liabilities of \$401, (3) acquisition purchase price liability of \$2,738, (4) and goodwill of \$5,008.

The Company recognized costs related to the In App Acquisition of \$162 and \$207, respectively, for the three and nine months ended December 31, 2022, in operating expenses on the condensed consolidated statements of operations and comprehensive income / (loss).

Acquisition of Fyber N.V.

On May 25, 2021, the Company completed the initial closing of the acquisition of 95.1% of the outstanding voting shares (the "Majority Fyber Shares") of Fyber N.V. ("Fyber") pursuant to a Sale and Purchase Agreement (the "Fyber Acquisition") between Tennor Holding B.V., Advert Finance B.V., and Lars Windhorst (collectively, the "Seller"), the Company, and Digital Turbine Luxembourg S.ar.l., a wholly-owned subsidiary of the Company. The remaining outstanding shares in Fyber (the "Minority Fyber Shares") are (to the Company's knowledge) held by other shareholders of Fyber (the "Minority Fyber Shareholders") and are presented as non-controlling interests within these financial statements.

Fyber is a leading mobile advertising monetization platform empowering global app developers to optimize profitability through quality advertising. Fyber's proprietary technology platform and expertise in mediation, real-time bidding, advanced analytics tools, and video combine to deliver publishers and advertisers a highly valuable app monetization solution. Fyber represents an important and strategic addition for the Company in its mission to develop one of the largest full-stack, fully-independent, mobile advertising solutions in the industry. The combined platform offering is advantageously positioned to leverage the Company's existing on-device software presence and global distribution footprint.

The Company acquired Fyber in exchange for an estimated aggregate consideration of up to \$600,000, consisting of:

- i. Approximately \$150,000 in cash, \$124,336 of which was paid to the Seller at the closing of the acquisition and the remainder of which is to be paid to the Minority Fyber Shareholders for the Minority Fyber Shares pursuant to the tender offer described below;
- ii. 5,816,588 newly-issued shares of common stock of the Company to the Seller, which such number of shares was determined based on the volume-weighted average price of the common stock on NASDAQ during the 30-day period prior to the closing date, equal in value to \$359,233 at the Company's common stock closing price on May 25, 2021, as follows.
 1. 3,216,935 newly-issued shares of common stock of the Company equal in value to \$98,678, issued at the closing of the acquisition;
 2. 1,500,000 newly-issued shares of common stock of the Company equal in value to \$2,640, issued on June 17, 2021;
 3. 1,040,364 newly-issued shares of common stock of the Company equal in value to \$4,253, issued on July 16, 2021;
 4. 59,289 shares of common stock equal in value to \$,662, to be newly-issued during the Company's fiscal second quarter 2022, but subject to a true-up reduction based on increased transaction costs associated with the staggered delivery of the Majority Fyber Shares to the Company, which true-up reduction has been finalized, as described below; and
- iii. Contingent upon Fyber's net revenue (revenue less associated license fees and revenue share) being equal to or higher than \$00,000 for the 12-month earn-out period ending on March 31, 2022, as determined in the manner set forth in the Sale and Purchase Agreement, a certain number of shares of the Company's common stock, which will be newly-issued to the Seller at the end of the earn-out period, and under certain circumstances, an amount of cash, which value of such shares, based on the weighted average share price for the 30-days prior to the end of the earn-out period, and cash in aggregate, will not exceed \$50,000 (subject to set-off against certain potential indemnification claims against the Seller). Based on estimates at the time of the acquisition, the Company initially determined it was unlikely Fyber would achieve the earn-out net revenue target and, as a result, no contingent liability was recognized at that time.

The Company paid the cash closing amount on the closing date with a combination of available cash-on-hand and borrowings under the Company's senior credit facility.

On September 30, 2021, the Company entered into the Second Amendment Agreement (the "Second Amendment Agreement") to the Sale and Purchase Agreement for the Fyber Acquisition. Pursuant to the Second Amendment Agreement, the parties agreed to settle the remaining number of shares of Company common stock to be issued to the Seller at 18,000 shares (i.e., a reduction of 41,289 shares from the 59,289 shares described in (ii)(4) above). As a result, the Company issued a total of 5,775,299 shares of Company common stock to the Seller in connection with the Company's acquisition of Fyber.

As of March 31, 2022, the Company had recognized the acquisition purchase price liability of \$0,000. The Company settled the obligation through the issuance of 1,205,982 shares of the Company's common stock effective May 19, 2022.

Pursuant to certain German law on public takeovers, following the closing, the Company launched a public tender offer to the Minority Fyber Shareholders to acquire from them the Minority Fyber Shares. The tender offer was approved and published in July 2021, and is subject to certain minimum price rules under German law. The timing and the conditions of the tender offer, including the consideration of €0.84 per share offered to the Minority Fyber Shareholders in connection with the tender offer, was determined by the Company pursuant to the applicable Dutch and German takeover laws. During the fiscal year ended March 31, 2022, the Company purchased an additional \$18,341 of Fyber's outstanding shares, resulting in an ownership percentage of Fyber of approximately 99.5% as of December 31, 2022. The Company expects to complete the purchase of the remaining outstanding Fyber shares during fiscal year 2023.

The delisting of Fyber's remaining outstanding shares on the Frankfurt Stock Exchange was completed on August 6, 2021.

The fair values of the assets acquired and liabilities assumed at the date of the Fyber Acquisition are presented as follows:

	May 25, 2021	Measurement Period Adjustments	May 25, 2021 (adjusted)
Assets acquired			
Cash	\$ 71,489	\$ —	\$ 71,489
Accounts receivable	64,877	166	65,043
Other current assets	10,470	—	10,470
Property and equipment	1,561	—	1,561
Right-of-use asset	13,191	—	13,191
Publisher relationships	106,400	(95)	106,305
Developed technology	86,900	—	86,900
Trade names	32,100	474	32,574
Customer relationships	31,400	—	31,400
Favorable lease	1,483	—	1,483
Goodwill	303,015	(2,572)	300,443
Other non-current assets	851	—	851
Total assets acquired	\$ 723,737	\$ (2,027)	\$ 721,710
Liabilities assumed			
Accounts payable	\$ 78,090	\$ (1,501)	\$ 76,589
Accrued license fees and revenue share	5,929	—	5,929
Accrued compensation	52,929	—	52,929
Other current liabilities	12,273	(1,739)	10,534
Current portion of debt	25,789	—	25,789
Deferred tax liability, net	25,213	3,627	28,840
Other non-current liabilities	15,386	—	15,386
Total liabilities assumed	\$ 215,609	\$ 387	\$ 215,996
Total purchase price	\$ 508,128	\$ (2,414)	\$ 505,714

During the measurement period ended May 25, 2022, the Company recorded a cumulative net measurement period adjustment that decreased goodwill by \$3,572, as presented in the table above. The Company made these measurement period adjustments to reflect facts and circumstances that existed as of the acquisition date and did not result from intervening events subsequent to such date.

The excess of cost of the Fyber Acquisition over the net amounts assigned to the fair values of the net assets acquired was recorded as goodwill and was assigned to the Company's App Growth Platform ("AGP") segment. The goodwill consists largely of the expected cash flows and future growth anticipated for the Company. The goodwill is not deductible for tax purposes.

¹The purchase consideration was translated using the Euro-to-United States ("U.S.") dollar exchange rate in effect on the acquisition closing date, May 25, 2021, of approximately €1.00 to \$ 1.22.

The identifiable intangible assets consist of publisher relationships, developed technology, trade names, customer relationships, and a favorable lease. The publisher relationships, developed technology, trade names, and customer relationships intangibles were assigned useful lives of 20.0 years, 7.0 years, 7.0 years, and 3.0 years, respectively. The below-market favorable lease was derived from Fyber's office lease in Berlin, Germany and, per ASC 842, *Leases*, will be combined with Fyber's right-of-use asset for that lease and will be amortized over the remaining life of that lease. The values for the identifiable intangible assets were determined using the following valuation methodologies:

- Publisher Relationships - Multi-Period Excess Earnings Method
- Developed Technology - Relief from Royalty Method
- Trade Names - Relief from Royalty Method
- Customer Relationships - With-and-Without Method
- Favorable Lease - Income Approach

The Company recognized costs related to the Fyber Acquisition of \$441 and \$1,444, respectively, for the three and nine months ended December 31, 2022, and \$,183 and \$16,898, respectively, for the three and nine months ended December 31, 2021, in operating expenses on the condensed consolidated statements of operations and comprehensive income / (loss).

