# 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 June 30, 2023**

**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** | **22-2267658** |
| **(State or Other Jurisdiction of Incorporation or Organization)** | **(I.R.S. Employer Identification No.)** |
| **110 San Antonio Street, Suite 160, Austin, TX** | **78701** |
| **(Address of Principal Executive Offices)** | **(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** | **APPS** | **The Nasdaq Stock Market LLC (NASDAQ Capital Market)** |
| **(Title of Class)** | **(Trading Symbol)** | **(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 | ☒ | Accelerated Filer | ☐ |
| Non-Accelerated Filer | ☐ | Smaller Reporting Company | ☐ |
| Emerging Growth Company | ☐ | | |

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

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

As of August 4, 2023, the Company had 100,517,142 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 June 30, 2023

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## 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)**

| | June 30, 2023 (Unaudited) | March 31, 2023 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 58,559 | $ 75,058 |
| Restricted cash | 510 | 500 |
| Accounts receivable, net | 203,887 | 178,189 |
| Prepaid expenses and other current assets | 15,172 | 12,319 |
| **Total current assets** | 278,128 | 266,066 |
| Property and equipment, net | 41,535 | 39,327 |
| Right-of-use assets | 9,422 | 10,073 |
| Intangible assets, net | 362,541 | 379,632 |
| Goodwill | 558,646 | 561,576 |
| Other non-current assets | 11,114 | 9,882 |
| **TOTAL ASSETS** | **$ 1,261,386** | **$ 1,266,556** |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable | $ 138,194 | $ 119,338 |
| Accrued license fees and revenue share | 49,755 | 69,221 |
| Accrued compensation | 10,284 | 10,984 |
| Other current liabilities | 30,051 | 21,377 |
| **Total current liabilities** | 228,284 | 220,920 |
| Long-term debt, net of debt issuance costs | 405,732 | 410,522 |
| Deferred tax liabilities, net | 15,559 | 13,940 |
| Other non-current liabilities | 12,996 | 13,919 |
| **Total liabilities** | 662,571 | 659,301 |
| **Commitments and contingencies** | | |
| **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 | | |
| $0.0001 par value: 200,000,000 shares authorized; 101,044,782 issued and 100,286,657 outstanding at June 30, 2023; 100,216,494 issued and 99,458,369 outstanding at March 31, 2023 | 10 | 10 |
| Additional paid-in capital | 830,861 | 822,217 |
| Treasury stock (758,125 shares at June 30, 2023, and March 31, 2023) | (71) | (71) |
| Accumulated other comprehensive loss | (48,791) | (41,945) |
| Accumulated deficit | (183,294) | (175,115) |
| **Total stockholders' equity** | 598,815 | 605,196 |
| Non-controlling interest | — | 2,059 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | **$ 1,261,386** | **$ 1,266,556** |

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 (Loss) Income**
**(in thousands, except per share amounts)**

| | Three months ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Net revenue | $ 146,366 | $ 188,633 |
| Costs of revenue and operating expenses | | |
| License fees and revenue share | 69,592 | 87,367 |
| Other direct costs of revenue | 9,613 | 8,915 |
| Product development | 15,800 | 14,133 |
| Sales and marketing | 15,577 | 16,058 |
| General and administrative | 40,499 | 37,725 |
| Total costs of revenue and operating expenses | 151,081 | 164,198 |
| (Loss) income from operations | (4,715) | 24,435 |
| Interest and other income (expense), net | | |
| Interest expense, net | (7,390) | (4,082) |
| Foreign exchange transaction gain (loss) | 1,923 | (331) |
| Other income, net | 244 | 72 |
| Total interest and other expense, net | (5,223) | (4,341) |
| (Loss) income before income taxes | (9,938) | 20,094 |
| Income tax (benefit) provision | (1,539) | 5,136 |
| Net (loss) income | (8,399) | 14,958 |
| Less: net (loss) income attributable to non-controlling interest | (220) | 36 |
| Net (loss) income attributable to Digital Turbine, Inc. | (8,179) | 14,922 |
| Other comprehensive loss | | |
| Foreign currency translation adjustment | (6,107) | (5,542) |
| Comprehensive (loss) income | (14,506) | 9,416 |
| Less: comprehensive income attributable to non-controlling interest | 519 | 243 |
| Comprehensive (loss) income attributable to Digital Turbine, Inc. | $ (15,025) | $ 9,173 |
| Net (loss) income per common share | | |
| Basic | $ (0.08) | $ 0.15 |
| Diluted | $ (0.08) | $ 0.15 |
| Weighted-average common shares outstanding | | |
| Basic | 99,877 | 97,822 |
| Diluted | 99,877 | 102,686 |

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

**Digital Turbine, Inc. and Subsidiaries**

**Condensed Consolidated Statements of Cash Flows**
**(in thousands)**

| | Three months ended June 30, | |
|---|---|---|
| | **2023** | **2022** |
| **Cash flows from operating activities** | | |
| Net (loss) income | $ (8,399) | $ 14,958 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 21,258 | 19,929 |
| Non-cash interest expense | 571 | 210 |
| Stock-based compensation expense | 10,017 | 6,244 |
| Foreign exchange transaction (gain) loss | (1,923) | 331 |
| Right-of-use asset | 644 | 2,654 |
| Deferred income taxes | 1,619 | 1,050 |
| (Increase) decrease in assets: | | |
| Accounts receivable, gross | (24,739) | 6,626 |
| Allowance for credit losses | 752 | 886 |
| Prepaid expenses and other current assets | (2,801) | (4,967) |
| Other non-current assets | (1,233) | 212 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 18,620 | 5,718 |
| Accrued license fees and revenue share | (19,723) | (9,433) |
| Accrued compensation | (792) | (11,585) |
| Other current liabilities | 7,943 | 7,368 |
| Other non-current liabilities | (496) | (3,572) |
| **Net cash provided by operating activities** | **1,318** | **36,629** |
| **Cash flows from investing activities** | | |
| Capital expenditures | (7,276) | (6,413) |
| **Net cash used in investing activities** | **(7,276)** | **(6,413)** |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | 5,000 | — |
| Repayment of debt obligations | (10,000) | (60,508) |
| Acquisition of non-controlling interest in consolidated subsidiaries | (3,751) | — |
| Payment of withholding taxes for net share settlement of equity awards | (931) | (4,357) |
| Options exercised | 731 | 296 |
| **Net cash used in financing activities** | **(8,951)** | **(64,569)** |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | (1,580) | (2,970) |
| **Net change in cash, cash equivalents, and restricted cash** | **(16,489)** | **(37,323)** |
| Cash, cash equivalents, and restricted cash, beginning of period | 75,558 | 127,162 |
| Cash, cash equivalents, and restricted cash, end of period | $ 59,069 | $ 89,839 |
| **Supplemental disclosure of cash flow information** | | |
| Interest paid | $ 6,810 | $ 3,340 |
| Income taxes paid | $ 444 | $ 445 |
| **Supplemental disclosure of non-cash activities** | | |
| Common stock issued for the acquisition of Fyber | $ — | $ 50,000 |
| Fair value of unpaid contingent consideration in connection with business acquisitions | $ 2,738 | $ 2,578 |

