

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

(Mark One)

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

For the quarterly period ended December 31, 2024

or

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

Commission File Number 001-35958



**DIGITAL TURBINE, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State or Other Jurisdiction of  
Incorporation or Organization)  
110 San Antonio Street, Suite 160, Austin, TX  
(Address of Principal Executive Offices)

22-2267658  
(I.R.S. Employer  
Identification No.)  
78701  
(Zip Code)

(512) 387-7717

(Registrant's Telephone Number, Including Area Code)  
Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, Par Value \$0.0001 Per Share  
(Title of Class)

APPS  
(Trading Symbol)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

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

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

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

As of January 31, 2025, the Company had 105,006,809 shares of its common stock, \$0.0001 par value per share, outstanding.

**DIGITAL TURBINE, INC.**

QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTER ENDED December 31, 2024

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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)

	<u>December 31, 2024</u>	<u>March 31, 2024</u>
	<u>(Unaudited)</u>	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 35,314	\$ 33,605
Accounts receivable, net	199,511	191,015
Prepaid expenses	6,877	7,704
Other current assets	12,418	10,017
<b>Total current assets</b>	<u>254,120</u>	<u>242,341</u>
Property and equipment, net	49,625	45,782
Right-of-use assets	10,631	9,127
Intangible assets, net	270,262	313,505
Goodwill	221,080	220,072
Other non-current assets	33,992	34,713
<b>TOTAL ASSETS</b>	<u>\$ 839,710</u>	<u>\$ 865,540</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 147,732	\$ 159,200
Accrued revenue share	34,296	33,934
Accrued compensation	8,475	7,209
Acquisition purchase price liabilities	1,903	—
Other current liabilities	47,831	35,681
<b>Total current liabilities</b>	<u>240,237</u>	<u>236,024</u>
Long-term debt, net of debt issuance costs	408,154	383,490
Deferred tax liabilities, net	14,903	20,424
Other non-current liabilities	12,853	11,670
<b>Total liabilities</b>	<u>676,147</u>	<u>651,608</u>
<b>Commitments and contingencies (Note 16)</b>		
<b>Stockholders' equity</b>		
Preferred stock		
Series A convertible preferred stock at \$ 0.0001 par value; 2,000,000 shares authorized, 100,000 issued and outstanding (liquidation preference of \$1)	100	100
Common stock		
\$0.0001 par value; 200,000,000 shares authorized; 105,593,103 issued and 104,834,978 outstanding at December 31, 2024; 102,877,057 issued and 102,118,932 outstanding at March 31, 2024	10	10
Additional paid-in capital	884,270	858,191
Treasury stock (758,125 shares at December 31, 2024, and March 31, 2024)	(71)	(71)
Accumulated other comprehensive loss	(52,130)	(48,955)
Accumulated deficit	(668,616)	(595,343)
<b>Total stockholders' equity</b>	<u>163,563</u>	<u>213,932</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 839,710</u>	<u>\$ 865,540</u>

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**  
**(Unaudited)**  
(in thousands, except per share amounts)

	Three months ended December 31,		Nine months ended December 31,	
	2024	2023	2024	2023
Net revenue	\$ 134,637	\$ 142,634	\$ 371,354	\$ 432,259
Costs of revenue and operating expenses				
Revenue share	69,947	70,364	182,092	208,675
Other direct costs of revenue	8,954	8,614	25,182	27,244
Product development	10,203	13,036	30,350	42,873
Sales and marketing	15,494	14,432	47,628	45,546
General and administrative	42,792	45,455	128,485	127,339
Impairment of goodwill	—	—	—	147,181
Total costs of revenue and operating expenses	147,390	151,901	413,737	598,858
Loss from operations	(12,753)	(9,267)	(42,383)	(166,599)
Interest and other income (expense), net				
Change in fair value of contingent consideration	(500)	—	(300)	372
Interest expense, net	(8,446)	(7,666)	(25,928)	(22,900)
Foreign exchange transaction gain	1,037	338	879	155
Other income (expense), net	(57)	(311)	21	(67)
Total interest and other income (expense), net	(7,966)	(7,639)	(25,328)	(22,440)
Loss before income taxes	(20,719)	(16,906)	(67,711)	(189,039)
Income tax provision (benefit)	2,412	(2,845)	5,562	(5,097)
Net loss	(23,131)	(14,061)	(73,273)	(183,942)
Less: net loss attributable to non-controlling interest	—	—	—	(220)
Net loss attributable to Digital Turbine, Inc.	(23,131)	(14,061)	(73,273)	(183,722)
Other comprehensive loss				
Foreign currency translation gain (loss)	(4,119)	3,585	(3,175)	(3,809)
Comprehensive loss	(27,250)	(10,476)	(76,448)	(187,751)
Less: comprehensive income attributable to non-controlling interest	—	—	—	519
Comprehensive loss attributable to Digital Turbine, Inc.	\$ (27,250)	\$ (10,476)	\$ (76,448)	\$ (188,270)
Net loss per common share				
Basic	\$ (0.22)	\$ (0.14)	\$ (0.71)	\$ (1.83)
Diluted	\$ (0.22)	\$ (0.14)	\$ (0.71)	\$ (1.83)
Weighted-average common shares outstanding				
Basic	104,148	101,376	103,201	100,643
Diluted	104,148	101,376	103,201	100,643

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

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

	Nine months ended December 31,	
	2024	2023
<b>Cash flows from operating activities</b>		
Net (loss) income	\$ (73,273)	\$ (183,942)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	59,784	62,934
Non-cash interest expense	1,290	633
Allowance for credit losses	2,144	2,575
Stock-based compensation expense	25,417	27,020
Foreign exchange transaction gain	(879)	(155)
Change in fair value of contingent consideration	300	(372)
Right-of-use asset	(1,645)	545
Impairment of goodwill	—	147,181
(Increase) decrease in assets:		
Accounts receivable, gross	(11,024)	(44,427)
Prepaid expenses	795	(2,232)
Other current assets	(1,894)	(6,067)
Other non-current assets	702	(5,004)
Increase (decrease) in liabilities:		
Accounts payable	(11,384)	40,082
Accrued revenue share	491	(2,836)
Accrued compensation	1,379	(3,441)
Other current liabilities	12,417	16,963
Deferred income taxes	(5,352)	(9,009)
Other non-current liabilities	1,104	(15)
<b>Net cash provided by operating activities</b>	<b>372</b>	<b>40,433</b>
<b>Cash flows from investing activities</b>		
Equity investments	—	(9,678)
Business acquisition, net of cash acquired	—	65
Capital expenditures	(20,533)	(17,384)
<b>Net cash used in investing activities</b>	<b>(20,533)</b>	<b>(26,997)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	38,000	25,000
Payment of debt issuance costs	(1,627)	—
Repayment of debt obligations	(13,000)	(62,134)
Acquisition of non-controlling interest in consolidated subsidiaries	—	(3,751)
Payment of withholding taxes for net share settlement of equity awards	(231)	(1,176)
Options exercised	103	2,786
<b>Net cash provided by (used in) financing activities</b>	<b>23,245</b>	<b>(39,275)</b>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(1,375)	(254)
<b>Net change in cash, cash equivalents, and restricted cash</b>	<b>1,709</b>	<b>(26,093)</b>
Cash, cash equivalents, and restricted cash, beginning of period	33,605	75,558
<b>Cash, cash equivalents, and restricted cash, end of period</b>	<b>\$ 35,314</b>	<b>\$ 49,465</b>