Acquisition of AdColony Holding AS

On April 29, 2021, the Company completed the acquisition of AdColony Holding AS, a Norway company ("AdColony"), pursuant to a Share Purchase Agreement (the "AdColony Acquisition"). The Company acquired all outstanding capital stock of AdColony in exchange for an estimated total consideration in the range of \$400,000 to \$425,000, to be paid as follows: (1) \$100,000 in cash paid at closing (subject to customary closing purchase price adjustments), (2) \$100,000 in cash to be paid six months after closing, and (3) an estimated earn-out in the range of \$200,000 to \$225,000, to be paid in cash, based on AdColony achieving certain future target net revenue, less associated cost of goods sold (as such term is referenced in the Share Purchase Agreement), over a 12-month period ending on December 31, 2021 (the "Earn-Out Period"). Under the terms of the earn-out, the Company would pay the seller a certain percentage of actual net revenue (less associated cost of goods sold, as such term is referenced in the Share Purchase Agreement) of AdColony, depending on the extent to which AdColony achieves certain target net revenue (less associated cost of goods sold, as such term is referenced in the Share Purchase Agreement) over the Earn-Out Period. The earn-out payment will be made following the expiration of the Earn-Out Period.

AdColony is a leading mobile advertising platform servicing advertisers and publishers. AdColony's proprietary video technologies and rich media formats are widely viewed as a best-in-class technology delivering third-party verified viewability rates for well-known global brands. With the addition of AdColony, the Company expanded its collective experience, reach, and suite of capabilities to benefit mobile advertisers and publishers around the globe. Performance-based spending trends by large, established brand advertisers present material upside opportunities for platforms with unique technology deployable across exclusive access to inventory.

On August 27, 2021, the Company entered into an Amendment to Share Purchase Agreement (the "Amendment Agreement") with AdColony and Otello Corporation ASA, a Norway company and AdColony's previous parent company. Pursuant to the Amendment Agreement, the Company and Otello agreed to set a fixed dollar amount of \$204,500 for the earn-out payment obligation, to set January 15, 2022, as the payment due date for such payment amount, and to eliminate all of the Company's earn-out support obligations under the Share Purchase Agreement. As a result, the Company recognized an \$8,913 reduction of the earn-out payment obligation in change in fair value of contingent consideration on the condensed consolidated statement of operations and comprehensive income / (loss) for the fiscal second quarter ended September 30, 2021.

The Company paid the cash consideration amounts that were due at closing and on October 26, 2021, with a combination of available cash-on-hand and borrowings under the Company's senior credit facility. The payment made on October 26, 2021, was reduced to \$98,175 due to an adjustment for the impact of accrued and unpaid taxes to the net working capital acquired. The difference between the amount due of \$100,000 and amount paid resulted in an adjustment to goodwill.

On January 15, 2022, the Company paid the AdColony Acquisition earn-out consideration of \$204,500 with available cash-on-hand and an additional \$179,000 of borrowings under the New Credit Agreement. See Note 9, "Debt," for additional information regarding the New Credit Agreement.

The fair values of the assets acquired and liabilities assumed at the date of the AdColony Acquisition are presented as follows:

	April 29, 2021	Measurement Period Adjustments	April 29, 2021 (adjusted)
Assets acquired			
Cash	\$ 24,793	\$ —	\$ 24,793
Accounts receivable	57,285	—	57,285
Other current assets	1,845	—	1,845
Property and equipment	1,566	—	1,566
Right-of-use asset	2,460	—	2,460
Customer relationships	102,400	(600)	101,800
Developed technology	51,100	—	51,100
Trade names	36,100	(100)	36,000
Publisher relationships	4,400	—	4,400
Goodwill	202,552	(3,502)	199,050
Other non-current assets	131	—	131
Total assets acquired	\$ 484,632	\$ (4,202)	\$ 480,430
Liabilities assumed			
Accounts payable	\$ 21,140	\$ —	\$ 21,140
Accrued license fees and revenue share	28,920	—	28,920
Accrued compensation	8,453	—	8,453
Other current liabilities	1,867	—	1,867
Deferred tax liability, net	10,520	(2,377)	8,143
Other non-current liabilities	1,770	—	1,770
Total liabilities assumed	\$ 72,670	\$ (2,377)	\$ 70,293
Total purchase price	\$ 411,962	\$ (1,825)	\$ 410,137

During the measurement period ended April 29, 2022, the Company recorded a cumulative net measurement period adjustment that decreased goodwill by \$,502, as presented in the table above. The Company made these measurement period adjustments to reflect facts and circumstances that existed as of the acquisition date and did not result from intervening events subsequent to such date.

The excess of cost of the AdColony Acquisition over the net amounts assigned to the fair values of the net assets acquired was recorded as goodwill and was assigned to the Company's AGP segment. The goodwill consists largely of the expected cash flows and future growth anticipated for the Company. The goodwill is not deductible for tax purposes.

The identifiable intangible assets consist of customer relationships, developed technology, trade names, and publisher relationships and were assigned useful lives of 8.0 years to 15.0 years, 7.0 years, 7.0 years, and 10.0 years, respectively. The values for the identifiable intangible assets were determined using the following valuation methodologies:

- Customer Relationships - Multi-Period Excess Earnings Method
- Developed Technology - Relief from Royalty Method
- Trade Names - Relief from Royalty Method
- Publisher Relationships - Cost Approach

The Company recognized costs related to the AdColony Acquisition of \$214 for the nine months ended December 31, 2022, and \$486 and \$3,977, respectively, for the three and nine months ended December 31, 2021, in operating expenses on the condensed consolidated statements of operations and comprehensive income / (loss). There were no such costs for the three months ended December 31, 2022.

Pro Forma Financial Information (Unaudited)

The pro forma information below gives effect to the Fiber Acquisition and the AdColony Acquisition (collectively, the “Acquisitions”) as if they had been completed on the first day of each period presented. The pro forma results of operations are presented for information purposes only. As such, they are not necessarily indicative of the Company’s results had the Acquisitions been completed on the first day of each period presented, nor do they intend to represent the Company’s future results. The pro forma information does not reflect any cost savings from operating efficiencies or synergies that could result from the Acquisitions and does not reflect additional revenue opportunities following the Acquisitions. The pro forma information includes adjustments to record the assets and liabilities associated with the Acquisitions at their respective fair values, based on available information and to give effect to the financing for the Acquisitions. The prior period year-to-date pro forma information is presented below. Adjustments for the Acquisitions were not a component in prior period quarter-to-date information and therefore does not differ from amounts presented on the condensed consolidated statements of operations and comprehensive income / (loss).

	Nine months ended December 31, 2021
	Unaudited
	(in thousands, except per share amounts)
Net revenue	\$ 585,858
Net loss attributable to controlling interest	\$ (17,255)
Basic net loss attributable to controlling interest per common share	\$ (0.18)
Diluted net loss attributable to controlling interest per common share	\$ (0.18)

4. Segment Information

Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision maker (“CODM”) in making decisions regarding resource allocation and assessing performance. The Company has determined that its Chief Executive Officer is the CODM.

As of March 31, 2022, the Company operated through three operating segments, each of which was a reportable segment. The three segments were On Device Media (“ODM”), In-App Media - AdColony (“IAM-A”), and In-App Media-Fyber (“IAM-F”). Effective April 1, 2022, the Company made certain changes to its organizational and management structure that resulted in the following: (1) the renaming of the On Device Media segment to On Device Solutions and (2) the integration of IAM-A and IAM-F into a single segment. The integration of IAM-A and IAM-F was completed to drive operating efficiencies and revenue synergies. As a result of the integration of IAM-A and IAM-F, the Company reassessed its operating and reportable segments in accordance with ASC 280, *Segment Reporting*. Effective April 1, 2022, the Company reports its results of operations through the following two segments, each of which represents an operating and reportable segment, as follows:

- **On Device Solutions (“ODS”)** - The Company re-named the ODM segment On Device Solutions to better reflect the nature of the segment's product offerings. This segment generates revenue from the delivery of mobile application media or content to end users. This segment provides focused solutions to all participants in the mobile application ecosystem that want to connect with end users and consumers who hold the device, including mobile carriers and device OEMs that participate in the app economy, app publishers and developers, and brands and advertising agencies. This segment's product offerings are enabled through relationships with mobile device carriers and OEMs.
- **App Growth Platform (“AGP”)** - This segment consists of the previously reported IAM-A and IAM-F segments. AGP customers are primarily advertisers and publishers and the segment provides platforms that allow mobile app publishers and developers to monetize their monthly active users via display, native, and video advertising. The AGP platforms allow demand side platforms, advertisers, agencies, and publishers to buy and sell digital ad impressions, primarily through programmatic, real-time bidding auctions and, in some cases, through direct-bought/sold advertiser budgets. The segment also provides brand and performance advertising products to advertisers and agencies.

The Company's CODM evaluates segment performance and makes resource allocation decisions primarily based on segment net revenue and segment profit, as shown in the segment information summary table below. The Company's CODM does not allocate other direct costs of revenue, operating expenses, interest and other income / (expense), net, or provision for income taxes to these segments for the purpose of evaluating segment performance. Additionally, the Company does not allocate assets to segments for internal reporting purposes as the CODM does not manage the Company's segments by such metrics.