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

**Digital Turbine, Inc. and Subsidiaries**

**Condensed Consolidated Statements of Stockholders' Equity**
**(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, 2023 | 99,458,369 | $ 10 | 100,000 | $ 100 | 758,125 | $ (71) | $ 822,217 | $ (41,945) | $ (175,115) | $ 2,059 | $ 607,255 |
| Net loss | — | — | — | — | — | — | — | — | (8,179) | (220) | (8,399) |
| Foreign currency translation | — | — | — | — | — | — | — | (6,846) | — | 739 | (6,107) |
| Stock-based compensation expense | — | — | — | — | — | — | 10,017 | — | — | — | 10,017 |
| Shares issued: | | | | | | | | | | | |
| Exercise of stock options | 378,507 | — | — | — | — | — | 731 | — | — | — | 731 |
| Issuance of restricted shares and vesting of restricted units | 449,781 | — | — | — | — | — | — | — | — | — | — |
| Acquisition of non-controlling interests in Fyber | — | — | — | — | — | — | (1,173) | — | — | (2,578) | (3,751) |
| Payment of withholding taxes related to the net share settlement of equity awards | — | — | — | — | — | — | (931) | — | — | — | (931) |
| Balance at June 30, 2023 | 100,286,657 | $ 10 | 100,000 | $ 100 | 758,125 | $ (71) | $ 830,861 | $ (48,791) | $ (183,294) | $ — | $ 598,815 |

**Digital Turbine, Inc. and Subsidiaries**

**Condensed Consolidated Statements of Stockholders' Equity**
**(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 |
| Vesting of restricted and performance stock 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 |

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

**Digital Turbine, Inc. and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**
**June 30, 2023**
**(in thousands, except share and per share amounts)**

## Note 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.

## Note 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. The Company acquired the remaining minority interest shareholders' outstanding shares in one of its subsidiaries during the three months ended June 30, 2023 for $3,751. As a result, the Company owned 100% of all its subsidiaries as of June 30, 2023.

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, 2023.

### 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 months ended June 30, 2023, 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 potential impacts of ongoing macroeconomic uncertainty due to global events such as the conflict in Ukraine, inflation, disruptions in supply chains, recessionary concerns impacting the markets in which the Company operates, and others, 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 such factors. 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 consolidated financial statements included in its Annual Report on Form 10-K for the fiscal year ended March 31, 2023.

**Note 3—Acquisitions**

**Acquisition of In App Video Services UK LTD.**

On November 1, 2022, the Company completed the acquisition of all 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 revenue 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 revenue target was not met for the year ended December 31 2022 and the impact on the fair value of the purchase price liability was not material for the three months ended June 30, 2023.

The Company recorded the 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 $ 4,957.

**Note 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. 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") -** This segment generates revenue from the delivery of mobile application media or content to end users with solutions for all participants in the mobile application ecosystem that want to connect with end users and consumers who hold the device. This includes 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") -** 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 June 30, 2023 | | | |
|---|---|---|---|---|
| | ODS | AGP | Elimination | Consolidated |
| Net revenue | $ 98,250 | $ 48,959 | $ (843) | $ 146,366 |
| License fees and revenue share | 58,298 | 12,137 | (843) | 69,592 |
| Segment profit | $ 39,952 | $ 36,822 | $ — | $ 76,774 |

| | Three months ended June 30, 2022 | | | |
|---|---|---|---|---|
| | ODS | AGP | Elimination | Consolidated |
| Net revenue | $ 118,637 | $ 72,366 | $ (2,370) | $ 188,633 |
| License fees and revenue share | 68,450 | 21,287 | (2,370) | 87,367 |
| Segment profit | $ 50,187 | $ 51,079 | $ — | $ 101,266 |

**Geographic Area Information**

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

| | June 30, 2023 | March 31, 2023 |
|---|---|---|
| United States and Canada | $ 26,086 | $ 25,903 |
| Europe, Middle East, and Africa | 15,415 | 13,395 |
| Asia Pacific and China | 34 | 29 |
| Consolidated property and equipment, net | $ 41,535 | $ 39,327 |

| | June 30, 2023 | March 31, 2023 |
|---|---|---|
| United States and Canada | $ 152,002 | $ 122,377 |
| Europe, Middle East, and Africa | 206,000 | 252,524 |
| Asia Pacific and China | 4,539 | 4,731 |
| Consolidated intangible assets, net | $ 362,541 | $ 379,632 |

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 June 30, 2023 | | |
|---|---|---|---|
| | ODS | AGP | Consolidated |
| United States and Canada | $ 38,941 | $ 30,917 | $ 69,858 |
| Europe, Middle East, and Africa | 46,022 | 13,552 | 59,574 |
| Asia Pacific and China | 12,543 | 4,447 | 16,990 |
| Mexico, Central America, and South America | 744 | 43 | 787 |
| Elimination | — | — | (843) |
| Consolidated net revenue | $ 98,250 | $ 48,959 | $ 146,366 |

| | Three months ended June 30, 2022 | | |
|---|---|---|---|
| | ODS | AGP | Consolidated |
| United States and Canada | $ 62,963 | $ 46,238 | $ 109,201 |
| Europe, Middle East, and Africa | 40,544 | 19,415 | 59,959 |
| Asia Pacific and China | 13,874 | 6,124 | 19,998 |
| Mexico, Central America, and South America | 1,256 | 589 | 1,845 |
| Elimination | — | — | (2,370) |
| Consolidated net revenue | $ 118,637 | $ 72,366 | $ 188,633 |

**Note 5—Goodwill and Intangible Assets**

**Goodwill**

Changes in the carrying amount of goodwill by segment follows:

| | ODS | AGP | Total |
|---|---|---|---|
| Goodwill as of March 31, 2023 | $ 80,176 | $ 481,400 | $ 561,576 |
| Foreign currency translation | — | (2,930) | (2,930) |
| Goodwill as of June 30, 2023 | $ 80,176 | $ 478,470 | $ 558,646 |

**Intangible Assets**

The components of intangible assets were as follows as of the periods indicated:

| | As of June 30, 2023 | | | |
|---|---|---|---|---|
| | Weighted-Average Remaining Useful Life | Cost | Accumulated Amortization | Net |
| Customer relationships | 12.02 years | $ 169,131 | $ (44,674) | $ 124,457 |
| Developed technology | 5.04 years | 146,609 | (43,988) | 102,621 |
| Trade names | 2.08 years | 69,988 | (31,710) | 38,278 |
| Publisher relationships | 17.59 years | 108,993 | (11,808) | 97,185 |
| Total | | $ 494,721 | $ (132,180) | $ 362,541 |

| | As of March 31, 2023 | | | |
|---|---|---|---|---|
| | Weighted-Average Remaining Useful Life | Cost | Accumulated Amortization | Net |
| Customer relationships | 12.06 years | $ 170,281 | $ (39,925) | $ 130,356 |
| Developed technology | 5.28 years | 146,596 | (38,813) | 107,783 |
| Trade names | 2.33 years | 69,983 | (27,115) | 42,868 |
| Publisher relationships | 17.83 years | 109,028 | (10,403) | 98,625 |
| Total | | $ 495,888 | $ (116,256) | $ 379,632 |

The Company recorded amortization expense of $ 16,189 during the three months ended June 30, 2023, and $ 16,117 during the three months ended June 30, 2022, in general and administrative expenses on the condensed consolidated statements of operations and comprehensive (loss) income.

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

| | | |
|---|---|---|
| Fiscal year 2024 | $ | 48,272 |
| Fiscal year 2025 | | 55,724 |
| Fiscal year 2026 | | 41,460 |
| Fiscal year 2027 | | 35,335 |
| Fiscal year 2028 | | 35,335 |
| Thereafter | | 146,415 |
| Total | $ | 362,541 |

**Note 6—Accounts Receivable**

| | June 30, 2023 | March 31, 2023 |
|---|---|---|
| Billed | $ 165,568 | $ 136,921 |
| Unbilled | 48,638 | 51,474 |
| Allowance for credit losses | (10,319) | (10,206) |
| Accounts receivable, net | $ 203,887 | $ 178,189 |

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 June 30, 2023, 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 $739 of bad debt expense during the three months ended June 30, 2023, and $ 886 of bad debt expense during the three months ended June 30, 2022, in general and administrative expenses on the condensed consolidated statements of operations and comprehensive income (loss).