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

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

	Nine months ended December 31,	
	2024	2023
<b>Reconciliation of cash, cash equivalents, and restricted cash</b>		
Cash and cash equivalents	\$ 34,620	\$ 48,959
Restricted cash	694	506
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 35,314</b>	<b>\$ 49,465</b>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	\$ 27,597	\$ 22,876
Income taxes paid	\$ 1,558	\$ 536
<b>Supplemental disclosure of non-cash activities</b>		
Assets acquired not yet paid	\$ 491	\$ 241
Right-of-use assets acquired under operating leases	\$ 4,096	\$ 2,683
Fair value of unpaid contingent consideration in connection with business acquisitions	\$ 1,644	\$ 2,366

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	Total
Balance at March 31, 2024	102,118,932	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 858,191	\$ (48,955)	\$ (595,343)	\$ 213,932
Net loss	—	—	—	—	—	—	—	—	(25,156)	(25,156)
Foreign currency translation	—	—	—	—	—	—	—	(1,213)	—	(1,213)
Stock-based compensation expense	—	—	—	—	—	—	8,424	—	—	8,424
Shares issued:										
Exercise of stock options	8,599	—	—	—	—	—	14	—	—	14
Issuance of restricted shares and vesting of restricted units	390,752	—	—	—	—	—	—	—	—	—
Payment of withholding taxes related to the net share settlement of equity awards	—	—	—	—	—	—	(48)	—	—	(48)
Balance at June 30, 2024	102,518,283	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 866,581	\$ (50,168)	\$ (620,499)	\$ 195,953
Net loss	—	—	—	—	—	—	—	—	(24,986)	(24,986)
Foreign currency translation	—	—	—	—	—	—	—	2,157	—	2,157
Stock-based compensation expense	—	—	—	—	—	—	9,279	—	—	9,279
Shares issued:										
Exercise of stock options	1,667	—	—	—	—	—	79	—	—	79
Issuance of restricted shares and vesting of restricted units	1,001,502	—	—	—	—	—	—	—	—	—
Payment of withholding taxes related to the net share settlement of equity awards	—	—	—	—	—	—	(112)	—	—	(112)
Balance at September 30, 2024	103,521,452	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 875,827	\$ (48,011)	\$ (645,485)	\$ 182,370
Net loss	—	—	—	—	—	—	—	—	(23,131)	(23,131)
Foreign currency translation	—	—	—	—	—	—	—	(4,119)	—	(4,119)
Stock-based compensation expense	—	—	—	—	—	—	8,504	—	—	8,504
Shares issued:										
Exercise of stock options	9,537	—	—	—	—	—	10	—	—	10
Issuance of restricted shares and vesting of restricted units	1,303,989	—	—	—	—	—	—	—	—	—
Payment of withholding taxes related to the net share settlement of equity awards	—	—	—	—	—	—	(71)	—	—	(71)
Balance at December 31, 2024	104,834,978	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 884,270	\$ (52,130)	\$ (668,616)	\$ 163,563

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
Net loss	—	—	—	—	—	—	—	—	(161,482)	—	(161,482)
Foreign currency translation	—	—	—	—	—	—	—	(1,287)	—	—	(1,287)
Stock-based compensation expense	—	—	—	—	—	—	9,924	—	—	—	9,924
Shares issued:											
Exercise of stock options	575,599	—	—	—	—	—	1,998	—	—	—	1,998
Issuance of restricted shares and vesting of restricted units	226,890	—	—	—	—	—	—	—	—	—	—
Payment of withholding taxes related to the net share settlement of equity awards	—	—	—	—	—	—	(106)	—	—	—	(106)
Balance at September 30, 2023	101,089,146	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 842,677	\$ (50,078)	\$ (344,776)	\$ —	\$ 447,862
Net loss	—	—	—	—	—	—	—	—	(14,061)	—	(14,061)
Foreign currency translation	—	—	—	—	—	—	—	3,585	—	—	3,585
Stock-based compensation expense	—	—	—	—	—	—	8,395	—	—	—	8,395
Shares issued:											
Exercise of stock options	29,225	—	—	—	—	—	57	—	—	—	57
Issuance of restricted shares and vesting of restricted units	577,772	—	—	—	—	—	—	—	—	—	—
Payment of withholding taxes related to the net share settlement of equity awards	—	—	—	—	—	—	(140)	—	—	—	(140)
Balance at December 31, 2023	101,696,143	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 850,989	\$ (46,493)	\$ (358,837)	\$ —	\$ 445,698

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



**Digital Turbine, Inc. and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**December 31, 2024**  
**(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 December 31, 2024.

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, 2024.

**Unaudited Interim Financial Information**

These accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial reporting. In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring items, considered necessary to present fairly the Company’s financial condition, results of operations, comprehensive income, stockholders’ equity, and cash flows for the interim periods indicated. The results of operations for the three and nine months ended December 31, 2024, 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 conflicts in Ukraine and Israel, 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, 2024.

### **Note 3—Acquisitions**

#### **Acquisition of One Store International**

On November 26, 2024, the Company completed the acquisition of 100% of all outstanding ownership and voting interests of One Store International Holding B.V. ("One Store International"), pursuant to a Stock Purchase Agreement (the "Purchase Agreement") with One Store Co. LTD ("One Store") and two additional selling parties. The acquisition of One Store International is part of the Company's strategy to help deliver One Store's app to the European market and expand the Company's broader alternative app market business. The acquisition was accounted for as a business combination.

On October 30, 2024, the Company signed an additional agreement with One Store, the App Store Platform Commercial Agreement (the "Commercial Agreement"), which supersedes the Company's original agreement with One Store, dated February 5, 2024, which contemplated a future potential joint venture with One Store. The Commercial Agreement allows the Company to take ownership of a license to (1) use the One Store app ("OSP") within the European, Latin American, and US markets (the "Territories"), (2) market, advertise, merchandise, distribute, and sell the OSP through the Company's distribution channels, (3) market the One Store brand within the Territories, and (4) reproduce, use and distribute One Store's intellectual property. In return, upon launch of the business in the Territories, the Company will pay One Store a monthly platform fee of approximately 3% of the gross merchandising value the first 18 months of the term and approximately 5% thereafter.

The Purchase Agreement required total cash consideration of \$ 1,903, to be paid in 18 equal monthly installments starting on the date the Company begins providing service in the United States. On the acquisition date, the Company recorded the fair values of the assets acquired and liabilities assumed in the Purchase Agreement, which resulted in the recognition of: (1) total assets of \$26, (2) total liabilities of \$ 114, and (3) goodwill of \$ 1,991. Transaction costs associated with the acquisition of One Store International were \$207. The negotiated purchase price was primarily driven by One Store International's history of OSP distribution and the part it will play in helping the Company to meet its future obligations under the Commercial Agreement.

Separate operating results and pro forma results of operations for One Store International have not been presented as the effect of this acquisition was not material to our financial results.

### **Note 4—Fair Value Measurements**

#### **Equity securities without readily determinable fair values**

Occasionally, the Company may purchase certain non-marketable equity securities for strategic reasons. During the nine months ended December 31, 2024, the Company did not make any such investments. During the year ended March 31, 2024, the Company purchased non-marketable equity securities for a total of \$19,094.

As of December 31, 2024 and March 31, 2024, the carrying value of the Company's investments in equity securities without readily determinable fair values totaled \$27,594, and are included in "Other non-current assets" in the accompanied consolidated balance sheet. These equity securities without readily determinable fair values represent the Company's strategic investments in alternative app stores.

As the non-marketable equity securities are investments in a privately held company without a readily

determinable fair value, the Company elected the measurement alternative to account for these investments. Under the measurement alternative, the carrying value of the non-marketable equity securities is adjusted based on price changes from observable transactions of identical or similar securities of the same issuer or for impairment. Any changes in carrying value are recorded within other income (loss), net in the Company's condensed consolidated statement of operations.