A summary of segment information follows:

	Three months ended December 31, 2022			
	ODS	AGP	Eliminations	Consolidated
Net revenue	\$ 96,316	\$ 67,407	\$ (1,413)	\$ 162,310
License fees and revenue share	57,555	17,228	(1,413)	73,370
Segment profit	\$ 38,761	\$ 50,179	\$ —	\$ 88,940

	Three months ended December 31, 2021			
	ODS	AGP	Eliminations	Consolidated
Net revenue	\$ 133,594	\$ 89,113	\$ (5,889)	\$ 216,818
License fees and revenue share	86,504	28,438	(5,889)	109,053
Segment profit	\$ 47,090	\$ 60,675	\$ —	\$ 107,765

	Nine months ended December 31, 2022			
	ODS	AGP	Eliminations	Consolidated
Net revenue	\$ 323,419	\$ 208,029	\$ (5,646)	\$ 525,802
License fees and revenue share	185,791	57,473	(5,646)	237,618
Segment profit	\$ 137,628	\$ 150,556	\$ —	\$ 288,184

	Nine months ended December 31, 2021			
	ODS	AGP	Eliminations	Consolidated
Net revenue	\$ 383,426	\$ 192,764	\$ (12,729)	\$ 563,461
License fees and revenue share	232,122	64,976	(12,729)	284,369
Segment profit	\$ 151,304	\$ 127,788	\$ —	\$ 279,092

Geographic Area Information

Long-lived assets, excluding deferred tax assets and intangible assets, by region follow:

	December 31, 2022	March 31, 2022
United States and Canada	\$ 27,029	\$ 25,946
Europe, Middle East, and Africa	11,709	5,086
Asia Pacific and China	21	54
Mexico, Central America, and South America	—	—
Consolidated property and equipment, net	\$ 38,759	\$ 31,086

Net revenue by geography is based on the billing addresses of the Company's customers and a reconciliation of disaggregated revenue by segment follows:

	Three months ended December 31, 2022		
	ODS	AGP	Total
United States and Canada	\$ 38,949	\$ 29,911	\$ 68,860
Europe, Middle East, and Africa	42,321	26,449	68,770
Asia Pacific and China	12,975	10,564	23,539
Mexico, Central America, and South America	2,071	483	2,554
Elimination	—	—	(1,413)
Consolidated net revenue	\$ 96,316	\$ 67,407	\$ 162,310

	Three months ended December 31, 2021		
	ODS	AGP	Total
United States and Canada	\$ 74,431	\$ 45,238	\$ 119,669
Europe, Middle East, and Africa	35,667	34,297	69,964
Asia Pacific and China	19,877	8,547	28,424
Mexico, Central America, and South America	3,619	1,031	4,650
Elimination	—	—	(5,889)
Consolidated net revenue	\$ 133,594	\$ 89,113	\$ 216,818

	Nine months ended December 31, 2022		
	ODS	AGP	Total
United States and Canada	\$ 152,890	\$ 115,957	\$ 268,847
Europe, Middle East, and Africa	125,463	68,118	193,581
Asia Pacific and China	39,989	22,837	62,826
Mexico, Central America, and South America	5,077	1,117	6,194
Elimination	—	—	(5,646)
Consolidated net revenue	\$ 323,419	\$ 208,029	\$ 525,802

	Nine months ended December 31, 2021		
	ODS	AGP	Total
United States and Canada	\$ 220,662	\$ 96,110	\$ 316,772
Europe, Middle East, and Africa	96,318	74,257	170,575
Asia Pacific and China	54,636	20,090	74,726
Mexico, Central America, and South America	11,810	2,307	14,117
Elimination	—	—	(12,729)
Consolidated net revenue	\$ 383,426	\$ 192,764	\$ 563,461

5. Goodwill and Intangible Assets

Goodwill

Changes in the carrying amount of goodwill, net, by segment follows:

	ODS	AGP	Total
Goodwill as of March 31, 2022	\$ 80,176	\$ 479,616	\$ 559,792
Purchase of In App Video	—	5,008	5,008
Foreign currency translation and other	—	(4,460)	(4,460)
Goodwill as of December 31, 2022	\$ 80,176	\$ 480,164	\$ 560,340

Intangible Assets

The components of intangible assets as of December 31, 2022, and March 31, 2022, were as follows:

	As of December 31, 2022			
	Weighted-Average Remaining Useful Life	Cost	Accumulated Amortization	Net
Customer relationships	12.11 years	\$ 170,030	\$ (34,935)	\$ 135,095
Developed technology	5.53 years	146,419	(33,601)	112,818
Trade names	2.58 years	69,922	(22,503)	47,419
Publisher relationships	18.07 years	108,821	(8,972)	99,849
Total		\$ 495,192	\$ (100,011)	\$ 395,181

	As of March 31, 2022			
	Weighted-Average Remaining Useful Life	Cost	Accumulated Amortization	Net
Customer relationships	12.01 years	\$ 171,060	\$ (19,636)	\$ 151,424
Developed technology	6.26 years	144,581	(18,103)	126,478
Trade names	3.33 years	69,205	(8,523)	60,682
Publisher relationships	18.77 years	106,514	(4,509)	102,005
Total		\$ 491,360	\$ (50,771)	\$ 440,589

The Company recorded amortization expense of \$16,120 and \$48,422, respectively, during the three and nine months ended December 31, 2022, and \$3,773 and \$34,873, respectively, during the three and nine months ended December 31, 2021, in general and administrative expenses on the condensed consolidated statements of operations and comprehensive income / (loss). As of March 31, 2022, the Company changed the useful lives of all its trade names intangible assets to approximately 3.33 years due to the planned rebranding of the Company's recent acquisitions, which began during the three months ended June 30, 2022.

Estimated amortization expense in future fiscal years is expected to be:

Fiscal year 2023	\$ 16,090
Fiscal year 2024	64,361
Fiscal year 2025	55,740
Fiscal year 2026	41,491
Fiscal year 2027	35,372
Thereafter	182,127
Total	\$ 395,181

6. Accounts Receivable

	December 31, 2022	March 31, 2022
Billed	\$ 180,491	\$ 189,208
Unbilled	60,424	82,324
Allowance for credit losses	(9,914)	(8,393)
Accounts receivable, net	\$ 231,001	\$ 263,139

Billed accounts receivable represent amounts billed to customers for which the Company has an unconditional right to consideration. Unbilled accounts receivable represents revenue recognized but billed after period-end. All unbilled receivables as of December 31, 2022 and March 31, 2022, are expected to be billed and collected (subject to the allowance for credit losses) within twelve months.

Allowance for Credit Losses

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

The Company recorded \$683 and \$2,932 of bad debt expense during the three and nine months ended December 31, 2022, respectively, and \$12 and \$693 of bad debt expense during the three and nine months ended December 31, 2021, respectively, in general and administrative expenses on the condensed consolidated statements of operations and comprehensive income / (loss).

7. Property and Equipment

	December 31, 2022	March 31, 2022
Computer-related equipment	\$ 3,469	\$ 2,855
Developed software	59,045	41,011
Furniture and fixtures	1,947	1,836
Leasehold improvements	3,637	3,687
Property and equipment, gross	68,098	49,389
Accumulated depreciation	(29,339)	(18,303)
Property and equipment, net	\$ 38,759	\$ 31,086

Depreciation expense was \$4,014 and \$11,722 for the three and nine months ended December 31, 2022, respectively, and \$2,192 and \$6,073 for the three and nine months ended December 31, 2021, respectively. Depreciation expense for the three and nine months ended December 31, 2022, includes \$2,394 and \$7,139, respectively, related to internal-use software included in general and administrative expense and \$1,620 and \$4,583, respectively, related to internally-developed software to be sold, leased, or otherwise marketed included in other direct costs of revenue. Depreciation expense for the three and nine months ended December 31, 2021, includes \$1,316 and \$3,137, respectively, related to internal-use software included in general and administrative expense and \$1,510 and \$2,936, 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 as well as assumed various leases through its recent acquisitions. These leases currently have lease periods expiring between fiscal years 2023 and 2029. 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. The Company's 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 rates are detailed below.

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

	December 31, 2022
Fiscal year 2023	\$ 1,052
Fiscal year 2024	3,958
Fiscal year 2025	2,120
Fiscal year 2026	1,641
Fiscal year 2027	1,319
Thereafter	1,519
Total undiscounted cash flows	11,609
(Less imputed interest)	(841)
Present value of lease liabilities	\$ 10,768

The current portion of the Company's lease liabilities, payable within the next 12 months, is included in other current liabilities, and the long-term portion of the Company's lease liabilities is included in other non-current liabilities on the condensed consolidated balance sheets.

Associated with these financial liabilities, the Company has right-of-use assets of \$10,973 as of December 31, 2022, which is calculated using the present value of lease liabilities less any lease incentives received from landlords and any deferred rent liability balances as of the date of implementation. The discount rates used to calculate the imputed interest above range from 2.00% to 6.75% and the weighted-average remaining lease term is 3.99 years.