**Note 7—Property and Equipment**

| | June 30, 2023 | March 31, 2023 |
|---|---|---|
| Computer-related equipment | $ 3,653 | $ 3,527 |
| Developed software | 70,848 | 63,891 |
| Furniture and fixtures | 2,020 | 2,103 |
| Leasehold improvements | 3,613 | 3,647 |
| Property and equipment, gross | 80,134 | 73,168 |
| Accumulated depreciation | (38,599) | (33,841) |
| Property and equipment, net | $ 41,535 | $ 39,327 |

Depreciation expense was $5,055 for the three months ended June 30, 2023, and $ 3,815 for the three months ended June 30, 2022. Depreciation expense for the three months ended June 30, 2023, includes $3,299 related to internal-use software included in general and administrative expense and $ 1,756 related to internally-developed software to be sold, leased, or otherwise marketed included in other direct costs of revenue. Depreciation expense for the three months ended June 30, 2022, includes $2,615 related to internal-use software included in general and administrative expense and $ 1,200 related to internally-developed software to be sold, leased, or otherwise marketed included in other direct costs of revenue.

**Note 8—Debt**

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

| | June 30, 2023 | | |
|---|---|---|---|
| | Balance | Interest Rate | Unused Line Fee |
| Revolver (subject to variable interest rate) | $ 408,134 | 7.13 % | 0.20 % |

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

| | June 30, 2023 | March 31, 2023 |
|---|---|---|
| Revolver | $ 408,134 | $ 413,134 |
| Less: Debt issuance costs | (2,402) | (2,612) |
| Long-term debt, net of debt issuance costs | $ 405,732 | $ 410,522 |

**Revolver**

On February 3, 2021, the Company entered into a credit agreement (the "Credit Agreement") with Bank of America, N.A. ("BoA"), which provided 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.

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 was subsequently amended as follows:

- First Amendment: Increase in the Revolver to $ 600,000, including the accordion feature mentioned above on December 29, 2021.

- Second Amendment: LIBOR was replaced 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 the effective date of the Second Amendment, which was October 26, 2022.

The First and Second Amendments discussed above made no other changes to the terms of the New Credit Agreement, which 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.

The Company incurred debt issuance costs of $4,064 for the New Credit Agreement, inclusive of costs incurred for the First and Second Amendments. Deferred debt issuance costs 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 June 30, 2023, the Company had $ 408,134 drawn against the New Credit Agreement, classified as long-term debt on the condensed consolidated balance sheets, with remaining unamortized debt issuance costs of $2,402.

As of June 30, 2023, 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 June 30, 2023, the interest rate was 7.13% 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 June 30, 2023, the Company had $ 191,866 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 expense, net**

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

| | Three months ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Interest expense, net | $ (7,114) | $ (3,862) |
| Amortization of debt issuance costs | (212) | (210) |
| Unused line of credit fees and other | (64) | (10) |
| Total interest expense, net | $ (7,390) | $ (4,082) |

**Note 9—Stock-Based Compensation**

**2020 Equity Incentive Plan of Digital Turbine, Inc. (the "2020 Plan")**

On September 15, 2020, the Company's stockholders approved 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 June 30, 2023, 5,684,615 shares of common stock were available for issuance as future awards under the 2020 Plan.

**Stock Options**

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, 2023 | 6,950,436 | $ 12.73 | 6.12 | $ 45,689 |
| Granted | 510,085 | 13.62 | | |
| Exercised | (548,310) | 3.14 | | |
| Forfeited / Expired | (86,946) | 48.30 | | |
| Options outstanding as of June 30, 2023 | 6,825,265 | $ 13.14 | 5.98 | $ 26,891 |
| Exercisable as of June 30, 2023 | 5,225,275 | $ 9.33 | 5.00 | $ 26,798 |

At June 30, 2023, total unrecognized stock-based compensation expense related to unvested stock options, net of estimated forfeitures, was $ 23,480, with an expected remaining weighted-average recognition period of 2.18 years.

**Restricted Stock**

Awards of restricted stock units may be either grants of time-based restricted stock units ("RSUs") or performance-based restricted stock units ("PSUs") that are issued at no cost to the recipient. The stock-based compensation expense for 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. The Company periodically grants PSUs to certain key employees that are subject to the achievement of specified internal performance metrics over a specified performance period. The terms and conditions of the PSUs generally allow for vesting of the awards ranging between forfeiture and up to 200% of target. Stock-based compensation expense for PSUs with a performance condition are recognized on a straight-line basis based on the most likely attainment scenario over the performance period. The most likley attainment scenario is re-evaluated each period.

Restricted stock awards ("RSAs") are awards of common stock that are legally issued and outstanding. RSAs are subject to time-based restrictions on transfer and unvested portions are generally subject to a risk of forfeiture if the award recipient ceases providing services to the Company prior to the lapse of the restrictions. The stock-based compensation expense for these awards is determined using the fair market value of the Company's common stock on the date of the grant. The RSAs have time conditions and 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.

The following table summarizes RSU, PSU, and RSA activity:

| | Number of Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Unvested restricted shares outstanding as of March 31, 2023 | 1,670,589 | $ 24.96 |
| Granted | 2,646,987 | 13.69 |
| Vested | (483,368) | 19.28 |
| Forfeited | (33,825) | 17.57 |
| Unvested restricted shares outstanding as of June 30, 2023 | 3,800,383 | $ 17.32 |

At June 30, 2023, total unrecognized stock-based compensation expense related to RSUs, PSUs and RSAs, net of estimated forfeitures was $ 53,270, with an expected remaining weighted-average recognition period of 2.46 years.

Stock-based compensation expense for the three months ended June 30, 2023 and 2022, was $10,017 and $6,244, respectively, and was recorded within general and administrative expenses on the condensed consolidated statements of operations and comprehensive (loss) income.

**Note 10—Earnings per Share**

Basic net (loss) income per share is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted net (loss) income per share is computed based on the weighted average number of common shares outstanding plus the effect of potentially dilutive common shares outstanding during the period using the applicable methods.

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

| | Three months ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Net (loss) income per common share | (8,399) | 14,958 |
| Less: net (loss) income attributable to non-controlling interest | (220) | 36 |
| Net (loss) income attributable to Digital Turbine, Inc. | $ (8,179) | $ 14,922 |
| Weighted-average common shares outstanding, basic | 99,877 | 97,822 |
| Basic net (loss) income per common share attributable to Digital Turbine, Inc. | $ (0.08) | $ 0.15 |
| Weighted-average common shares outstanding, diluted | 99,877 | 102,686 |
| Diluted net (loss) income per common share attributable to Digital Turbine, Inc. | $ (0.08) | $ 0.15 |

Potentially dilutive outstanding securities of 4,903,410 and 1,529,761 for the three months ended June 30, 2023 and 2022, respectively, were excluded from the computation of diluted net income per share because their effect would have been anti-dilutive.

**Note 11—Income Taxes**

The Company's 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 months ended June 30, 2023, the Company recognized a tax benefit of $ 1,539, resulting in an effective tax benefit rate of 15.5%. The effective tax rate differed from the U.S. federal statutory tax rate of 21% primarily due to the loss before income taxes, increase in valuation allowances and foreign income tax return-to-provision adjustments.

During the three months ended June 30, 2022, the Company recognized a tax provision of $ 5,136, resulting in an effective tax rate of 25.6%, which differs from the U.S. federal statutory tax rate of 21% primarily due to state income taxes, foreign income inclusions, and one-time discrete items.