For the nine months ended December 31, 2024, there were no adjustments to the carrying value of equity securities without readily determinable fair values.

#### **Fair Value Measurements**

The Company uses a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

**Level 1.** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2.** Significant other inputs that are directly or indirectly observable in the marketplace.

**Level 3.** Significant unobservable inputs which are supported by little or no market activity.

As of December 31, 2024 and March 31, 2024, Level 1 equity securities recorded at fair value totaled \$ 392 and \$501, respectively, and are classified as other non-current assets. As of December 31, 2024 and March 31, 2024, there were no Level 2 or Level 3 equity securities recorded at fair value.

#### **Note 5—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 December 31, 2024			
	ODS	AGP	Eliminations	Consolidated
Net revenue	\$ 91,736	\$ 44,241	\$ (1,340)	\$ 134,637
Revenue share	61,112	10,175	(1,340)	69,947
Segment profit	\$ 30,624	\$ 34,066	\$ —	\$ 64,690

  

	Three months ended December 31, 2023			
	ODS	AGP	Eliminations	Consolidated
Net revenue	\$ 94,298	\$ 49,181	\$ (845)	\$ 142,634
Revenue share	60,276	10,933	(845)	70,364
Segment profit	\$ 34,022	\$ 38,248	\$ —	\$ 72,270

  

	Nine months ended December 31, 2024			
	ODS	AGP	Eliminations	Consolidated
Net revenue	\$ 254,800	\$ 119,979	\$ (3,425)	\$ 371,354
Revenue share	159,206	26,311	(3,425)	182,092
Segment profit	\$ 95,594	\$ 93,668	\$ —	\$ 189,262

  

	Nine months ended December 31, 2023			
	ODS	AGP	Eliminations	Consolidated
Net revenue	\$ 291,608	\$ 144,323	\$ (3,672)	\$ 432,259
Revenue share	179,554	32,793	(3,672)	208,675
Segment profit	\$ 112,054	\$ 111,530	\$ —	\$ 223,584

#### Geographic Area Information

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

	December 31, 2024	March 31, 2024
United States and Canada	\$ 38,862	\$ 32,899
Europe, Middle East, and Africa	10,689	12,809
Asia Pacific and China	74	74
Consolidated property and equipment, net	\$ 49,625	\$ 45,782

  

	December 31, 2024	March 31, 2024
United States and Canada	\$ 6,056	\$ 4,314
Europe, Middle East, and Africa	4,508	4,598
Asia Pacific and China	67	215
Consolidated right-of-use assets	\$ 10,631	\$ 9,127

  

	December 31, 2024	March 31, 2024
United States and Canada	\$ 114,761	\$ 133,381
Europe, Middle East, and Africa	151,584	175,878
Asia Pacific and China	3,917	4,246
Consolidated intangible assets, net	\$ 270,262	\$ 313,505

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

	Three months ended December 31, 2024		
	ODS	AGP	Total
United States and Canada	\$ 36,089	\$ 27,819	\$ 63,908
Europe, Middle East, and Africa	32,272	10,870	43,142
Asia Pacific and China	22,081	5,548	27,629
Mexico, Central America, and South America	1,294	4	1,298
Elimination	—	—	(1,340)
Consolidated net revenue	\$ 91,736	\$ 44,241	\$ 134,637

	Three months ended December 31, 2023		
	ODS	AGP	Total
United States and Canada	\$ 37,927	\$ 33,671	\$ 71,598
Europe, Middle East, and Africa	42,947	11,290	54,237
Asia Pacific and China	12,823	4,201	17,024
Mexico, Central America, and South America	601	19	620
Elimination	—	—	(845)
Consolidated net revenue	\$ 94,298	\$ 49,181	\$ 142,634

	Nine months ended December 31, 2024		
	ODS	AGP	Total
United States and Canada	\$ 103,638	\$ 75,965	\$ 179,603
Europe, Middle East, and Africa	92,822	31,418	124,240
Asia Pacific and China	55,341	12,577	67,918
Mexico, Central America, and South America	2,999	19	3,018
Elimination	—	—	(3,425)
Consolidated net revenue	\$ 254,800	\$ 119,979	\$ 371,354

	Nine months ended December 31, 2023		
	ODS	AGP	Total
United States and Canada	\$ 117,044	\$ 96,844	\$ 213,888
Europe, Middle East, and Africa	137,317	33,808	171,125
Asia Pacific and China	35,480	13,588	49,068
Mexico, Central America, and South America	1,767	83	1,850
Elimination	—	—	(3,672)
Consolidated net revenue	\$ 291,608	\$ 144,323	\$ 432,259

## Note 6—Goodwill and Intangible Assets

### Goodwill

Changes in the carrying amount of goodwill by segment follows:

	ODS	AGP	Total
Goodwill as of March 31, 2024	\$ 80,176	\$ 139,896	\$ 220,072
Purchase of One Store International	—	1,991	1,991
Impairment of goodwill	—	—	—
Foreign currency translation	\$ —	\$ (983)	\$ (983)
Goodwill as of December 31, 2024	\$ 80,176	\$ 140,904	\$ 221,080

The Company evaluates goodwill for impairment at least annually or upon the occurrence of events or circumstances that indicate they would more likely than not reduce the fair value of a reporting unit below its carrying value.

During the nine months ended December 31, 2024, no occurrence of event or circumstance indicated they would more likely than not reduce the fair value of a reporting unit below its carrying value. As such, no impairment of goodwill was recognized during the period.

During the three months ended September 30, 2023, as a result of sustained decline in the quoted market price of the Company's common stock, increase in interest rates, and the Company's forecasted operating trends, the Company identified interim indicators of impairment related to the goodwill assigned to the AGP reporting unit. The Company completed an interim impairment assessment of its goodwill, and as a result of this review, recorded a \$147,181 non-deductible, non-cash goodwill impairment charge for the AGP reporting unit as of September 30, 2023.

The Company subsequently performed its annual goodwill impairment evaluation as of March 31, 2024, noting continued trends in quoted market price, interest rates, and the Company's forecast. The Company completed its annual impairment assessment of goodwill, and as a result, recorded an additional \$189,459 non-deductible, non-cash goodwill impairment charge for a total of \$ 336,640 to the AGP reporting unit during the fiscal year ended March 31, 2024.

There was no impairment of goodwill for the ODS reporting unit during the fiscal year ended March 31, 2024.

### Intangible Assets

Finite-lived intangible assets have been assigned an estimated finite useful life and are amortized on a straight-line basis over the number of years that approximate their respective useful lives. The Company evaluates intangible assets other than goodwill for impairment at least annually or upon the occurrence of events or circumstances that indicate the carrying value of an asset may not be recoverable. In determining whether an impairment exists, the Company considers factors such as changes in the use of the asset, changes in the legal or business environment, and current or historical operating or cash flow losses. Based on the analysis performed, no impairment was identified during the three and nine months ended December 31, 2024 or the fiscal year ended March 31, 2024.