9. Debt

The following table summarizes borrowings under the Company's debt obligations and the associated interest rates:

	December 31, 2022		
	Balance	Interest Rate	Unused Line Fee
BoA Revolver (subject to variable rate)	\$ 425,134	6.12 %	0.20 %

Debt obligations on the condensed consolidated balance sheets consist of the following:

	December 31, 2022	March 31, 2022
Revolver	\$ 425,134	\$ 524,134
Less: Debt issuance costs	(2,824)	(3,349)
Debt assumed through Fyber Acquisition	—	12,500
Total debt, net	422,310	533,285
Less: Current portion of debt	—	(12,500)
Long-term debt, net of debt issuance costs	\$ 422,310	\$ 520,785

Revolver

On February 3, 2021, the Company entered into a credit agreement (the "Credit Agreement") with Bank of America, N.A. ("BoA"), which provides for a revolving line of credit (the "Revolver") of up to \$100,000 with an accordion feature enabling the Company to increase the total amount up to \$200,000. Funds are to be used for acquisitions, working capital, and general corporate purposes. The Credit Agreement contains customary covenants, representations, and events of default and also requires the Company to comply with a maximum consolidated leverage ratio and minimum fixed charge coverage ratio.

On April 29, 2021, the Company amended and restated the Credit Agreement (the "New Credit Agreement") with BoA, as a lender and administrative agent, and a syndicate of other lenders, which provided for a revolving line of credit of up to \$400,000. The revolving line of credit matures on April 29, 2026, and contains an accordion feature enabling the Company to increase the total amount of the Revolver by \$75,000 plus an amount that would enable the Company to remain in compliance with its consolidated secured net leverage ratio, on such terms as agreed to by the parties. The New Credit Agreement contains customary covenants, representations, and events of default and also requires the Company to comply with a maximum consolidated secured net leverage ratio and minimum consolidated interest coverage ratio.

On December 29, 2021, the Company amended the New Credit Agreement (the "First Amendment"), which provides for an increase in the revolving line of credit by \$125,000, which increased the maximum aggregate principal amount of the revolving line of credit to \$600,000, including the accordion feature mentioned above. The First Amendment made no other changes to the terms or interest rates of the New Credit Agreement.

On October 26, 2022, the Company amended the New Credit Agreement (the "Second Amendment") to replace LIBOR with the Term Secured Overnight Financing Rate ("SOFR"). As a result, borrowings under the New Credit Agreement where the applicable rate was LIBOR will accrue interest at an annual rate equal to SOFR plus between 1.50% and 2.25% beginning on October 26, 2022. The Second Amendment made no other changes in the terms of the New Credit Agreement. As of December 31, 2022, of the total amount outstanding, \$239,000 remains subject to LIBOR-based interest rates.

The Company incurred debt issuance costs of \$4,064 for the New Credit Agreement, inclusive of costs incurred for the First Amendment. The Company had \$25,134 drawn against the New Credit Agreement, classified as long-term debt on the condensed consolidated balance sheet, with remaining unamortized debt issuance costs of \$2,824 as of December 31, 2022. Deferred debt issuance costs associated with the New Credit Agreement and First Amendment are recorded as a reduction of the carrying value of the debt on the condensed consolidated balance sheets. All deferred debt issuance costs are amortized on a straight-line basis over the term of the loan to interest expense.

As of December 31, 2022, amounts outstanding under the New Credit Agreement accrue interest at an annual rate equal to, at the Company's election, (i) SOFR plus between 1.50% and 2.25%, based on the Company's consolidated leverage ratio, or (ii) a base rate based upon the highest of (a) the federal funds rate plus 0.50%, (b) BoA's prime rate, or (c) SOFR plus 1.00% plus between 0.50% and 1.25%, based on the Company's consolidated leverage ratio. Additionally, the New Credit Agreement is subject to an unused line of credit fee between 0.15% and 0.35% per annum, based on the Company's consolidated leverage ratio. As of December 31, 2022, the interest rate was 6.12% and the unused line of credit fee was 0.20%.

The Company's payment and performance obligations under the New Credit Agreement and related loan documents are secured by its grant of a security interest in substantially all of its personal property assets, whether now existing or hereafter acquired, subject to certain exclusions. If the Company acquires any real property assets with a fair market value in excess of \$5,000, it is required to grant a security interest in such real property as well. All such security interests are required to be first priority security interests, subject to certain permitted liens.

As of December 31, 2022, the Company had \$174,866 available to draw on the revolving line of credit under the New Credit Agreement and was in compliance with all covenants. The fair value of the Company's outstanding debt approximates its carrying value.

Interest income / (expense), net

Interest income / (expense), net, amortization of debt issuance costs, and unused line of credit fees were recorded in interest and other income / (expense), net, on the condensed consolidated statements of operations and comprehensive income / (loss), as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
Interest income / (expense), net	\$ (6,671)	\$ (1,940)	\$ (15,538)	\$ (4,565)
Amortization of debt issuance costs	(211)	(190)	(619)	(500)
Unused line of credit fees and other	(31)	(65)	(67)	(242)
Total interest income / (expense), net	<u>\$ (6,913)</u>	<u>\$ (2,195)</u>	<u>\$ (16,224)</u>	<u>\$ (5,307)</u>

10. Stock-Based Compensation

Stock-Based Award Plans

On September 15, 2020, the Company's stockholders approved the 2020 Equity Incentive Plan of Digital Turbine, Inc. (the "2020 Plan"), pursuant to which the Company may grant equity incentive awards to directors, employees and other eligible participants. A total of 12,000,000 shares of common stock were reserved for grant under the 2020 Plan. The types of awards that may be granted under the 2020 Plan include incentive and non-qualified stock options, stock appreciation rights, restricted stock, and restricted stock units. The 2020 Plan became effective on September 15, 2020, and has a term of ten years. Stock options may be either incentive stock options, as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or non-qualified stock options. As of December 31, 2022, 8,857,557 shares of common stock were available for issuance as future awards under the Company's 2020 Plan.

The following table summarizes stock option activity:

	Number of Shares	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Options outstanding as of March 31, 2022	7,123,300	\$ 9.33	6.11	\$ 262,419
Granted	1,323,986	29.98		
Exercised	(895,450)	2.19		
Forfeited / Expired	(322,512)	47.21		
Options outstanding as of December 31, 2022	7,229,324	\$ 12.50	6.20	\$ 64,889
Exercisable as of December 31, 2022	5,659,738	\$ 7.34	5.44	\$ 62,310

At December 31, 2022, total unrecognized stock-based compensation expense related to unvested stock options, net of estimated forfeitures, was \$6,721, with an expected remaining weighted-average recognition period of 2.16 years.

Restricted Stock

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.

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 one year, depending on the terms of the RSA. As reported in the Company’s Current Reports on Forms 8-K filed with the SEC on February 19, 2014, and June 25, 2014, the Company adopted a Board Member Equity Ownership and Retention 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.

The following table summarizes RSU and RSA activity:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested restricted shares outstanding as of March 31, 2022	373,301	\$ 35.82
Granted	1,604,925	23.08
Vested	(214,789)	27.51
Forfeited	(41,463)	40.73
Unvested restricted shares outstanding as of December 31, 2022	1,721,974	\$ 24.87

At December 31, 2022, total unrecognized stock-based compensation expense related to RSUs and RSAs was \$4,390, with an expected remaining weighted-average recognition period of 2.32 years.

Stock-Based Compensation Expense

Stock-based compensation expense for the three and nine months ended December 31, 2022, was \$7,620 and \$19,643, respectively, and was recorded within general and administrative expenses on the condensed consolidated statements of operations and comprehensive income / (loss). Stock-based compensation expense for the three and nine months ended December 31, 2021, was \$5,739 and \$15,369, respectively, and was recorded within general and administrative expenses on the condensed consolidated statements of operations and comprehensive income / (loss).

11. Earnings per Share

Basic net income per common share is calculated by dividing net income by the weighted-average number of shares of common stock outstanding during the period.

Diluted net income per common share is calculated by dividing net income by the weighted-average number of shares of common stock outstanding during the period and including the dilutive effects of employee stock-based awards outstanding during the period.

Stock options totaling 1,477,381 and 1,462,517 for the three and nine months ended December 31, 2022, respectively, and 296,254 and 448,121 for the three and nine months ended December 31, 2021, respectively, were outstanding but not included in the calculation of diluted earnings per share because inclusion of the options in the calculation would be antidilutive due to their exercise prices exceeding the average market price of the common shares during the periods.

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

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
Net income	4,062	7,062	30,723	15,428
Less: net income / (loss) attributable to non-controlling interest	43	48	118	(18)
Net income attributable to Digital Turbine, Inc.	\$ 4,019	\$ 7,014	\$ 30,605	\$ 15,446
Weighted-average common shares outstanding, basic	99,108	96,548	98,623	94,620
Basic net income per common share attributable to Digital Turbine, Inc.	\$ 0.04	\$ 0.07	\$ 0.31	\$ 0.16
Weighted-average common shares outstanding, diluted	103,348	103,287	103,674	101,346
Diluted net income per common share attributable to Digital Turbine, Inc.	\$ 0.04	\$ 0.07	\$ 0.30	\$ 0.15

12. Income Taxes

The Company's provision for income taxes as a percentage of pre-tax earnings ("effective tax rate") is based on a current estimate of the annual effective income tax rate, adjusted to reflect the impact of discrete items. In accordance with ASC 740, *Accounting for Income Taxes*, jurisdictions forecasting losses that are not benefited due to valuation allowances are not included in the Company's forecasted effective tax rate.