**Note 12—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. Our minimum purchase commitments under these hosting agreements total approximately $109,909 over the next four 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, stockholders 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. These have been consolidated into *In re Digital Turbine, Inc. Securities Litigation* , Case No. 1:22-cv-00550-DAE. On July 19, 2023, the Western District court granted the Company’s motion to dismiss the case. The plaintiffs have twenty one days from such date to file an amended complaint. In addition, several derivative actions have been filed against the Company and the Company’s directors, which all assert claims of breach of fiduciary duties arising out of the same facts as the securities class action. The cases are *Olszanski v. Digital Turbine, Inc.* , et al.; Case No. 1:22-cv-911 in federal court in the Western District of Texas (October 4, 2022); *Witt v. Digital Turbine, Inc.* , et al; Case 1:22-cv-01429-UNA in federal court in the District of Delaware (February 14, 2023); and *Krumwiede v. Digital Turbine, Inc* .; Case No. 2023-0277 in state court in the Delaware Chancery Court (March 6, 2023). The federal derivative cases have been stayed under a court order, pending a ruling on any motion to dismiss the federal class action. The Company and the individual defendants filed a motion to dismiss the Delaware Chancery case on May 11, 2023. 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.

On July 25, 2023, a derivative action was filed against the Company and the members of the Company’s Compensation and Human Capital Management Committee that asserts a claim of breach of fiduciary duties related to the grant of equity awards to the Company’s CEO in excess of the annual share limit set forth in the Company’s 2020 Equity Incentive Plan. The case is *Robert Garfield v. Digital Turbine, Inc., et al.* ; Case No. 2023-0755 in state court in the Delaware Chancery Court. The Company and individual defendants deny any allegations of wrongdoing. Due to the early stages of the case, 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 (this "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 (the "Exchange Act") , 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, 2023, 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

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"). 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

#### Impact of Economic Conditions and Geopolitical Developments

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, potential trade disputes, including but not limited to any U.S. government actions against China based developers and publishers, and Russia's invasion of Ukraine.

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.

Further, various U.S. federal and state governmental agencies continue to examine the distribution and use of apps developed and/or published by China based companies. In some cases, government agencies have banned certain apps from mobile devices. Further actions by U.S. federal or state governmental agencies or other countries to restrict or ban the distribution of China based apps could negatively impact our business, financial condition, and results of operations.

While the financial impact of Russia's invasion of Ukraine has not had a direct, material impact on our business, any European conflict, if expanded to include other countries would likely have a material, negative impact on general economic conditions and would impact our business directly.

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 June 30, 2023, 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

The following table sets forth our results of operations for the three months ended June 30, 2023 and 2022 ($ in thousands):

| | Three months ended June 30, 2023 | Three months ended June 30, 2022 | % of Change |
|---|---|---|---|
| Net revenue | $ 146,366 | $ 188,633 | (22.4)% |
| Costs of revenue and operating expenses | | | |
| License fees and revenue share | 69,592 | 87,367 | (20.3)% |
| Other direct costs of revenue | 9,613 | 8,915 | 7.8 % |
| Product development | 15,800 | 14,133 | 11.8 % |
| Sales and marketing | 15,577 | 16,058 | (3.0)% |
| General and administrative | 40,499 | 37,725 | 7.4 % |
| Total costs of revenue and operating expenses | 151,081 | 164,198 | (8.0)% |
| (Loss) income from operations | (4,715) | 24,435 | (119.3)% |
| Interest and other income (expense), net | | | |
| Interest expense, net | (7,390) | (4,082) | 81.0 % |
| Foreign exchange transaction gain (loss) | 1,923 | (331) | (681.0)% |
| Other income, net | 244 | 72 | 238.9 % |
| Total interest and other expense, net | (5,223) | (4,341) | 20.3 % |
| (Loss) income before income taxes | (9,938) | 20,094 | (149.5)% |
| Income tax (benefit) provision | (1,539) | 5,136 | (130.0)% |
| Net (loss) income | (8,399) | 14,958 | (156.2)% |

**Net revenue**

| | Three months ended June 30, 2023 | Three months ended June 30, 2022 | % of Change |
|---|---|---|---|
| Net revenue | | | |
| On Device Solutions | $ 98,250 | $ 118,637 | (17.2)% |
| App Growth Platform | 48,959 | 72,366 | (32.3)% |
| Elimination | (843) | (2,370) | (64.4)% |
| Total net revenue | $ 146,366 | $ 188,633 | (22.4)% |

**Comparison of the three months ended June 30, 2023 and 2022**

Net revenue decreased by $42,267 or 22.4% for the three months ended June 30, 2023 compared to the three months ended June 30, 2022. See the segment discussion below for further details regarding net revenue.

***On Device Solutions***

On Device Solutions revenue decreased by $20,387 or 17.2% for the three months ended June 30, 2023 compared to the three months ended June 30, 2022. Revenue from content media declined by approximately $17,099 primarily due to the end of a carrier partnership that resulted in lower daily active users on prepaid devices. Revenue from application media declined by approximately $3,288 due to lower new device volumes in the US and internationally, which was partially offset by an increase in revenue-per-device in the US.

***App Growth Platform***

App Growth Platform revenue decreased by $23,407 or 32.3% for the three months ended June 30, 2023 compared to the three months ended June 30, 2022. Performance and brand advertising revenue declined by approximately $13,414 and advertising exchange revenue declined by $6,212 for the three months ended June 30, 2023 compared to the three months ended June 30, 2022, primarily due to weaker demand in digital advertising and the impact of the consolidation and exiting of certain legacy AdColony platforms and business lines. In addition, revenue declined by $3,781 for the three months ended June 30, 2023 compared to the three months ended June 30, 2022 due to a reseller partnership in the Nordic region, which ended on December 31, 2022.

**Costs of revenue and operating expenses**

| | Three months ended June 30, | | |
|---|---|---|---|
| | 2023 | 2022 | % of Change |
| Costs of revenue and operating expenses | | | |
| License fees and revenue share | $ 69,592 | $ 87,367 | (20.3)% |
| Other direct costs of revenue | 9,613 | 8,915 | 7.8 % |
| Product development | 15,800 | 14,133 | 11.8 % |
| Sales and marketing | 15,577 | 16,058 | (3.0)% |
| General and administrative | 40,499 | 37,725 | 7.4 % |
| Total costs of revenue and operating expenses | $ 151,081 | $ 164,198 | (8.0)% |

**Comparison of the three months ended June 30, 2023 and 2022**

Costs of revenue and operating expenses decreased by $13,117 or 8.0% for the three months ended June 30, 2023 compared to the three months ended June 30, 2022, primarily due to lower license fees and revenue share, which is the result of lower revenue over the same comparative periods. This decrease was partially offset by higher operating costs, primarily for general and administrative and product development activities. Costs of revenue and operating expenses included severance costs of $367 and transaction costs of $36 for the three months ended June 30, 2023, compared to transaction costs of $1,299 for the three months ended June 30, 2022. See below for further discussion regarding changes in costs of revenue and operating expenses.

***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. In addition, when indirect arrangements exist through advertising aggregators (ad networks) and revenue is shared with our carrier and app development partners, the shared revenue is also recorded as a cost of revenue.

License fees and revenue share decreased by $17,775 or 20.3%, to $69,592 for the three months ended June 30, 2023, compared to $87,367, for the three months ended June 30, 2022. The decrease in license fees and revenue share was similar to the decrease in total net revenues for the same comparable periods.