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

	As of December 31, 2024			
	Weighted-Average Remaining Useful Life	Cost	Accumulated Amortization	Net
Customer relationships	11.53 years	\$ 136,628	\$ (36,713)	\$ 99,915
Developed technology	3.58 years	146,179	(74,796)	71,383
Trade names	0.58 years	69,839	(59,144)	10,695
Publisher relationships	16.13 years	108,443	(20,174)	88,269
<b>Total</b>		<b>\$ 461,089</b>	<b>\$ (190,827)</b>	<b>\$ 270,262</b>

	As of March 31, 2024			
	Weighted-Average Remaining Useful Life	Cost	Accumulated Amortization	Net
Customer relationships	12.04 years	\$ 168,349	\$ (59,222)	\$ 109,127
Developed technology	4.31 years	146,524	(59,470)	87,054
Trade names	1.33 years	69,957	(45,470)	24,487
Publisher relationships	16.86 years	108,860	(16,023)	92,837
<b>Total</b>		<b>\$ 493,690</b>	<b>\$ (180,185)</b>	<b>\$ 313,505</b>

The Company recorded amortization expense of \$ 13,474 and \$42,183, respectively, during the three and nine months ended December 31, 2024, and \$15,936 and \$48,282, respectively, during the three and nine months ended December 31, 2023, 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 2025	\$	13,420
Fiscal year 2026		41,245
Fiscal year 2027		35,134
Fiscal year 2028		35,134
Fiscal year 2029		18,290
Thereafter		127,039
Total	\$	<u>270,262</u>

**Note 7—Accounts Receivable**

	December 31, 2024	March 31, 2024
Billed	\$ 120,530	\$ 136,604
Unbilled	88,109	64,117
Allowance for credit losses	(9,128)	(9,706)
Accounts receivable, net	<u>\$ 199,511</u>	<u>\$ 191,015</u>

Billed accounts receivable represent amounts billed to customers for which the Company has an unconditional right to consideration. Unbilled accounts receivable represent revenue recognized but billed after period-end. All unbilled receivables as of December 31, 2024 are expected to be billed and collected (subject to the allowance for credit losses) within twelve months.

The Company considers various factors, including credit risk associated with customers. To the extent any individual debtor is identified whose credit quality has deteriorated, the Company establishes allowances based on the individual risk characteristics of such customer. The Company makes concerted efforts to collect all outstanding balances due, however account balances are charged off against the allowance when management believes it is probable the receivable will not be recovered.

**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 considers a receivable past due when a customer has not paid by the contractually specified payment due date. Account balances are written off against the allowance for credit losses if collection efforts are unsuccessful and the receivable balance is deemed uncollectible (customer default), based on factors such as customer credit assessments as well as the length of time the amounts are past due.

Changes in the allowance for credit losses on trade receivables were as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2024	2023	2024	2023
Balance, beginning of period	\$ 8,938	\$ 10,106	\$ 9,706	\$ 10,206
Provision for credit losses	846	1,348	2,144	2,575
Write-offs	(656)	(2,730)	(2,722)	(4,057)
Balance, end of period	<u>\$ 9,128</u>	<u>\$ 8,724</u>	<u>\$ 9,128</u>	<u>\$ 8,724</u>

The Company recorded \$846 and \$2,144 of credit loss expense during the three and nine months ended December 31, 2024, respectively, and \$ 1,348 and \$2,575 of credit loss expense during the three and nine months ended December 31, 2023, respectively, in general and administrative expenses on the condensed consolidated statements of operations and comprehensive (loss) income.

**Note 8—Property and Equipment**

	December 31, 2024	March 31, 2024
Computer-related equipment	\$ 7,885	\$ 7,057
Developed software	109,031	88,258
Furniture and fixtures	1,983	2,069
Leasehold improvements	3,636	3,690
Property and equipment, gross	<u>122,535</u>	<u>101,074</u>
Accumulated depreciation	<u>(72,910)</u>	<u>(55,292)</u>
Property and equipment, net	<u>\$ 49,625</u>	<u>\$ 45,782</u>

Depreciation expense was \$6,139 and \$17,601 for the three and nine months ended December 31, 2024, respectively, and \$ 5,073 and \$14,657 for the three and nine months ended December 31, 2023, respectively. Depreciation expense for the three and nine months ended December 31, 2024, includes \$6,122 and \$17,399, respectively, related to internal-use software included in general and administrative expense and \$ 17 and \$202, respectively, related to internally developed software to be sold, leased, or otherwise marketed included in other direct costs of revenue. Depreciation expense for the three and nine months ended December 31, 2023, includes \$4,501 and \$10,820, respectively, related to internal-use software included in general and administrative expense and \$572 and \$3,837, respectively, related to internally developed software to be sold, leased, or otherwise marketed included in other direct costs of revenue.

**Cloud Computing Arrangements**

As of December 31, 2024, the net carrying value of capitalized implementation costs related to cloud computing arrangements that were incurred during the application development stage was \$6,041, of which \$1,233 was included in prepaid expenses and other current assets and \$ 4,808 was included in other non-current assets.

As of March 31, 2024, the net carrying value of capitalized implementation costs related to cloud computing arrangements that were incurred during the application development stage was \$6,965, of which \$1,239 was included in prepaid expenses and other current assets and \$ 5,727 was included in other non-current assets.

As of December 31, 2024 and 2023, amortization expenses for implementation costs of cloud-based computing arrangements were \$ 921 and \$310, respectively.

**Note 9—Other Current Liabilities**

Other current liabilities consisted of the following:

	December 31, 2024	March 31, 2024
Accrued expenses	\$ 12,796	\$ 7,376
Accrued interest	1,516	3,414
Foreign income tax payable	22,929	14,371
Other current liabilities	10,590	10,520
Total	<u>\$ 47,831</u>	<u>\$ 35,681</u>

**Note 10—Other Non-Current Liabilities**

Other noncurrent liabilities consisted of the following:



	December 31, 2024	March 31, 2024
Non-current lease liabilities	\$ 6,785	\$ 5,746
Contingent consideration	1,644	1,015
Other long-term liabilities	4,424	4,909
Total	\$ 12,853	\$ 11,670

On a quarterly basis, the Company performs an assessment on the fair value of its contingent consideration associated with the Company's acquisition of In App Video Services UK LTD. During the nine months ended December 31, 2024, the Company reassessed the fair value of its contingent consideration based on current forecasts. Based on the purchase agreement, executed on November 1, 2022, consideration included 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.

As a result of the Company's assessments during the nine months ended December 31, 2024, a remeasurement loss equal to the change in fair value of \$300 was recorded. During the fiscal year ended March 31, 2024, the Company 1) paid approximately \$ 1,100 for the earn-out associated with the calendar year ended December 31, 2023 and 2) recognized a change in the fair value of contingent consideration of \$372. Changes in the fair value of the earn-out liability subsequent to the acquisition date are recognized in the condensed consolidated statements of operations and comprehensive (loss) income.

#### Note 11—Debt

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

	December 31, 2024		
	Balance	Interest Rate	Unused Line Fee
Revolver (subject to variable interest rate)	\$ 411,000	8.25 %	0.35 %

  

	March 31, 2024		
	Balance	Interest Rate	Unused Line Fee
Revolver (subject to variable interest rate)	\$ 386,000	7.71 %	0.35 %

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

	December 31, 2024	March 31, 2024
Revolver	\$ 411,000	\$ 386,000
Less: Debt issuance costs	(2,846)	(2,510)
Long-term debt, net of debt issuance costs	\$ 408,154	\$ 383,490

#### 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 "Amended and Restated 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 Amended and Restated Credit Agreement was subsequently

amended as follows:

- First Amendment: Increase in the Revolver to \$ 525,000 while retaining the \$ 75,000 accordion feature discussed above, for a total potential revolving line of credit of \$600,000 on December 29, 2021.
- Second Amendment: LIBOR was replaced with the Term Secured Overnight Financing Rate ("SOFR"). As a result, borrowings under the Amended and Restated 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.
- Third Amendment: On February 5, 2024, the maximum consolidated secured net leverage covenant and the minimum consolidated net interest coverage covenant were amended. In addition, it increased the limit of permitted, other investments, including equity investments and joint ventures from \$20,000 in the aggregate in any fiscal year of the Company to \$75,000 and increased the annual interest rate to SOFR plus between 1.50% and 2.75%, based on the Company's consolidated secured net leverage ratio.
- Fourth Amendment: On August 6, 2024, the maximum consolidated secured net leverage covenant and the minimum consolidated net interest coverage covenant were amended. Additionally, the Revolver was reduced by \$100,000 to \$425,000 (while retaining the \$75,000 accordion feature), and the annual interest rate for the highest leverage ratio results was increased to SOFR plus between 1.00% and 3.75%, based on the Company's consolidated leverage ratio. The Fourth Amendment also provided for payment against the outstanding Revolver balance to the extent the Company holds cash in excess of \$40,000, and reduced the permitted investments threshold limit from \$70,000 to \$25,000.