During the three and nine months ended December 31, 2022, a tax benefit and provision of \$1,153 and \$8,164, respectively, resulted in an effective tax rate of (9.6)% and 21.0%, respectively. Differences between the effective tax rate and the statutory tax rate primarily relate to return to provision true-ups filed in the current period.

During the three and nine months ended December 31, 2021, a tax provision of \$,718 and \$4,799 resulted in an effective tax rate of 34.5% and 23.7%, respectively. Differences between the effective tax rate and the statutory tax rate primarily relate to state income taxes, nontaxable adjustments to the AdColony and Fyber earn-outs, and tax deductions for stock compensation that exceed the book expense.

13. Commitments and Contingencies

Hosting Agreements

The Company enters into hosting agreements with service providers and in some cases, those agreements include minimum commitments that require the Company to purchase a minimum amount of service over a specified time period ("the minimum commitment period"). The minimum commitment period is generally one-year in duration and the hosting agreements include multiple minimum commitment periods. The Company's minimum purchase commitments under these hosting agreements total approximately \$181,603 over the next 4.00 years.

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 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 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.

On June 6, 2022 and July 21, 2022, shareholders of the Company filed class action complaints against the Company and certain of the Company's officers in the Western District of Texas related to Digital Turbine, Inc.'s announcement in May 2022 that it would restate some of its financial results. The claims allege violations of certain federal securities laws. In addition, in September and October of 2022, shareholders of the Company filed derivative complaints against the Company and the Company's directors in the Western District of Texas, Delaware state courts, and Texas state courts alleging breaches of fiduciary duties relating to the allegations made in the class action complaints. The federal derivative cases are consolidated, and the Texas derivative case has been dismissed and re-filed in Delaware federal court and the Delaware derivative cases are now consolidated, and all such derivative cases are stayed under a court order, pending a ruling on any motion to dismiss the federal class action that is later filed. The Company and individual defendants deny any allegations of wrongdoing and the Company plans to vigorously defend against the claims asserted in these complaints. Due to the early stages of these cases, management is unable to assess a likely outcome or potential liability at this time.

ITEM 2. 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 condensed consolidated financial statements and the notes thereto included in this Quarterly Report on Form 10-Q (the "Report"). The following discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions 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. Forward-looking statements involve substantial risks and uncertainties. When used in this Report, the words "anticipate," "believe," "estimate," "expect," "will," "seeks," "should," "could," "would," "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" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022, as well as those described elsewhere in this Report and in our other public filings. The risks included are not exhaustive and additional factors could adversely affect our business and financial performance. We operate in a very competitive and rapidly changing environment. New risk factors emerge from time-to-time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Historical operating results are not necessarily indicative of the trends in operating results for any future period. We do not undertake any obligation to update any forward-looking statements made in this 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. This Report and all subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

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

Company Overview

We are a leading, independent mobile growth platform that levels up the landscape for advertisers, publishers, carriers, and device original equipment manufacturers ("OEMs"). We offer end-to-end products and solutions leveraging proprietary technology to all participants in the mobile application ecosystem, enabling brand discovery and advertising, user acquisition and engagement, and operational efficiency for advertisers. In addition, our products and solutions provide monetization opportunities for OEMs, carriers, and application ("app" or "apps") publishers and developers.

Recent Developments

Credit Agreement

On October 26, 2022, we amended the New Credit Agreement (the "Second Amendment") to replace the London Interbank Offered Rate ("LIBOR") with the Term Secured Overnight Financing Rate ("SOFR"). As a result, amounts outstanding under the New Credit Agreement where the applicable rate was LIBOR will accrue interest at an annual rate equal to SOFR plus between 1.50% and 2.25%. The Second Amendment made no other changes in the terms of the New Credit Agreement. As of December 31, 2022, of the total amount outstanding, \$239,000 remains subject to LIBOR based interest rates.

As of December 31, 2022, we had \$425,134 drawn against the revolving line of credit under the New Credit Agreement. The proceeds from the borrowings were used to finance the purchases of various acquisitions. As of December 31, 2022, the interest rate was 6.12% and the unused line of credit fee was 0.20%, and we were in compliance with the consolidated leverage ratio, interest coverage ratio, and other covenants under the New Credit Agreement.

Segment Reporting

As of March 31, 2022, we operated through three segments, each of which was a reportable segment. The three segments were On Device Media (“ODM”), In-App Media - AdColony (“IAM-A”), and In-App Media-Fyber (“IAM-F”). Effective April 1, 2022, we made certain changes to our organizational and management structure that resulted in the following: (1) the renaming of the On Device Media segment to On Device Solutions and (2) the integration of IAM-A and IAM-F into a single segment. The integration of IAM-A and IAM-F was completed to drive operating efficiencies and revenue synergies. As a result of the integration of IAM-A and IAM-F, we reassessed our operating and reportable segments in accordance with ASC 280, *Segment Reporting*. Effective April 1, 2022, we report our results of operations through the following two segments, each of which represents an operating and reportable segment, as follows:

- **On Device Solutions (“ODS”)** - We re-named the ODM segment On Device Solutions to better reflect the nature of the segment’s product offerings. This segment generates revenue from the delivery of mobile application media or content to end users. This segment provides focused solutions to all participants in the mobile application ecosystem that want to connect with end users and consumers who hold the device, including mobile carriers and device OEMs that participate in the app economy, app publishers and developers, and brands and advertising agencies. This segment’s product offerings are enabled through relationships with mobile device carriers and OEMs.
- **App Growth Platform (“AGP”)** - This segment consists of the previously reported IAM-A and IAM-F segments. AGP customers are primarily advertisers and publishers and the segment provides platforms that allow mobile app publishers and developers to monetize their monthly active users via display, native, and video advertising. The AGP platforms allow demand side platforms, advertisers, agencies, and publishers to buy and sell digital ad impressions, primarily through programmatic, real-time bidding auctions and, in some cases, through direct-bought/sold advertiser budgets. The segment also provides brand and performance advertising products to advertisers and agencies.

Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision maker (“CODM”) in making decisions regarding resource allocation and assessing performance. We have determined that our Chief Executive Officer is the CODM.

Impact of Economic Conditions, Geopolitical Developments, and COVID-19

Our results of operations are affected by macroeconomic conditions and geopolitical developments, including but not limited to levels of business and consumer confidence, actions taken by governments to counter inflation, Russia’s invasion of Ukraine, and the COVID-19 pandemic.

Inflation, rising interest rates, supply chain disruptions, and reduced business and consumer confidence have caused and may continue to cause a global slowdown of economic activity, which has caused and may continue to cause a decrease in demand for a broad variety of goods and services, including those provided by our clients.

Like other advertising technology companies, we have seen a slowdown in digital advertising spending, which we believe is driven by the impact of inflation and recession fears and their potential impacts on consumers. These negative macroeconomic trends have resulted, and may continue to result in, a decrease or delay of advertising budgets and spending. While the slowdown in digital advertising spending is varied and depends on the geography, advertising type, operating system, and business vertical, the current economic environment is likely to continue to impact our business, financial condition, and results of operations, the full impact of which remains uncertain at this time.

The extent of the impact of these macroeconomic factors on our operational and financial performance is also dependent on their impact on carriers and OEMs in relation to their sales of smartphones, tablets, and other devices, as well as the impact on application developers and in-app advertisers. If negative macroeconomic factors or geopolitical developments continue to materially impact our partners over a prolonged period, our results of operations and financial condition could also be adversely impacted, the size and duration of which we cannot accurately predict at this time.

We continue to actively monitor these factors and we may take further actions that alter our business operations, as required, or that we determine are in the best interests of our employees, customers, partners, suppliers, and stockholders. In addition to monitoring the developments described above, the Company also considers the impact such factors may have on our accounting estimates and potential impairments of our non-current assets, which primarily consist of goodwill and finite-lived intangible assets.

The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment, including qualitative and quantitative factors such as the identification of reporting units, identification and allocation of assets and liabilities to reporting units, and determinations of fair value. In estimating the fair value of our reporting units when performing our annual impairment test, or when an indicator of impairment is present, we make estimates and significant judgments about the future cash flows of those reporting units and other estimates including appropriate discount rates. Discount rates can fluctuate based on various economic conditions including our capital allocation and interest rates, including the interest rates on U.S. treasury bonds. Changes in judgments on these assumptions and estimates could result in goodwill impairment charges.

Finite-lived intangible assets and property, plant, and equipment are amortized or depreciated over their estimated useful lives on a straight-line basis. We monitor conditions related to these assets to determine whether events and circumstances warrant a revision to the remaining amortization or depreciation period or an impairment. We test these assets for potential impairment whenever we conclude events or changes in circumstances indicate carrying amounts may not be recoverable.