License fees and revenue share as a percentage of total net revenue was 47.5% for the three months ended June 30, 2023, compared to 46.3% for the three months ended June 30, 2022. The increase in license fees and revenue share as a percentage of total net revenue was primarily due to revenue mix changes, specifically a lower mix of revenue reported on a net basis as compared to revenue reported on a gross basis during the three months ended June 30, 2023 compared to the three months ended June 30, 2022 .

***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 associated with capitalized software costs and amortization of developed technology intangible assets.

Other direct costs of revenue increased by $698 to $9,613 for the three months ended June 30, 2023 and was 6.6% as a percentage of total net revenue compared to 8,915, or 4.7% of total net revenue, for the three months ended June 30, 2022. The increase in other direct costs was primarily due to higher amortization of developed technology intangible assets. The increase in other direct costs as a percentage of total net revenue was due to the decline in total net revenue.

***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 $1,667 to $15,800 for the three months ended June 30, 2023 compared to $14,133 for the three months ended June 30, 2022. Product development expenses included severance costs of $183 for the three months ended June 30, 2023 and acquisition-related costs of $541 for the three months ended June 30, 2022. Excluding acquisition-related costs and severance costs, product development expenses increased by $2,025 for the three months ended June 30, 2023.

The increase in product development expenses, excluding acquisition-related costs and severance costs, was primarily due to higher employee-related costs of approximately $1,503 due to additional headcount to support the Company's continued investment in its technology platforms. In addition, other categories increased approximately $522 primarily due to higher depreciation expense, partially offset by lower professional fees.

***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 decreased by $481 to $15,577 for the three months ended June 30, 2023 compared to $16,058 for the three months ended June 30, 2022. The decrease in sales and marketing expense was primarily due to lower employee-related costs of approximately $285, inclusive of severance costs of $125, due to lower headcount and incentive compensation and a decrease of $196 for other categories, primarily due to higher professional fees.

***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 increased by $2,774 to $40,499 for the three months ended June 30, 2023 compared to $37,725 for the three months ended June 30, 2022. General and administrative expenses included acquisition-related costs of $705 for the three months ended June 30, 2022.

General and administrative expenses, after excluding acquisition-related costs, increased by $3,332. The increase was primarily due to higher employee-related costs for stock-based compensation of approximately $3,582 and salaries and cash incentive compensation of approximately $1,125. These increases were partially offset by lower professional fees for legal, tax and audit services of $856 and depreciation and amortization expense of approximately $519.

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

| | Three months ended June 30, | | |
|---|---|---|---|
| | **2023** | **2022** | **% of Change** |
| Interest and other income (expense), net | | | |
| Interest expense, net | $ (7,390) | $ (4,082) | 81.0 % |
| Foreign exchange transaction gain (loss) | 1,923 | (331) | (681.0)% |
| Other income, net | 244 | 72 | 238.9 % |
| Total interest and other expense, net | $ (5,223) | $ (4,341) | 20.3 % |

***Interest expense, net***

For the three months ended June 30, 2023, interest expense, net, increased by $3,308 or 81.0% compared to the three months ended June 30, 2022, primarily due to an increase in interest rates of 396 basis points offset by lower average outstanding borrowings of $93,833 over the comparative period.

***Foreign exchange transaction gain (loss)***

For the three months ended June 30, 2023 and 2023, the Company recorded foreign exchange transaction gains and losses of $1,923 and $331, respectively, that were primarily attributable to fluctuations in foreign exchange rates for trade accounts receivables and payables denominated in currencies other than the functional currency of foreign entities.

**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 June 30, 2023, we had unrestricted cash of approximately $58,559 and $191,866 available to draw under the New Credit Agreement with BoA. We generated $1,318 in cash flows from operating activities for the three months ended June 30, 2023.

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 capital markets as well as financial, business, and other factors affecting our operations, many of which are beyond our control. 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 and the political climate related to China. We cannot guarantee we will generate sufficient cash flow from operations, or that future borrowings or capital markets will be available, in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs.

We believe we will generate sufficient cash flow from operations and have the liquidity and capital resources to meet our business requirements for at least 12 months from the filing date of this Report.

**Outstanding Secured Indebtedness**

Our outstanding secured indebtedness under the New Credit Agreement is $408,134 as of June 30, 2023. The maturity date of the New Credit Agreement is April 29, 2026, and the outstanding balance is classified as long-term debt, net of debt issuance costs of $2,402, on our condensed consolidated balance sheets as of June 30, 2023.

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

Our credit facility also contains a maximum consolidated secured net leverage ratio and minimum consolidated interest coverage ratio. 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.

**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 $109,909 over the next four fiscal years.

**Cash Flow Summary ($ in thousands)**

| | Three months ended June 30, 2023 | Three months ended June 30, 2022 | % of Change |
|---|---|---|---|
| **Consolidated statements of cash flows data:** | | | |
| **Net cash provided by operating activities** | **$ 1,318** | **$ 36,629** | **(96.4)%** |
| Capital expenditures | (7,276) | (6,413) | **13.5 %** |
| **Net cash used in investing activities** | **$ (7,276)** | **$ (6,413)** | **13.5 %** |
| Proceeds from borrowings | 5,000 | — | 100.0 % |
| Repayment of debt obligations | (10,000) | (60,508) | (83.5)% |
| Acquisition of non-controlling interest in consolidated subsidiaries | (3,751) | — | 100.0 % |
| Payment of withholding taxes for net share settlement of equity awards | (931) | (4,357) | (78.6)% |
| Options exercised | 731 | 296 | 147.0 % |
| **Net cash used in financing activities** | **$ (8,951)** | **$ (64,569)** | **(86.1)%** |

***Operating Activities***

Our cash flows from operating activities are primarily driven by revenue generated from user acquisition and advertising activity, offset by the cash costs of operations, and are significantly influenced by the timing of and fluctuations in receipts from customers and payments to our carrier and publisher partners as well as other vendors. Our future cash flows from operating activities will be diminished if we cannot increase our revenue levels and manage costs appropriately. Cash provided by operating activities was $1,318 for the three months ended June 30, 2023, compared to $36,629 for the three months ended June 30, 2022. The decrease of $35,311 was due to the following:

- $23,357 decrease in net income;
- $13,722 decrease due to changes in operating assets and liabilities due primarily to working capital changes, including an increase in accounts receivable and a decrease in accrued compensation; and
- $1,768 increase due to increased non-cash charges during the three months ended June 30, 2023 primarily related to higher stock-based compensation and depreciation and amortization, partially offset by a foreign exchange transaction gain for the three months ended June 30, 2023.

***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 three months ended June 30, 2023, net cash used in investing activities increased by $863 to approximately $7,276. Our cash used in investing activities for the three months ended June 30, 2023 and June 30, 2022, was primarily comprised of capital expenditures related to internally-developed software.

***Financing Activities***

For the three months ended June 30, 2023, net cash used in financing activities was approximately $8,951, which was comprised of: (1) the net repayment of debt obligations of $5,000, (2) payments of $3,751 for the acquisition of the remaining minority interest shareholders’ outstanding shares in one of our subsidiaries, and (3) payment of payroll withholding taxes for net share settlement of equity awards of $931. These cash outflows were partially offset by cash inflows from stock option exercises of $731.

For the three months ended June 30, 2022, net cash used in financing activities was approximately $64,569, which was comprised of repayment of debt obligations of $60,508, payment of payroll withholding taxes for net share settlement of equity awards of $4,357, partially offset by cash inflows from stock option exercises of $296.