Other than the changes described above regarding the covenants in the Fourth Amendment, the amendments discussed made no other changes to the terms of the Amended and Restated 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 \$6,564 for the Amended and Restated Credit Agreement, inclusive of costs incurred for the First, Second, Third and Fourth Amendments. Deferred debt issuance costs are recorded as a reduction of the carrying value of the debt on the consolidated balance sheets. All deferred debt issuance costs are amortized on a straight-line basis over the term of the loan to interest expense.

As of December 31, 2024, the Company had \$411,000 drawn against the Amended and Restated Credit Agreement, classified as long-term debt on the consolidated balance sheets, with remaining unamortized debt issuance costs of \$2,846.

As of December 31, 2024, amounts outstanding under the Amended and Restated Credit Agreement accrue interest at an annual rate equal to, at the Company's election, (i) SOFR plus between 1.50% and 3.75%, based on the Company's consolidated secured net 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 2.75%, based on the Company's consolidated secured leverage ratio. Additionally, the Amended and Restated Credit Agreement is subject to an unused line of credit fee between 0.15% and 0.35% per annum, based on the Company's consolidated leverage ratio. As of December 31, 2024, the interest rate was 8.25% and the unused line of credit fee was 0.35%.

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

As of December 31, 2024, the Company had \$14,000 available to draw on the revolving line of credit under the Amended and Restated Credit Agreement, excluding the accordion feature, subject to the required covenants. As of December 31, 2024, the Company 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 December 31,		Nine months ended December 31,	
	2024	2023	2024	2023
Interest expense, net	\$ (7,900)	\$ (7,351)	\$ (24,462)	\$ (22,008)
Amortization of debt issuance costs	(533)	(211)	(1,290)	(635)
Unused line of credit fees and other	(13)	(104)	(176)	(257)
Total interest expense, net	\$ (8,446)	\$ (7,666)	\$ (25,928)	\$ (22,900)

### Note 12—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. The 2020 Plan became effective on September 15, 2020, and has a term of ten years. 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. 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.

On August 27, 2024, our stockholders approved an amendment to the 2020 Plan to increase the number of shares of common stock reserved for issuance thereunder by 8,560,000 shares, from 12,000,000 shares to 20,560,000 shares and to make certain other changes. As of December 31, 2024, 7,148,958 shares of common stock were available for issuance as future awards under the 2020 Plan.

#### Stock Options

Stock options are granted with an exercise price no lower than the fair market value at the grant date. They typically encompass a vesting period of two to three years and a contractual term of ten years. Share-based compensation expense for stock options is recognized on a straight-line basis over the requisite vesting period, determined by the grant-date fair value for the portion of the award expected to vest. The Company employs the Black-Scholes options-pricing model to estimate the fair value of its stock options. The Company may issue either new shares or treasury shares upon exercise of these awards.

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, 2024	5,797,869	\$ 13.26	5.39	\$ 2,423
Granted	1,625,000	1.99		
Exercised	(19,849)	1.33		
Forfeited / Expired	(637,304)	21.97		
Options outstanding as of December 31, 2024	6,765,716	\$ 9.73	5.82	\$ 817
Exercisable as of December 31, 2024	4,810,602	\$ 11.21	4.50	\$ 817

At December 31, 2024, total unrecognized stock-based compensation expense related to unvested stock options, net of estimated forfeitures, was \$6,889, with an expected remaining weighted-average recognition period

of 1.67 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 likely 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, 2024	3,919,842	\$ 12.44
Granted	5,931,026	2.35
Vested	(2,828,495)	6.87
Forfeited	(853,482)	6.11
Unvested restricted shares outstanding as of December 31, 2024	6,168,891	\$ 5.82

At December 31, 2024, total unrecognized stock-based compensation expense related to RSUs, PSUs and RSAs, net of estimated forfeitures was \$24,103, with an expected remaining weighted-average recognition period of 1.48 years.

### Stock-Based Compensation Expense

Stock-based compensation expense for the three and nine months ended December 31, 2024, was \$8,250 and \$25,417, respectively, and was recorded within general and administrative expenses on the condensed consolidated statements of operations and comprehensive (loss) income. Stock-based compensation expense for the three and nine months ended December 31, 2023, was \$7,987 and \$27,020, respectively, and was recorded within general and administrative expenses on the condensed consolidated statements of operations and comprehensive (loss) income.

### Note 13—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 Company excludes equity instruments from the calculation of diluted earnings per share if the effect of including such instruments is antidilutive.

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 December 31,		Nine months ended December 31,	
	2024	2023	2024	2023
Net loss per common share	\$ (23,131)	\$ (14,061)	\$ (73,273)	\$ (183,942)
Less: net loss attributable to non-controlling interest	—	—	—	(220)
Net loss attributable to Digital Turbine, Inc.	\$ (23,131)	\$ (14,061)	\$ (73,273)	\$ (183,722)
Weighted-average common shares outstanding, basic	104,148	101,376	103,201	100,643
Basic net (loss) income per common share attributable to Digital Turbine, Inc.	\$ (0.22)	\$ (0.14)	\$ (0.71)	\$ (1.83)
Weighted-average common shares outstanding, diluted	104,148	101,376	103,201	100,643
Diluted net (loss) income per common share attributable to Digital Turbine, Inc.	\$ (0.22)	\$ (0.14)	\$ (0.71)	\$ (1.83)

Potentially dilutive outstanding securities of 8,340,265 and 8,309,117 for the three and nine months ended December 31, 2024, respectively, and 2,082,662 and 3,157,800 for the three and nine months ended December 31, 2023, respectively, were excluded from the computation of diluted net income per share because their effect would have been anti-dilutive.

#### Note 14—Income Taxes

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

During the three and nine months ended December 31, 2024, a tax provision expense of \$ 2,412 and \$5,562, respectively, resulted in an effective tax rate of (11.6)% and (8.2)%, respectively. Differences between the effective tax rate and the statutory tax rate primarily relate to foreign income expense and a valuation allowance on loss from operations.

During the three and nine months ended December 31, 2023, a tax benefit of \$ 2,845 and \$5,097, respectively, resulted in an effective tax rate of 16.8% and 2.7%, respectively. Differences between the effective tax rate and the statutory tax rate primarily relate to the non-deductible goodwill impairment charge, tax limitations on deductions for compensation, state tax benefits and foreign rate differences.

#### Note 15—Transformation Program Activities

In October 2024, the Company began a transformation program intended to improve various measures across the organization. These measures include but are not limited to current and future operating expenses, cash flows, and personnel costs. Additionally, the initiatives intend to simplify and streamline business operations, including product optimization, procurement and cost optimization, and team restructuring.

As part of the transformation program, we implemented a two-phased reduction in our workforce, one in November 2024 and the other in January 2025. The transformation program includes a number of other initiatives that are underway, and the Company expects the transformation program to be substantially completed by the first quarter of fiscal year 2026.