As of December 31, 2022, we considered the developments discussed above, our current operating results, and our estimates of future operating results. We concluded there were no triggering events that indicated it was more likely than not that the fair values of our reporting units were less than their respective carrying values or that our finite-lived intangible assets were impaired. We will continue to closely monitor macroeconomic conditions and their impacts on our business, financial condition, and results of operations.

RESULTS OF OPERATIONS
(Unaudited)

Net revenue

	Three months ended December 31,			Nine months ended December 31,		
	2022	2021	% of Change	2022	2021	% of Change
Net revenue						
On Device Solutions	\$ 96,316	\$ 133,594	(27.9)%	\$ 323,419	\$ 383,426	(15.7)%
App Growth Platform	67,407	89,113	(24.4)%	208,029	192,764	7.9 %
Elimination	(1,413)	(5,889)	(76.0)%	(5,646)	(12,729)	(55.6)%
Total net revenue	\$ 162,310	\$ 216,818	(25.1)%	\$ 525,802	\$ 563,461	(6.7)%

Comparison of the three and nine months ended December 31, 2022 and 2021

Over the three-month comparative periods, net revenue decreased by \$54,508 or 25.1%, and over the nine-month comparative periods, net revenue decreased by \$37,659 or 6.7%. See the segment discussion below for further details regarding net revenue.

On Device Solutions

ODS revenue for the three months ended December 31, 2022, decreased by \$37,278 or 27.9% compared to the three months ended December 31, 2021. Revenue from content media declined by approximately \$23,840 million, primarily due to the ending of a carrier partnership that resulted in lower daily active users (“DAU”) on prepaid devices. In addition, weak demand, due in part to lower new device volume in the United States and overall advertising spending reductions, resulted in a decline in application media revenue of approximately \$13,466.

ODS revenue for the nine months ended December 31, 2022, decreased by \$60,007 or 15.7% compared to the nine months ended December 31, 2021. Revenue from content media declined by approximately \$57,140 for the same reason as noted above for the three months ended December 31, 2022. In addition, application media revenue declined by approximately \$2,866 for the nine months ended December 31, 2022. This decrease was primarily due to the same reason as noted for the three months ended December 31, 2022, partially offset by revenue of \$13,700 for two contract amendments during the nine months ended December 31, 2022.

App Growth Platform

AGP revenue for the three months ended December 31, 2022, decreased by \$21,706 or 24.4% compared to the three months ended December 31, 2021. The decrease was primarily due to weak demand during the three months ended December 31, 2022, as compared to the prior year comparative period. The fiscal third quarter historically sees an uptick in advertising spending due to the holiday shopping season, which did not occur in the current fiscal year. In addition, we experienced a decline in performance advertising, largely due to broader weakness in the advertising markets.

AGP revenue for the nine months ended December 31, 2022, increased by \$15,265 or 7.9% compared to the nine months ended December 31, 2021. The increase was primarily due to the impact of a full nine months of operations resulting from the AdColony Acquisition and Fyber Acquisition. See Note 3, “Acquisitions,” for further information.

Costs of revenue and operating expenses

	Three months ended December 31,			Nine months ended December 31,		
	2022	2021	% of Change	2022	2021	% of Change
Costs of revenue and operating expenses						
License fees and revenue share	\$ 73,370	\$ 109,053	(32.7)%	\$ 237,618	\$ 284,369	(16.4)%
Other direct costs of revenue	9,324	9,090	2.6 %	27,438	21,385	28.3 %
Product development	14,218	13,755	3.4 %	43,087	40,594	6.1 %
Sales and marketing	16,469	15,857	3.9 %	48,017	47,072	2.0 %
General and administrative	39,132	39,924	(2.0)%	114,328	105,225	8.7 %
Total costs of revenue and operating expenses	<u>\$ 152,513</u>	<u>\$ 187,679</u>	<u>(18.7)%</u>	<u>\$ 470,488</u>	<u>\$ 498,645</u>	<u>(5.6)%</u>

Comparison of the three and nine months ended December 31, 2022 and 2021

Over the three and nine months ended December 31, 2022, total costs of revenue and operating expenses decreased by \$35,166 or 18.7% and \$28,157 or 5.6%, respectively, compared to the three and nine months ended December 31, 2021. The decrease in total costs of revenue and operating expenses over the three and nine month comparative periods is primarily due to lower license fees and revenue share, which is the result of lower revenue over the same comparative periods. Costs of revenue and operating expenses included transaction costs of \$1,297 and \$3,880, respectively, for the three and nine months ended December 31, 2022, compared to \$6,167 and \$23,671, respectively, for the three and nine months ended December 31, 2021.

License fees and revenue share

License fees and revenue share are reflective of amounts paid to our carrier and OEM partners, as well as app publishers and developers, and are recorded as a cost of revenue.

License fees and revenue share decreased by \$35,683 or 32.7% to \$73,370 for the three months ended December 31, 2022, and was 45.2% as a percentage of total net revenue compared to \$109,053, or 50.3% of total net revenue, for the three months ended December 31, 2021.

License fees and revenue share decreased by \$46,751 or 16.4% to \$237,618 for the nine months ended December 31, 2022, and was 45.2% as a percentage of total net revenue compared to \$284,369, or 50.5% of total net revenue, for the nine months ended December 31, 2021.

The decrease in license fees and revenue share as a percentage of total net revenue for the three months ended December 31, 2022, compared to the prior year comparative period, was primarily due to revenue mix changes. The decrease in license fees and revenue share as a percentage of total net revenue for the nine months ended December 31, 2022, compared to the prior year comparative period, was primarily due to revenue mix changes partially offset by the two contract amendments discussed above.

Other direct costs of revenue

Other direct costs of revenue are comprised primarily of hosting expenses directly related to the generation of revenue and depreciation expense accounted for under ASC 985-20, *Costs of Software to be Sold, Leased, or Otherwise Marketed*.

Other direct costs of revenue was relatively unchanged, increasing \$234 or 2.6% to \$9,324 for the three months ended December 31, 2022, and was 5.7% as a percentage of total net revenue compared to \$9,090, or 4.2% of total net revenue, for the three months ended December 31, 2021. The increase as a percentage of total net revenue was due to the decrease in total net revenue for the three months ended December 31, 2022.

Other direct costs of revenue increased by \$6,053 or 28.3% to \$27,438 for the nine months ended December 31, 2022, and was 5.2% as a percentage of total net revenue compared to \$21,385, or 3.8% of total net revenue, for the nine months ended December 31, 2021. The increase in other direct costs of revenue for the nine months ended December 31, 2022, compared to the prior year comparative period, was due to higher hosting costs of approximately \$4,406 and higher depreciation expense for developed technology assets of approximately \$1,647 due in part to the impact of a full nine months of operations resulting from the AdColony Acquisition and Fyber Acquisition. Please see Note 3, "Acquisitions," for further information. The increase as a percentage of total net revenue compared to the prior year comparative period was due to both higher costs as well as the decrease in total net revenue for the nine months ended December 31, 2022.

Product development

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

Product development expenses increased by \$463 or 3.4% to \$14,218 for the three months ended December 31, 2022, compared to \$13,755 for the three months ended December 31, 2021. Product development expenses included acquisition-related costs of \$542 and severance costs of \$323 for the three months ended December 31, 2022. Product development expenses included acquisition-related costs of \$454 for the three months ended December 31, 2021. Excluding acquisition-related costs and severance costs, product development expenses were relatively unchanged for the three months ended December 31, 2022. Lower employee-related costs, primarily due to reduced incentive compensation, was mostly offset by third-party development costs to support increased development activities.

Product development expenses increased by \$2,493 or 6.1% to \$43,087 for the nine months ended December 31, 2022, compared to \$40,594 for the nine months ended December 31, 2021. Product development expenses included acquisition-related costs of \$1,627 and severance costs of \$323 for the nine months ended December 31, 2022. Product development expenses included acquisition-related costs of \$2,364 for the nine months ended December 31, 2021. Excluding acquisition-related and severance costs, product development expenses increased by \$2,930 for the nine months ended December 31, 2022. The increase in product development expenses, after excluding acquisition-related costs and severance costs, was primarily due to higher third-party development costs to support increased development activities of \$6,628, partially offset by lower employee-related costs of approximately \$3,698, primarily due to the capitalization of employee-related costs for development activities and lower incentive compensation. The increases were due in part to the impact of a full nine months of operations resulting from the AdColony Acquisition and Fyber Acquisition. Please see Note 3, "Acquisitions," for further information.

Product development expenses, excluding acquisition-related costs and severance costs, increased to 8.2% and 7.8% of total net revenue for the three and nine months ended December 31, 2022, respectively, compared to 6.1% and 6.8% of total net revenue for the three and nine months ended December 31, 2021, respectively. The increase in product development expenses as a percentage of total net revenue was due to higher costs and lower revenues.