### 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, 2023, and Note 2—Basis of Presentation and Summary of Significant Accounting Policies,” of this Report on Form 10-Q for our fiscal first quarter ended June 30, 2023.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has operations both within the U.S. 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 Company’s 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 does business. The Company has not used any derivative financial instruments to manage its foreign currency exchange risk exposure.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, regardless of how well they were designed and are operating, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(f) or 15d-15(f) of the Exchange Act during the period covered by this Quarterly Report, that materially affected, or are reasonably likely to materially affect, our 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, stockholders 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. These have been consolidated into In re Digital Turbine, Inc. Securities Litigation, Case No. 1:22-cv-00550-DAE. On July 19, 2023, the Western District court granted the Company's motion to dismiss the case. The plaintiffs have twenty one days from such date to file an amended complaint. In addition, several derivative actions have been filed against the Company and the Company's directors, which all assert claims of breach of fiduciary duties arising out of the same facts as the securities class action. The cases are Olszanski v. Digital Turbine, Inc., et al.; Case No. 1:22-cv-911 in federal court in the Western District of Texas (October 4, 2022); Witt v. Digital Turbine, Inc., et al; Case 1:22-cv-01429-UNA in federal court in the District of Delaware (February 14, 2023); and Krumwiede v. Digital Turbine, Inc.; Case No. 2023-0277 in state court in the Delaware Chancery Court (March 6, 2023). The federal derivative cases have been stayed under a court order, pending a ruling on any motion to dismiss the federal class action. The Company and the individual defendants filed a motion to dismiss the Delaware Chancery case on May 11, 2023. 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.

On July 25, 2023, a derivative action was filed against the Company and the members of the Company's Compensation and Human Capital Management Committee that asserts a claim of breach of fiduciary duties related to the grant of equity awards to the Company's CEO in excess of the annual share limit set forth in the Company's 2020 Equity Incentive Plan. The case is *Robert Garfield v. Digital Turbine, Inc., et al.* ; Case No. 2023-0755 in state court in the Delaware Chancery Court. The Company and individual defendants deny any allegations of wrongdoing. Due to the early stages of the case, 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, 2023, filed with the Securities and Exchange Commission on May 25, 2023.

### 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 |
| --- | --- |
| 10.1 | Form of Restricted Stock Unit Agreement (Performance-Vesting).* |
| 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: August 8, 2023 By: /s/ William Gordon Stone III
William Gordon Stone III
Chief Executive Officer
(Principal Executive Officer)

Digital Turbine, Inc.

Dated: August 8, 2023 By: /s/ James Barrett Garrison
James Barrett Garrison
Chief Financial Officer
(Principal Financial Officer)

**Exhibit 10.1**

**2020 EQUITY INCENTIVE PLAN OF DIGITAL TURBINE, INC.**

**NOTICE OF GRANT**
**AND**
**RESTRICTED STOCK UNIT AGREEMENT (PERFORMANCE-BASED)**

You are being granted Performance-Based Restricted Stock Units ("PRSUs") with respect to the number of shares of Common Stock of Digital Turbine, Inc. (the "Company"), as set forth below ("Common Shares"), subject to the terms and conditions of the 2020 Equity Incentive Plan of Digital Turbine, Inc. (as amended or restated, the "Plan"), and this Notice of Grant and Restricted Stock Unit Agreement including the attachments hereto (collectively, " Notice and Agreement"). Unless otherwise defined in the Notice and Agreement, terms with initial capital letters shall have the meanings set forth in the Plan.

| | |
|---|---|
| Participant: | [Name] |
| Home Address: | [Address] |
| Soc. Sec. No: | |
| Target Number of Common Shares subject to PRSUs Granted: | [Target # of Shares] |
| Grant Date: | [Date] |
| Period of Restriction: | From the Grant Date to the Vesting Date |
| Vesting Date: | [Date that certification of performance of PRSUs is approved by the Committee] |
| Number of Common Shares Vesting and Delivery of Common Shares (see also Sections 2 and 3 of attached Agreement) | See Schedule I |

By your signature and the signature of the Company's representative below, you and the Company hereby acknowledge your receipt of the PRSUs issued on the Grant Date indicated above. You further: (i) agree to the terms and conditions of this Notice and Agreement and the Plan; (ii) represent that you have reviewed the Plan and this Notice and Agreement in their entirety, and have had an opportunity to obtain the advice of legal counsel and/or your tax advisor with respect thereto; (iii) represent that you fully understand and accept all provisions hereof; (iv) agree to accept as binding, conclusive, and final all of the Administrator's decisions regarding, and all interpretations of, the Plan and this Notice and Agreement; and (v) agree to notify the Company upon any change in your home address indicated above.

**On Behalf of DIGITAL TURBINE, INC.**

Signature:

Print Name:

Title:

**AGREED AND ACCEPTED:**
**Participant**

Signature:

Print Name:

**DIGITAL TURBINE, INC.**
**2020 EQUITY INCENTIVE PLAN**

RESTRICTED STOCK UNIT AGREEMENT (PERFORMANCE-BASED)

1. Grant of Restricted Stock Units. The Company has granted to you Performance-Based Restricted Stock Units ("PRSUs") with respect to the number of Common Shares specified in the Notice of Grant on the preceding page ("Notice of Grant"), subject to the following terms and conditions and the terms and conditions of the Notice of Grant and the Plan. In consideration of such grant, you agree to be bound by the terms and conditions hereof, and by the terms and conditions of the Notice of Grant and the Plan.

2. Period of Restriction. During the Period of Restriction specified in the Notice of Grant, the PRSUs shall not be vested and the Participant shall have no rights to or with respect to the Common Shares subject to the PRSUs. The Period of Restriction shall expire and the PRSUs shall vest as to the Common Shares in the amount(s) and on the date(s) specified in the Notice of Grant (each, a "Vesting Date") and pursuant to the terms of Schedule I; provided, however, that no PRSUs shall vest on any Vesting Date if the Participant has ceased Continuous Status as an Employee, Consultant or Director on or prior to such date.

3. Delivery of Shares. As soon as reasonably practicable following each Vesting Date or any other vesting event specified herein or in the Plan, but in no event later than the 15th day of the third month following the later of the Company's or the Participant's tax year end of the year in which the Vesting Date or vesting event occurs, the Company shall cause to be delivered to the Participant the number of Common Shares then vesting in accordance with the provisions of this Agreement. No fractional Common Shares shall be delivered to the Participant.

4. Restriction on Transfer. Neither the PRSUs nor any beneficial interest therein shall be transferred, encumbered or otherwise disposed of in any way, and any such attempted disposition shall be void. In addition, as a condition to any transfer of the Common Shares issued with respect to PRSUs that have vested, the Company may, in its discretion, require: (i) that the Common Shares shall have been duly listed upon any national securities exchange or automated quotation system on which the Company's Common Stock may then be listed or quoted; (ii) that either (a) a registration statement under the Securities Act of 1933, as amended ("Securities Act"), with respect to the Common Shares shall be effective, or (b) in the opinion of counsel for the Company, the proposed transfer shall be exempt from registration under the Securities Act and the Participant shall have entered into agreements with the Company as reasonably required; and (iii) fulfillment of any other requirements deemed necessary by counsel for the Company to comply with Applicable Law.

5. Stockholder Rights. The Participant shall have no rights as a stockholder of the Company with respect to any Common Shares subject to the PRSUs until the PRSUs have vested and the Common Shares have been issued to the Participant. No adjustment shall be made for ordinary or extraordinary dividends (whether in currency, securities or other property), distributions, or other rights (including, but not limited to, the right to vote) for which the record date is prior to the date such Common Shares are issued, except as provided in the Plan. If, from time to time prior to the applicable Vesting Date, there is (i) any stock dividend, stock split or other change in the Common Shares, or (ii) any merger or sale of all or substantially all of the assets or other acquisition of the Company, any and all new, substituted or additional securities to which the Participant shall be entitled by reason of the PRSUs shall be immediately subject to the terms of this Notice and Agreement and included thereafter as "PRSUs" and "Common Shares," as applicable, for purposes of this Notice and Agreement.