During the three and nine months ended December 31, 2024, the Company incurred expenses of \$ 2,887, related to our transformation program, \$ 2,220 of which related specifically to severance costs. These aggregate pre-tax charges are primarily cash-based and consist of severance and other one-time termination benefits. The following table summarizes the severance costs related to the Company's transformation program for the three months ended December 31, 2024:

	Three months ended December 31,
	2024
Liability, beginning of the period	\$ —
Charges	2,220
Cash payments	(1,316)
Liability, end of the period	\$ 904

The liability for transformation program charges related to workforce reductions is included in accrued compensation on the condensed consolidated balance sheet. The severance charges reflected in the table above was recorded in operating expense on the condensed consolidated statements of operations and comprehensive (loss) income.

## Note 16—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 \$244,388 over the next six fiscal 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 filed an amended complaint on August 23, 2023, the Company filed a motion to dismiss the amended complaint on September 22, 2023. On August 22, 2024, the court granted the Company’s motion to dismiss the amended complaint with prejudice. The plaintiffs had thirty days to file a notice of appeal and did not do so. 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 were stayed pending a final, non-appealable 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. On October 24, 2024, the plaintiffs in Olszanski v. Digital Turbine, Inc., et al., Case No. 1:22-cv-911 filed a notice of dismissal. On November 19, 2024, the plaintiff in Krumwiede v. Digital Turbine, Inc.; Case No. 2023-0277 filed a notice of dismissal. On November 25, 2024, the federal court in the District of Delaware issued an order dismissing without prejudice Witt v. Digital Turbine, Inc., et al; Case 1:22-cv-01429-UNA.

## 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, as amended (the "Exchange Act"). Forward-looking statements involve substantial risks and uncertainties. When used in this Report, the words "anticipate," "believe," "estimate," "expect," "will," "seek," "should," "could," "can," "would," "may," "might," "intend," "plan," "target," "project," "contemplate," "predict," "suggest," "potential," and "continue" and the negative of these words and other 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, 2024, 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 estimates based on assumptions, known historical 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, Russia's invasion of Ukraine, and the recent conflict in Israel.

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.

We are impacted by declining volume of sales of new mobile devices by our partners. We believe this is driven by the impact of inflation, economic uncertainty, and their potential impacts on consumers. These negative macroeconomic trends have resulted, and may continue to result in, a decrease in mobile phone sales volume. Continued weakness in the sale of new mobile devices 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 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.

Additionally, we continue to actively monitor the recent developments in Israel, Gaza, Lebanon, and Syria for any material impacts to our business. While no adverse financial or operational impacts have been noted in the current period, if such conflict continues or escalates, it could have a potential negative impact on our business, given our significant presence in the region.

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 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.

See Part I, Item 1A, "Risk Factors," in its Annual Report on Form 10-K for the fiscal year ended March 31, 2024, filed with the Securities and Exchange Commission on May 28, 2024, for additional information related to risks associated with macroeconomic challenges.

### **Goodwill and 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, particularly expectations of revenue and cash flow growth rates in future periods and discount rates, could result in goodwill impairment charges.

In addition to evaluating goodwill for impairment when events or circumstances indicate they would more likely than not reduce the fair value of a reporting unit below its carrying value, the Company also evaluates goodwill for impairment on an annual basis. The Company's next annual evaluation of goodwill for impairment will be as of March 31, 2025.

Finite-lived intangible assets and property, plant, and equipment have been assigned an estimated finite useful life and are amortized on a straight-line basis over the number of years that approximate their respective useful lives. The Company evaluates intangible assets other than goodwill for impairment at least annually or upon the occurrence of events or circumstances that indicate the carrying value of an asset may not be recoverable. In determining whether an impairment exists, the Company considers factors such as changes in the use of the asset, changes in the legal or business environment, and current or historical operating or cash flow losses.

### **Transformation Program**

Beginning in fiscal year 2023, the Company entered into a business transformation project that includes the



implementation of a new, global cloud-based enterprise resource planning (“ERP”) system to upgrade our existing enterprise-wide operating systems. Additionally, a new human resource (“HR”) system was also implemented to streamline employee management processes and enhance organizational effectiveness. We are also undertaking the consolidation of existing ancillary systems and deploying other new platforms and systems to improve our operations and drive business and cost efficiencies.

This is a multi-year project that includes various costs, including software configuration and implementation costs that would be recognized as either capital expenditures or deferred costs in accordance with applicable accounting policies, with certain costs recognized as operating expense associated with project development and project management costs, and professional services with business partners engaged in the planning, design and business process review that would not qualify as software configuration and implementation costs. In addition, the Company is incurring duplicative personnel and other operating costs to maintain legacy systems and operations during the deployment of the new systems and certain other ancillary platforms and systems. The Company completed the first deployment phase in the third quarter of fiscal year 2024. Costs are anticipated to be incurred through various deployment phases that are expected to continue through early fiscal year 2026. The Company incurred \$1,976 of business transformation costs during the nine months ended December 31, 2024. These costs are recorded in General and Administrative expenses and Product Development expenses in our Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

Additionally, the Company is in the process of initiating further transformation efforts. In October 2024, the Company began a transformation program intended to improve various measures across the organization. These measures include but are not limited to current and future operating expenses, cash flows, and personnel costs. Additionally, the initiatives intend to simplify and streamline business operations, including product optimization, procurement and cost optimization, and team restructuring. As part of the transformation program, we implemented a two phased reduction in our workforce, one in November 2024 and the other in January 2025. During the three and nine months ended December 31, 2024, the Company incurred expenses of \$2,887, related to our transformation program primarily consisting of severance and other one-time termination benefits. The transformation program includes several other initiatives that are underway, and the Company expects the transformation program to be substantially completed by the first quarter of fiscal year 2026. The transformation program is targeted to yield more than \$25,000 in annual cash expense savings, and the Company expects the program to be substantially implemented by the first quarter of fiscal year 2026.

Costs incurred in connection with the transformation program are categorized under two primary headings: severance costs and business transformation costs. The costs classified as severance costs primarily reflect expenses associated with workforce reductions aimed at realigning the Company’s structure as part of the transformation program. These severance-related expenses are directly tied to the Company’s efforts to reduce headcount and optimize its labor force to better align with its long-term strategic goals. In addition, the business transformation costs primarily reflect investments made in the prior year for the upgrade of key business systems, including the implementation of a global cloud-based ERP system and a new HR system. These costs, while also part of the broader transformation efforts, are not related to workforce reductions but rather to the modernization of the Company’s technological infrastructure to support long-term operational improvements.

## RESULTS OF OPERATIONS

The following table sets forth our results of operations for the three and nine months ended December 31, 2024 and 2023 (in thousands):

	Three months ended December 31,			Nine months ended December 31,		
	2024	2023	% of Change	2024	2023	% of Change
Net revenue	\$ 134,637	\$ 142,634	(5.6)%	\$ 371,354	\$ 432,259	(14.1)%
Costs of revenue and operating expenses						
Revenue share	69,947	70,364	(0.6)%	182,092	208,675	(12.7)%
Other direct costs of revenue	8,954	8,614	3.9 %	25,182	27,244	(7.6)%
Product development	10,203	13,036	(21.7)%	30,350	42,873	(29.2)%
Sales and marketing	15,494	14,432	7.4 %	47,628	45,546	4.6 %
General and administrative	42,792	45,455	(5.9)%	128,485	127,339	0.9 %
Impairment of goodwill	—	—	— %	—	147,181	(100.0)%
Total costs of revenue and operating expenses	147,390	151,901	(3.0)%	413,737	598,858	(30.9)%
Loss from operations	(12,753)	(9,267)	37.6 %	(42,383)	(166,599)	(74.6)%
Interest and other income (expense), net						
Change in fair value of contingent consideration	(500)	—	(100.0)%	(300)	372	(180.6)%
Interest expense, net	(8,446)	(7,666)	10.2 %	(25,928)	(22,900)	13.2 %
Foreign exchange transaction gain	1,037	338	206.8 %	879	155	467.1 %
Other income (expense), net	(57)	(311)	81.7 %	21	(67)	131.3 %
Total interest and other income (expense), net	(7,966)	(7,639)	4.3 %	(25,328)	(22,440)	12.9 %
Loss before income taxes	(20,719)	(16,906)	22.6 %	(67,711)	(189,039)	(64.2)%
Income tax provision (benefit)	2,412	(2,845)	(184.8)%	5,562	(5,097)	(209.1)%
Net loss	(23,131)	(14,061)	64.5 %	(73,273)	(183,942)	(60.2)%