Sales and marketing

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

Sales and marketing expenses increased by \$612 or 3.9% to \$16,469 for the three months ended December 31, 2022, and was 10.1% as a percentage of total net revenue compared to \$15,857, or 7.3% of total net revenue, for the three months ended December 31, 2021. The increase in sales and marketing expenses was primarily due to an increase in travel and sales-related events of approximately \$1,388 due to the easing of COVID restrictions and severance costs of approximately \$652, primarily for Nordic region employees due to the termination of a reseller partnership in the region. These increases were offset by a decrease of approximately \$1,428 for employee-related costs, primarily due to lower headcount and incentive compensation.

Sales and marketing expenses were relatively unchanged, increasing by \$945 or 2.0% to \$48,017 for the nine months ended December 31, 2022, and was 9.1% as a percentage of total net revenue compared to \$47,072, or 8.4% of total net revenue, for the nine months ended December 31, 2021. The increase in sales and marketing expenses was primarily due to an increase in travel and sales-related events of approximately \$2,468 due to the easing of COVID restrictions and severance costs of approximately \$652, primarily for Nordic region employees due to the termination of a reseller partnership in the region. These increases were offset by a decrease of approximately \$2,175, primarily for employee-related costs due to lower headcount and incentive compensation.

General and administrative

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

General and administrative expenses decreased by \$792 or 2.0% to \$39,132 for the three months ended December 31, 2022, compared to \$39,924 for the three months ended December 31, 2021. The three months ended December 31, 2022, included acquisition-related costs and severance costs of \$700 and \$135, respectively. The three months ended December 31, 2021 included acquisition-related costs of \$5,676. Excluding acquisition-related costs and severance costs, general and administrative expenses increased \$4,048.

The increase in general and administrative expenses after excluding acquisition-related costs and severance costs was primarily due to: (1) higher depreciation expense of approximately \$2,549 for developed technology assets and amortization of acquired intangible assets, (2) an increase in professional fees, primarily for legal, tax, and auditing services, and software costs of approximately \$837, and (3) an increase of approximately \$661 for employee related costs due to higher wages and stock-based compensation, partially offset by lower incentive compensation.

General and administrative expenses increased by \$9,103 or 8.7% to \$114,328 for the nine months ended December 31, 2022, compared to \$105,225 for the nine months ended December 31, 2021. The nine months ended December 31, 2022, included acquisition-related costs and severance costs of \$2,091 and \$135, respectively. The nine months ended December 31, 2021, included acquisition-related costs \$20,866. Excluding acquisition-related costs and severance costs, general and administrative expenses increased \$27,744.

The increase in general and administrative expenses after excluding acquisition-related costs and severance costs was primarily due to: (1) higher depreciation expense of approximately \$17,870 for developed technology assets and amortization of acquired intangible assets, (2) an increase of approximately \$4,435 for employee-related costs due to higher wages and stock-based compensation costs, partially offset by lower incentive compensation, (3) an increase in bad debt expense of approximately \$2,149, and (4) an increase in other categories, primarily professional services, software, and facilities of \$3,289. The increases were due in part to the impact of a full nine months of operations resulting from the AdColony Acquisition and Fyber Acquisition. Please see Note 3, "Acquisitions," for further information.

Interest and other income / (expense), net

	Three months ended December 31,			Nine months ended December 31,		
	2022	2021	% of Change	2022	2021	% of Change
Interest and other income / (expense), net						
Change in fair value of contingent consideration	\$ —	\$ (18,200)	100.0 %	\$ —	\$ (40,287)	100.0 %
Interest expense, net	(6,913)	(2,195)	214.9 %	(16,224)	(5,307)	205.7 %
Foreign exchange transaction gain / (loss)	17	2,122	(99.2)%	(595)	1,603	(137.1)%
Other income / (expense), net	8	(86)	109.3 %	392	(598)	165.6 %
Total interest and other income / (expense), net	<u>\$ (6,888)</u>	<u>\$ (18,359)</u>	<u>(62.5)%</u>	<u>\$ (16,427)</u>	<u>\$ (44,589)</u>	<u>(63.2)%</u>

Comparison of the three and nine months ended December 31, 2022 and 2021

Change in fair value of contingent consideration

For the three and nine months ended December 31, 2021, the Company recorded charges for changes in fair value of contingent consideration in connection with the AdColony Acquisition and Fyber Acquisition of \$18,200 and \$40,287, respectively. There were no such charges recorded for the three and nine months ended December 31, 2022.

Interest expense, net

For the three and nine months ended December 31, 2022, interest expense, net, increased by \$4,718 or 214.9% and \$10,917 or 205.7%, respectively, compared to the three and nine months ended December 31, 2021, primarily due to an increase in interest rates of 371 basis points and 228 basis points, respectively, and higher average outstanding borrowings of \$129,167 and \$229,952, respectively, over the comparative periods.

Liquidity and Capital Resources

Our primary sources of liquidity are our cash and cash equivalents, cash from operations, and borrowings under our New Credit Agreement. As of December 31, 2022, we had unrestricted cash of approximately \$79,307 and \$174,866 available to draw under the New Credit Agreement with BoA. The maturity date of the New Credit Agreement is April 29, 2026, and the outstanding balance of \$425,134 is classified as long-term debt, net of debt issuance costs of \$2,824, on our condensed consolidated balance sheet as of December 31, 2022. We generated \$97,514 in cash flows from operating activities for the nine months ended December 31, 2022.

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 availability of borrowing capacity under our credit facility and our ability to access the capital markets as well as financial, business, and other factors affecting our operations, many of which are beyond our control. For example, these factors include general and regional economic, financial, competitive, legislative, regulatory, and other factors such as health epidemics including COVID-19, economic and macro-economic factors like labor shortages, supply chain disruptions, and inflation, and geopolitical developments, including the conflict in Ukraine. We cannot guarantee that we will generate sufficient cash flow from operations, or that future borrowings or the capital markets will be available, in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs. 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 affect 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.

We believe we will generate sufficient cash flow from operations and has the liquidity and capital resources to meet our business requirements for at least twelve months from the filing date of this Quarterly Report on Form 10-Q.

Hosting Agreements

We enter into hosting agreements with service providers and in some cases, those agreements include minimum commitments that require us to purchase a minimum amount of service over a specified time period (“the minimum commitment period”). The minimum commitment period is generally one-year in duration and the hosting agreements include multiple minimum commitment periods. Our minimum purchase commitments under these hosting agreements total approximately \$181,603 over the next 4 years.

Outstanding Secured Indebtedness

Our outstanding secured indebtedness under the New Credit Agreement is \$425,134 as of December 31, 2022. See “Recent Developments - Credit Agreement” for additional information on the New Credit Agreement. Our ability to borrow additional amounts under the New Credit Agreement could have significant negative consequences, including:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- violating a financial covenant, potentially 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 our flexibility in planning for, or reacting to, changes in our business and the industry in which it competes, including by virtue of the requirement that we remain in compliance with certain negative operating covenants included in the credit arrangements under which we will be obligated as well as meeting certain reporting requirements; and

- placing us at a possible competitive disadvantage to less leveraged competitors that are larger and may have better access to capital resources.

Our credit facility also contains a maximum consolidated secured net leverage ratio and minimum consolidated interest coverage ratio. There can be no assurance we will continue to satisfy 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 us.

The collateral pledged to secure our secured debt, consisting of substantially all of our and our U.S. 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.

Cash Flow Summary

	Nine months ended December 31,		% of Change
	2022	2021	
(in thousands)			
Consolidated statements of cash flows data:			
Net cash provided by operating activities	\$ 97,514	\$ 43,462	124.4 %
Equity investments	(4,000)	—	(100.0) %
Business acquisitions, net of cash acquired	(2,708)	(148,192)	98.2 %
Capital expenditures	(18,598)	(15,692)	(18.5) %
Net cash used in investing activities	\$ (25,306)	\$ (163,884)	84.6 %
Proceeds from borrowings	18,000	369,913	(95.1) %
Payment of debt issuance costs	(94)	(4,044)	97.7 %
Payment of deferred business acquisition consideration	—	(98,175)	100.0 %
Options and warrants exercised	1,095	2,814	(61.1) %
Payment of withholding taxes for net share settlement of equity awards	(6,202)	(7,587)	(18.3) %
Repayment of debt obligations	(129,500)	(52,623)	(146.1) %
Net cash provided by / (used in) financing activities	\$ (116,701)	\$ 210,298	155.5 %

Operating Activities

Our cash flows from operating activities are primarily driven by revenues generated from advertising activity, offset by the cash costs of operations, and are significantly influenced by the timing of and fluctuations in receipts from buyers and related payments to sellers. Our future cash flows will be diminished if we cannot increase our revenue levels and manage costs appropriately. Cash provided by operating activities was \$97,514 for the nine months ended December 31, 2022, compared to \$43,462 for the nine months ended December 31, 2021. The increase of \$54,052 was due to the following:

- \$58,961 increase due to changes in operating assets and liabilities, primarily due to lower net working capital for the nine months ended December 31, 2022;
- \$15,295 increase in net income; and
- \$20,204 decrease due to lower non-cash charges during the nine months ended December 31, 2022, including the impact of the change in fair value of contingent consideration during the nine months ended December 31, 2021. This impact was partially offset by accelerated amortization of trade name intangible assets amidst rebranding and a larger employee base receiving stock-based compensation for the nine months ended December 31, 2022.