6. Legends. The share certificate evidencing the Common Shares, if any, issued pursuant to the PRSUs granted hereunder shall bear appropriate legends for compliance with applicable federal and state securities laws.

7. U.S. Tax Consequences.

(a) The Participant has reviewed with the Participant's own tax advisors the federal, state, local and foreign tax consequences of receiving PRSUs and the transactions contemplated by this Notice and Agreement. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its employees or agents. The Participant understands that the Participant (and not the Company) shall be responsible for the Participant's own tax liability that may arise as a result of the transactions contemplated by this Notice and Agreement.

The Participant understands that for U.S. taxpayers, under the Internal Revenue Code of 1986, as amended (the "Code"), the Participant will be taxed as ordinary income on the fair market value of the Common Shares received upon vesting of the PRSUs as of the applicable Vesting Date, and such ordinary income will be subject to withholding taxes. As set forth in the Plan, the Company shall have the power and the right to deduct or withhold, or to require the Participant to remit to the Company, an amount sufficient to satisfy all tax withholding obligations prior to delivering any Common Shares hereunder.

(b) To the extent that (i) the receipt of the PRSUs, (ii) the vesting of the PRSUs, or (iii) the operation of any law or regulation providing for the imputation of interest results in compensation income or wages to the Participant for federal or state income tax purposes (a "Taxable Event"), the Participant will deliver to the Company at the time of such Taxable Event such amount of money or shares of Company common stock as the Company may require to meet all obligations under applicable tax laws or regulations, and, if the Participant fails to do so, the Company is authorized to withhold or cause to be withheld from any cash or share remuneration then or thereafter payable to the Participant any tax required to be withheld by reason of compensation income or wages resulting from such Taxable Event.

(c) This Notice and Agreement is intended to be excepted from, or otherwise comply with, the requirements of Section 409A of the Code, and this Notice and Agreement should be interpreted in such a manner to satisfy such exception or otherwise comply with Section 409A of the Code.

(d) The Participant acknowledges and agrees that (i) the Participant is not relying upon any written or oral statement or representation of the Company, its affiliates, or any of their respective employees, directors, officers, attorneys or agents (collectively, the "Company Parties") regarding the tax effects associated with execution of this Notice and Agreement and the receipt, holding and vesting of PRSUs, and (ii) in deciding to enter into this Notice and Agreement, the Participant is relying on the Participant's own judgment and the judgment of the professionals of the Participant's choice with whom the Participant has consulted. The Participant hereby releases, acquits and forever discharges the Company Parties from all actions, causes of actions, suits, debts, obligations, liabilities, claims, damages, losses, costs and expenses of any nature whatsoever, known or unknown, on account of, arising out of, or in any way related to the tax effects associated with the execution of this Notice and Agreement and the receipt, holding and vesting of the PRSUs.

8. Compliance with Other Laws and Regulations. Notwithstanding anything to the contrary in this Notice and Agreement, the grant and vesting of the PRSUs hereunder, and the obligation of the Company to deliver Common Shares under the PRSUs, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any governmental or regulatory agency as may be required including the rules and regulations of the Securities and Exchange Commission and the rules of any exchange or any quotation system on which the Company's common stock may then be listed. Without limitation of the foregoing, the Participant agrees and acknowledges that the sale of the Common Shares underlying the PRSUs shall be made in compliance with the Company's then applicable Insider Trading Policy and all other applicable federal and state securities laws. The Company shall not be required to issue or deliver any certificates for shares of its common stock prior to the completion of any registration or qualification of such shares under any federal or state law or issuance of any ruling or regulation of any government body which the Company shall, in its sole discretion, determine to be necessary or advisable.

9. General.

(a) This Notice and Agreement shall be governed by and construed under the laws of the State of Delaware. The Notice and Agreement and the Plan, which is incorporated herein by reference, represents the entire agreement between the parties with respect to the PRSUs granted to the Participant. In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Notice and Agreement, the terms and conditions of the Plan shall prevail.

(b) Any notice, demand or request required or permitted to be delivered by either the Company or the Participant pursuant to the terms of this Notice and Agreement shall be in writing and shall be deemed given when delivered personally, deposited with a reputable courier service, or deposited in the U.S. Mail, First Class with postage prepaid, and addressed to the parties at the addresses set forth in the Notice of Grant, or such other address as a party may request by notifying the other in writing.

(c) The rights of the Company under this Notice and Agreement and the Plan shall be transferable to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of the Participant under this Notice and Agreement may only be assigned with the prior written consent of the Company.

(d) The Participant agrees upon request to execute any further documents or instruments necessary or desirable to carry out the purposes or intent of this Notice and Agreement.

(e) PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE PERFORMANCE-BASED RESTRICTED STOCK UNITS AND ANY COMMON SHARES TO BE DELIVERED PURSUANT TO THIS AGREEMENT SHALL BE EARNED ONLY BY CONTINUING SERVICE AS AN EMPLOYEE, CONSULTANT OR DIRECTOR AND THE COMPANY'S SATISFACTION OF THE PERFORMANCE CRITERIA SET FORTH IN THIS AGREEMENT, AND NOT THROUGH THE ACT OF BEING HIRED, APPOINTED OR OBTAINING RESTRICTED STOCK UNITS OR COMMON SHARES HEREUNDER.

#####

SCHEDULE I

PERFORMANCE GOALS

Provided that the Participant's Continuous Status as an Employee, Consultant or Director extends through the Vesting Date, vesting of the PRSUs shall be determined based (a) [______] percent ([____]%) on achievement of the Revenue Goal set forth below, (b) [______] percent ([___]%) on achievement of the EBITDA Goal set forth below, and (c) [______] percent ([___]%) on achievement of the TSR Goal set forth below, and (d) [______] percent ([___]%) on achievement of the [____________] Goal set forth below as described in the following Performance Goals Table (collectively, the "Performance Goals"), [and will then be subject to a multiplier adjustment as set forth in the Relative TSR Multiplier Table below] [if applicable].

Performance Goals Table: [Add or subtract goals as applicable]

| **PRSU Vesting** | **Threshold**<br>**[_____]% Vest of Target Shares** | **Target**<br>**[____]% Vest of Target Shares** | **Stretch**<br>**[____]% Vest of Target Shares** |
|---|---|---|---|
| Revenue Goal – Revenue for fiscal year [____] | [Describe % [____%] and dollar amount of performance criteria] | [Describe % [____%] and dollar amount of performance criteria] | [Describe % [____%] and dollar amount of performance criteria] |
| EBITDA Goal – Adjusted EBITDA for fiscal year [____] | [Describe % [___%] and dollar amount of performance criteria] | [Describe % [___%] and dollar amount of performance criteria] | [Describe % [___%] and dollar amount of performance criteria] |
| Total Shareholder Return Goal (Company CAGR) | [___]% CAGR from the Grant Date | [___]% CAGR from the Grant Date | [___]% CAGR from the Grant Date |
| Absolute TSR Goal | Final Price is at least [●] times the closing price of Company Common Stock on the Grant Date | Final Price is at least [●] times the closing price of Company Common Stock on the Grant Date | Final Price is at least [●] times the closing price of Company Common Stock on the Grant Date |
| Relative TSR Goal (Company CAGR compared to Peer Index CAGR) | Peer Index CAGR<br>plus [__]% | Peer Index CAGR<br>plus [___]% | Peer Index CAGR<br>plus [___]% |
| [Other Performance Goal(s)] | [Other Performance Measure(s)] | [Other Performance Measure(s)] | [Other Performance Measure(s)] |

Relative TSR Multiplier Table: [add if applicable]

| **Performance measure** | **Performance Goals Relative TSR (Company compared to the S&P Software and Services Select Industry Index)** | | | **Relative TSR Multiplier** | | |
|---|---|---|---|---|---|---|
| | **Threshold** | **Target** | **Stretch** | **Threshold** | **Target** | **Stretch** |
| Relative TSR | [___]+ CAGR percentage points above | [___]+ CAGR percentage points above | [___]+ CAGR percentage points above | [___]% | [___]% | [___]% |

The number of Target Shares that vest shall be calculated as follows: (a) the number of Target Shares, multiplied by (b) the appropriate percentages set forth in the Performance Goals Table for the Performance Goals based on the Company's achievement of the Performance Goals (multiplied by [___]% for each Performance Goal)[, multiplied by (c) the appropriate multiplier percentage set forth in the Relative TSR Multiplier Table based on the calculation of the Relative TSR over the Performance Period]. If achievement of at least the Threshold level is not achieved for one of the Performance Goals, then no Target Shares shall vest with respect to such Performance Goal.