### Net revenue

	Three months ended December 31,			Nine months ended December 31,		
	2024	2023	% of Change	2024	2023	% of Change
Net revenue						
On Device Solutions	\$ 91,736	\$ 94,298	(2.7)%	\$ 254,800	\$ 291,608	(12.6)%
App Growth Platform	44,241	49,181	(10.0)%	119,979	144,323	(16.9)%
Elimination	(1,340)	(845)	58.6 %	(3,425)	(3,672)	(6.7)%
Total net revenue	\$ 134,637	\$ 142,634	(5.6)%	\$ 371,354	\$ 432,259	(14.1)%

### Comparison of the three and nine months ended December 31, 2024 and 2023

Over the three-month comparative periods, net revenue decreased by \$7,997 or 5.6%, and over the nine-month comparative periods, net revenue decreased by \$60,905 or 14.1%. See the segment discussion below for further details regarding net revenue.

#### *On Device Solutions*

ODS revenue for the three months ended December 31, 2024, decreased by \$2,562 or 2.7% compared to the three months ended December 31, 2023. Revenue from content media decreased by approximately \$399 primarily due to unforeseen impacts on the demand auction. In addition, revenue from application media decreased by approximately \$2,162. The decrease was primarily driven by lower new device volumes, partially offset by an increase in revenue-per-device in the US region and internationally. These decreases in revenue were primarily driven by the Europe, Middle East, and Africa regions and were partially offset by increases in the Asia Pacific and China regions.

ODS revenue for the nine months ended December 31, 2024, decreased by \$36,808 or 12.6% compared to the nine months ended December 31, 2023. Revenue from content media increased by approximately \$918 primarily due to increased activity with a carrier that resulted in higher daily active users on prepaid devices. In addition, application media revenue declined by approximately \$37,726 for the nine months ended December 31, 2024. The decline in revenue in application media was primarily due to lower device volumes, partially offset by an increase in revenue-per-device in the US region and internationally. These decreases in revenue were primarily driven by the US and Canada regions and the Europe, Middle East, and Africa regions, partially offset by increases in the Asia Pacific and China regions.

### **App Growth Platform**

AGP revenue for the three months ended December 31, 2024, decreased by \$4,940 or 10.0% compared to the three months ended December 31, 2023. Performance and brand advertising revenue increased by approximately \$3,483. Advertising exchange revenue declined by approximately \$8,403, primarily due to weaker demand and the impact of the consolidation and exiting of certain legacy AdColony platforms and business lines. The decrease in advertising exchange revenue was primarily driven by lower performance in the US and Canada regions, partially offset by higher performance in the Asia Pacific and China region of \$1,347. Revenues from reseller partnerships remained flat between the comparable periods.

AGP revenue for the nine months ended December 31, 2024, decreased by \$24,344 or 16.9% compared to the nine months ended December 31, 2023. Performance and brand advertising revenue declined by approximately \$1,134 and advertising exchange revenue declined by approximately \$23,226, primarily due to weaker demand and the impact of the consolidation and exiting of certain legacy AdColony platforms and business lines. The decrease in advertising exchange revenue was primarily due to lower performance in the US and Canada regions. Revenues from reseller partnerships remained flat between the comparable periods.

### **Costs of revenue and operating expenses**

	Three months ended December 31,			Nine months ended December 31,		
	2024	2023	% of Change	2024	2023	% of Change
Costs of revenue and operating expenses						
Revenue share	\$ 69,947	\$ 70,364	(0.6)%	\$ 182,092	\$ 208,675	(12.7)%
Other direct costs of revenue	8,954	8,614	3.9 %	25,182	27,244	(7.6)%
Product development	10,203	13,036	(21.7)%	30,350	42,873	(29.2)%
Sales and marketing	15,494	14,432	7.4 %	47,628	45,546	4.6 %
General and administrative	42,792	45,455	(5.9)%	128,485	127,339	0.9 %
Impairment of goodwill	—	—	— %	—	147,181	(100.0)%
Total costs of revenue and operating expenses	<u>\$ 147,390</u>	<u>\$ 151,901</u>	(3.0)%	<u>\$ 413,737</u>	<u>\$ 598,858</u>	(30.9)%

### **Comparison of the three and nine months ended December 31, 2024 and 2023**

Total costs of revenue and operating expenses decreased by \$4,511 or 3.0% and decreased by \$185,121 or 30.9%, respectively, for the three and nine months ended December 31, 2024, compared to the three and nine months ended December 31, 2023.

Total costs of revenue and operating expenses for the nine months ended December 31, 2023 included an

impairment of goodwill of \$147,181. Excluding the impairment of goodwill, total costs of revenue and operating expenses decreased by \$37,940 or 8.4% for the nine months ended December 31, 2024, compared to the nine months ended December 31, 2023.

The decrease in total costs of revenue and operating expenses for both comparative periods, after excluding the impairment of goodwill, was primarily due to lower revenue share, general and administrative, and product development costs. These decreases were partially offset by higher sales and marketing costs. The reduced revenue share is the result of lower revenue over the same comparative periods. Costs of revenue and operating expenses included total business transformation, severance and acquisition-related costs of \$3,094 and \$5,228 for the three and nine months ended December 31, 2024, respectively, compared to \$5,718 and \$9,537 for the three and nine months ended December 31, 2023, respectively. In connection with the Company's transformation program, business transformation and severance costs are expected to increase in the future remaining quarter of fiscal year 2025.

#### **Revenue share**

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

Revenue share decreased by \$417 or 0.6% to \$69,947 for the three months ended December 31, 2024, and was 52.0% as a percentage of total net revenue compared to \$70,364, or 49.3% of total net revenue, for the three months ended December 31, 2023.

Revenue share decreased by \$26,583 or 12.7% to \$182,092 for the nine months ended December 31, 2024, and was 49.0% as a percentage of total net revenue compared to \$208,675, or 48.3% of total net revenue, for the nine months ended December 31, 2023.

The decrease in revenue share was attributable to the decrease in total net revenue over the same periods, as these costs are typically paid as a percentage of our revenue. Revenue share as a percentage of total net revenue for the three and nine months ended December 31, 2024 compared to the prior year comparative periods remained flat.

#### **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 \$340 or 3.9% to \$8,954 for the three months ended December 31, 2024, and was 6.7% as a percentage of total net revenue compared to \$8,614, or 6.0% of total net revenue, for the three months ended December 31, 2023.

The increase in other direct costs for the three months ended December 31, 2024 was primarily due to higher platform and bidding fees. The increase in other direct costs of revenue as a percentage of total net revenue was due to the decline in total net revenue.

Other direct costs of revenue decreased by \$2,062 or 7.6% to \$25,182 for the nine months ended December 31, 2024, and was 6.8% as a percentage of total net revenue compared to \$27,244, or 6.3% of total net revenue, for the nine months ended December 31, 2023.