Investing Activities

Our primary investing activities have consisted of acquisitions of businesses, purchases of property and equipment, and capital expenditures in support of creating and enhancing our technology infrastructure. For the nine months ended December 31, 2022, net cash used in investing activities decreased by \$138,578 to approximately \$25,306. Current period cash used in investing activities was comprised of capital expenditures related mostly to internally-developed software of \$18,598, an equity investment of \$4,000 in one of the largest independent Android app stores, and cash expenditures for business acquisitions, net of cash acquired, of \$2,708 related to our acquisition of In App Video Services UK LTD. For the nine months ended December 31, 2021, net cash used in investing activities was approximately \$163,884, comprised of cash expenditures for business acquisitions, net of cash acquired, of \$148,192 related to our acquisitions of AdColony and Fyber and capital expenditures related mostly to internally-developed software of \$15,692. The \$2,906 increase in capital expenditures was due to incremental investments in product development efforts and is also reflective of a larger product portfolio due to the acquisitions of AdColony and Fyber.

Financing Activities

Our financing activities consisted of borrowings and repayment of amounts borrowed under our New Credit Agreement and transactions related to our equity plans. For the nine months ended December 31, 2022, net cash used in financing activities was approximately \$116,701, which was comprised of the repayment of debt obligations of \$129,500 and payment of withholding taxes for net share settlement of equity awards of \$6,202, partially offset by proceeds from borrowings of \$18,000 and stock option exercises of \$1,095. For the nine months ended December 31, 2021, net cash provided by financing activities was approximately \$210,298, which was comprised of proceeds from borrowings of \$369,913 and stock option exercises of \$2,814, partially offset by the payment of deferred business acquisition consideration of \$98,175, repayment of debt obligations of \$52,623, payment of withholding taxes for net share settlement of equity awards of \$7,587, and payment of debt issuance costs of \$4,044.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations is based on our unaudited financial statements. The preparation of these financial statements is based on management's selection and application of accounting policies, some of which require management to make judgments, estimates, and assumptions that affect the amounts reported in the financial statements and notes. For more information regarding our critical accounting policies and estimates, please see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies," of our Annual Report on Form 10-K for the fiscal year ended March 31, 2022, and Note 2, "Basis of Presentation and Summary of Significant Accounting Policies," of this Quarterly Report on Form 10-Q for our fiscal third quarter ended December 31, 2022.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has operations both within the United States and internationally and is exposed to market risks in the ordinary course of business - primarily interest rate and foreign currency exchange risks.

Interest Rate Fluctuation Risk

The primary objective of the Company's investment activities is to preserve principal while maximizing income without significantly increasing risk. The Company's cash and cash equivalents consist of cash and deposits, which are sensitive to interest rate changes.

The Company's borrowings under its credit facility are subject to variable interest rates and thus expose the Company to interest rate fluctuations, depending on the extent to which the Company utilizes its credit facility. If market interest rates materially increase, the Company's results of operations could be adversely affected. A hypothetical increase in market interest rates of 100 basis points would result in an increase in interest expense of \$10 per year for every \$1,000 of outstanding debt under the credit facility. The Company has not used any derivative financial instruments to manage its interest rate risk exposure.

Foreign Currency Exchange Risk

Foreign currency exchange risk is the risk that the Company's results of operations and/or financial condition could be affected by changes in exchange rates. The Company has transactions denominated in currencies other than the U.S. dollar, principally the euro, Turkish lira, and British pound, that expose the Company's operations to risk from the effects of exchange rate movements. Such movements may impact future revenues, expenses, and cash flows. In certain of the Company's foreign operations, the Company transacts primarily in the U.S. dollar, including for net revenue, license fees and revenue share, and employee-related compensation costs, which reduces the Company's exposure to foreign currency exchange risk. In addition, gains / (losses) related to translating certain cash balances, trade accounts receivable and payable balances, and intercompany balances also impact net income. As the Company's foreign operations expand, results may be impacted further by fluctuations in the exchange rates of the currencies in which the Company's does business. The Company has not used any derivative financial instruments to manage its foreign currency exchange risk exposure.

ITEM 4. CONTROLS AND PROCEDURES

This Report includes the certifications of the Company's Chief Executive Officer and Chief Financial Officer, as required by Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). See Exhibits 31.1 and 31.2 to this Quarterly Report on Form 10-Q. This Item 4 includes information concerning the controls and control evaluations referred to in those certifications.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, are controls and other procedures designed to ensure information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer, who is the principal executive officer, and the Company's Chief Financial Officer, who is the principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As previously disclosed in Item 9A, Disclosure Controls and Procedures, of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2022, management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of March 31, 2022. Based on this evaluation, management concluded as of such date, the Company's disclosure controls and procedures were not effective due to the existence of the material weakness in its internal control over financial reporting therein described.

Management concluded the Company's internal control for business combinations did not include a control adequately designed to ensure acquiree accounting policies, as they relate to presentation and classification, were conformed to those of the Company and GAAP.

With the participation of the Company's Chief Executive Officer and Chief Financial Officer, management evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2022. Based on this evaluation and as a result of the identification of the material weakness described above, management concluded the Company's disclosure controls and procedures were not effective as of December 31, 2022.

Remediation Plans for Material Weakness in Internal Control over Financial Reporting

Prior to the identification of the material weakness, management, with oversight from the Company's Audit Committee, completed a review of the recently acquired business' product lines with the consultation of a large, third-party accounting firm as part of the financial close and reporting process. This included a review, at the acquired businesses, of representative customer contracts and agreements, supply/publisher agreements, and each product line's business model and operations with key operations personnel. Further, management took several other actions to strengthen the Company's control environment, including hiring a new Chief Accounting Officer and creating and hiring for other key positions including a Senior Manager of Internal Audit/ICFR and Director of Global Tax.

The Company is continuing to make progress in implementing improvements to its policies and procedures by:

- Strengthening the Company's procedures for reviewing the accounting policies of material acquired companies, including their accounting for revenue, through initial reviews during the due diligence period and ensuring alignment of accounting policies prior to the first post-acquisition interim reporting date;
- Standardizing customer and publisher contract review processes to ensure consistent accounting and reporting of revenue transactions; and
- Formalizing the approval process for making changes to the global chart of accounts and accounting systems to ensure the accurate classification of financial statement amounts, including changes resulting from material acquisitions.

Management believes these additional steps will be effective in remediating the material weakness described above and may take additional measures to address the material weakness or modify the remediation plan described above, if deemed necessary. Management continues to make progress implementing the remediation steps discussed above and will continue to test the enhanced control environment in the Company's fiscal fourth quarter. If the results of remaining controls testing progress as planned, management expects sufficient evidence will be available to conclude the material weakness described above no longer exists as of March 31, 2023.

Changes in Internal Control Over Financial Reporting

Other than the revenue recognition review process and ongoing remediation steps described above, there were no changes in the Company's internal control over financial reporting during the three months ended December 31, 2022, that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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.

On June 6, 2022 and July 21, 2022, shareholders of the Company filed class action complaints against the Company and certain of its officers in the Western District of Texas related to Digital Turbine, Inc.'s announcement in May 2022 that the Company would restate some of its financial results. The claims allege violations of certain federal securities laws. In addition, in September and October of 2022, shareholders of the Company filed derivative complaints against the Company and its directors in the Western District of Texas, Delaware state courts, and Texas state courts alleging breaches of fiduciary duties relating to the allegations made in the class action complaints. The federal derivative cases are consolidated, and the Texas derivative case has been dismissed and re-filed in Delaware federal court and the Delaware derivative cases are now consolidated, and all such derivative cases are stayed under a court order, pending a ruling on any motion to dismiss the federal class action that is later filed. The Company and individual defendants deny any allegations of wrongdoing and plan to vigorously defend against the claims asserted in these complaints. Due to the early stages of these cases, management is unable to assess a likely outcome or potential liability at this time.

ITEM 1A. RISK FACTORS

The Company is not aware of any material changes to the risk factors set forth under Part I, Item 1A, "Risk Factors," in its Annual Report on Form 10-K for the fiscal year ended March 31, 2022, filed with the Securities and Exchange Commission on June 6, 2022.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
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.

+ In accordance with SEC Release No. 33-8212, these exhibits are being furnished, and are not being filed, as part of this Quarterly Report on Form 10-Q or as a separate disclosure document, and are not being incorporated by reference into any Securities Act registration statement.

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: February 8, 2023

By: /s/ William Gordon Stone III
William Gordon Stone III
Chief Executive Officer
(Principal Executive Officer)

Digital Turbine, Inc.

Dated: February 8, 2023

By: /s/ James Barrett Garrison
James Barrett Garrison
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, William Gordon Stone III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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.

February 8, 2023

By: /s/ William Gordon Stone III
William Gordon Stone III
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, James Barrett Garrison, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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.

February 8, 2023

By: /s/ James Barrett Garrison
James Barrett Garrison
Chief Financial Officer
(Principal Financial Officer)