[If the Absolute Company TSR is negative, then the Relative TSR Multiplier shall equal 100%.]

If the Company's achievement of Performance Goals [or if the Relative TSR] falls in between the Threshold and Stretch percentages in the tables above, such amounts will be interpolated on a linear basis in calculating the number of Target Shares vested.

Definitions:

"Revenue" shall mean, for any applicable period, the Company's net revenue recognized during such period as determined in accordance with generally accepted accounting principles consistently applied by the Company ("GAAP") and reflected in the Company's consolidated financial statements.

"EBITDA" shall mean, for any applicable period, the Company's net income determined in accordance with GAAP, plus (i) any interest expense (net of any interest income) deducted in determining net income, plus (ii) taxes related to the Company's earnings or income deducted in determining net income, plus (iii) depreciation and amortization deducted in determining net income, plus/minus (iv) other adjustments as the Company determines, which such EBITDA amount shall be determined in a manner consistent with how the Company determines its publicly-reported EBITDA. "Adjusted EBITDA" shall mean, for any applicable period, EBITDA increased/decreased by such amounts as determined by the Company, which such Adjusted EBITDA amount shall be determined in a manner consistent with how the Company determines its publicly-reported Adjusted EBITDA.

"CAGR" shall mean the compound annual growth rate of the relevant Company stock price or Peer Index, as applicable, over the Performance Period, beginning with the Grant Date closing Company stock price and Peer Index and ending with the Ending Stock Price.

"Beginning Stock Price" shall mean (a) for the Company, the average closing price per share of common stock of the Company over the thirty (30) trading day period ending immediately prior to the first day of the Performance Period and (b) for the Peer Index, the average closing of the Peer Index over the thirty (30) trading day period ending immediately prior to the first day of the Performance Period.

"Ending Stock Price" shall mean (a) for the Company, the average closing price per share of common stock of the Company over the thirty (30) trading day period ending immediately prior to (and including, if it is a trading day) the last day of the Performance Period multiplied by the Adjusted Number of Shares and (b) for the Peer Index, the average closing of the Peer Index over the thirty (30) trading day period ending immediately prior to (and including, if it is a trading day) the last day of the Performance Period.

"Final Price" shall mean the highest average closing price per share of common stock of the Company over any thirty (30) trading day period during the Review Period multiplied by the relevant Adjusted Number of Shares.

"Relative TSR" shall mean an amount equal to: the CAGR of a share of the Company's common stock over the Performance Period when calculated using the Beginning Stock Price and the Ending Stock Price compared to the CAGR of the Peer Index over the Performance Period when calculated using the Beginning Stock Price and the Ending Stock Price.

"Peer Index" shall mean the S&P Software and Services Select Industry Index.

"Performance Period" shall mean the period beginning on [the Grant Date] and ending on [the [_____] anniversary of the Grant Date].

"Review Period" shall mean the last six-month period during the Performance Period.

"Adjusted Ending Share Value" is the sum of one share of the Company's common stock plus dividends deemed reinvested in fractional shares on their respective ex-dividend dates during the Performance Period (one share plus all deemed reinvested fractional shares) multiplied by the Ending Stock Price.

"Adjusted Number of Shares" is the sum of one share of the Company's common stock plus dividends deemed reinvested in fractional shares on their respective ex-dividend dates during the Performance Period (one share plus all deemed reinvested fractional shares).

"Absolute Company TSR" shall equal (a) an amount equal to the Adjusted Ending Share Value divided by the Beginning Stock Price, minus (b) one (1).

Other Terms:

The level of achievement of the Performance Goals shall be determined promptly by the Company following the Period of Restriction. Any interpretative issues in the Performance Goals [and the Relative TSR] and related calculations shall (a) be resolved as much as possible based on the Company's publicly filed amounts of the same and in the reasonable discretion of the Company's Compensation Committee and (b) as to any other questions shall be determined in the reasonable discretion of the Company's Compensation Committee.

If an extraordinary event occurs during the Period of Restriction, such as a merger, acquisition or recapitalization of the Company, the Board of Directors or Compensation Committee of the Company may, in its reasonable discretion, revise the above Performance Goals in order to preserve the original incentive structure and degree of achievement as existed prior to such change.

In all events, Relative TSR and Absolute Company TSR shall be appropriately adjusted to give effect to any stock dividends, stock splits, reverse stock splits and similar transactions in the Company's common stock.

CONSENT OF SPOUSE

I, ____________________, spouse of the Participant, have read and approve the foregoing Notice of Grant and Restricted Stock Unit Agreement (the "Notice and Agreement"). In consideration of the Company's grant to my spouse of the Performance-Based Restricted Stock Units for Common Shares of Digital Turbine, Inc. as set forth in the Notice and Agreement, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights under the Notice and Agreement and agree to be bound by the provisions of the Notice and Agreement insofar as I may have any rights in said Notice and Agreement, the Performance-Based Restricted Stock Units or any Common Shares issued pursuant thereto under the community property laws or similar laws relating to marital property in effect in the state or country of our residence as of the date of the signing of the foregoing Notice and Agreement.

Dated: _______________, 2023

Signature of Spouse

Print Name: ____________________________________

**Exhibit 31.1**

**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 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(s) 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(s) 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.

August 8, 2023

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

**Exhibit 31.2**

**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 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(s) 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(s) 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.

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|---|---|---|
| August 8, 2023 | By: | /s/ James Barrett Garrison |
| | | James Barrett Garrison<br>Chief Financial Officer<br>(Principal Financial Officer) |

**Exhibit 32.1**

**Certification of Principal Executive Officer**
**Pursuant to U.S.C. Section 1350**
**As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Digital Turbine, Inc. (the “Company”), a Delaware corporation, does hereby certify, to such officer’s knowledge, that:

The Quarterly Report on Form 10-Q for the period ending June 30, 2023, of the Company (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

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|---|---|---|
| August 8, 2023 | By: | /s/ William Gordon Stone III |
| | | William Gordon Stone III |
| | | Chief Executive Officer |
| | | (Principal Executive Officer) |

**Exhibit 32.2**

**Certification of Principal Financial Officer**
**Pursuant to U.S.C. Section 1350**
**As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Digital Turbine, Inc. (the “Company”), a Delaware corporation, does hereby certify, to such officer’s knowledge, that:

The Quarterly Report on Form 10-Q for the period ending June 30, 2023, of the Company (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

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|---|---|---|
| August 8, 2023 | By: | /s/ James Barrett Garrison |
| | | James Barrett Garrison<br>Chief Financial Officer<br>(Principal Financial Officer) |