The decrease in other direct costs for the nine months ended December 31, 2024 was primarily due to lower amortization of developed technology intangible assets, lower hosting costs, and a comparable decrease in total net revenues between comparable periods. The increase in other direct costs of revenue 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. Additionally, product development expenses include certain integration and business transformation costs, which may impact the comparability of product development expenses between periods.

Product development expenses decreased by \$2,833 or 21.7% to \$10,203 for the three months ended December 31, 2024, compared to \$13,036 for the three months ended December 31, 2023. Product development expenses included severance costs of approximately \$491 for the three months ended December 31, 2024. Product development expenses included severance and business transformation costs of \$1,681 for the three months ended December 31, 2023.

Product development expenses, after excluding severance and business transformation costs, decreased by approximately \$1,643 for the three months ended December 31, 2024 compared to the three months ended December 31, 2023. The decrease in product development expenses was primarily due to lower hosting and software costs of \$958, third-party development costs of \$451, and other costs, including travel and facilities of \$769. These decreases were partially offset by increased personnel related costs of \$536.

Product development expenses decreased by \$12,523 or (29.2)% to \$30,350 for the nine months ended December 31, 2024, compared to \$42,873 for the nine months ended December 31, 2023. Product development expenses included severance costs of approximately \$671 for the nine months ended December 31, 2024. Product development expenses included severance, acquisition-related, and business transformation costs of approximately \$3,363 for the nine months ended December 31, 2023.

Product development expenses, after excluding severance, acquisition-related and business transformation costs, decreased by approximately \$9,831 for the nine months ended December 31, 2024 compared to the nine months ended December 31, 2023. The decrease in product development expenses was primarily due to lower employee-related costs, including base salary and incentive compensation of \$3,010, lower hosting and software costs of \$3,162, reduced third-party development costs of \$1,283, and other operating costs, including facilities and travel of \$2,369.

Product development expenses, excluding severance, acquisition-related, and business transformation costs, changed to 7.2% and 8.0% of total net revenue for the three and nine months ended December 31, 2024, respectively, compared to 8.0% and 9.1% of total net revenue for the three and nine months ended December 31, 2023, respectively. The decrease in product development expenses as a percentage of total net revenue for the nine months ended December 31, 2024 was primarily due to lower employee-related costs and revenues declining at a rate faster than product development expenses due to the Company's continued investments in its technology platforms.

#### ***Sales and marketing***

Sales and marketing expenses represent the costs of sales and marketing personnel, advertising and marketing campaigns, and campaign management. Additionally, sales and marketing expenses include certain integration and business transformation costs, which may impact the comparability of sales and marketing expenses between periods.

Sales and marketing expenses increased by \$1,062 or 7.4% to \$15,494 for the three months ended December 31, 2024, and was 11.5% as a percentage of total net revenue compared to \$14,432, or 10.1% of total net revenue, for the three months ended December 31, 2023. Sales and marketing expenses included severance costs of approximately \$1,018 and \$576 for the three months ended December 31, 2024 and December 31, 2023, respectively.

Sales and marketing expenses, after excluding severance expenses, increased by approximately \$620 for the three months ended December 31, 2024 compared to the three months ended December 31, 2023. The increase in sales and marketing expenses was primarily due to higher employee-related costs, including base salary and incentive compensation of \$1,041, and higher third-party development costs of \$356. These increases were partially offset by lower other operating costs, including facilities and travel of \$641.

Sales and marketing expenses increased by \$2,082 or 4.6% to \$47,628 for the nine months ended December 31, 2024, and was 12.8% as a percentage of total net revenue compared to \$45,546, or 10.5% of total net revenue, for the nine months ended December 31, 2023. Sales and marketing expenses included severance costs of approximately \$1,524 for the nine months ended December 31, 2024. Sales and marketing expenses

included severance and acquisition-related costs of approximately \$1,199 for the nine months ended December 31, 2023.

Sales and marketing expenses, after excluding severance and acquisition-related expenses, increased by approximately \$1,757 for the nine months ended December 31, 2024 compared to the nine months ended December 31, 2023. The increase in sales and marketing expenses was primarily due to higher employee-related costs, including base salary and incentive compensation of \$2,946. This increase was partially offset by lower costs for sales events and sales related travel of \$614 and reduced facilities and other operating costs of \$890.

***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. Additionally, general and administrative expenses include certain integration and business transformation costs, which may impact the comparability of general and administrative expenses between periods.

General and administrative expenses decreased by \$2,663 or 5.9% to \$42,792 for the three months ended December 31, 2024 compared to \$45,455 for the three months ended December 31, 2023. General and administrative expenses included severance, acquisition-related, and business transformation costs of approximately \$1,585 for the three months ended December 31, 2024. General and administrative expenses included severance, acquisition-related, and business transformation costs of approximately \$3,461 for the three months ended December 31, 2023.

General and administrative expenses, after excluding severance, acquisition-related and business transformations costs, decreased by \$787 for the three months ended December 31, 2024 compared to the three months ended December 31, 2023. The decrease was primarily due to lower professional fees of \$1,576, depreciation and amortization of \$832, and reduced bad debt expense of \$446. These decreases were partially offset by higher personnel related costs, including stock-based compensation of \$1,261 and higher other operating expenses, including software and license fees of \$562.

General and administrative expenses increased by \$1,146 or 0.9% to \$128,485 for the nine months ended December 31, 2024, compared to \$127,339 for the nine months ended December 31, 2023. General and administrative expenses included severance, acquisition-related, and business transformation costs of approximately \$3,033 for the nine months ended December 31, 2024. General and administrative expenses included severance, acquisition-related, and business transformation costs of \$4,975 for the nine months ended December 31, 2023.

General and administrative expenses, after excluding severance, acquisition-related, and business transformation costs, increased by \$3,088 for the nine months ended December 31, 2024 compared to the nine months ended December 31, 2023. The increase was primarily due to higher employee related costs of \$2,653 and other operating costs, including software and travel of approximately \$2,852. These increases were partially offset by lower stock-based compensation expense of \$1,749 and professional services, including audit, tax, and legal fees of \$1,232.

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

	Three months ended December 31,		% of Change	Nine months ended December 31,		% of Change
	2024	2023		2024	2023	
Interest and other income (expense), net						
Change in fair value of contingent consideration	\$ (500)	\$ —	(100.0)%	\$ (300)	\$ 372	(180.6)%
Interest expense, net	\$ (8,446)	\$ (7,666)	10.2 %	(25,928)	(22,900)	13.2 %
Foreign exchange transaction gain	1,037	338	206.8 %	879	155	467.1 %
Other income (expense), net	(57)	(311)	81.7 %	21	(67)	131.3 %
Total interest and other income (expense), net	<u>\$ (7,966)</u>	<u>\$ (7,639)</u>	4.3 %	<u>\$ (25,328)</u>	<u>\$ (22,440)</u>	12.9 %

**Comparison of the three and nine months ended December 31, 2024 and 2023**
***Interest expense, net***

For the three and nine months ended December 31, 2024, interest expense, net, increased by \$780 or 10.2% and \$3,028 or 13.2%, respectively, compared to the three and nine months ended December 31, 2023. The increase was primarily due to an increase in interest rates of 70 basis points and 98 basis points, respectively, and higher average outstanding borrowings of \$25,000 and \$5,489, respectively, over the comparative periods.

***Income tax provision (benefit)***

During the three and nine months ended December 31, 2024, a tax provision expense of \$2,412 and \$5,562, respectively, resulted in an effective tax rate of (11.6)% and (8.2)%, respectively. Differences between the effective tax rate and the statutory tax rate primarily relate to foreign income expense and a valuation allowance on loss from operations.

During the three and nine months ended December 31, 2023, a tax benefit of \$2,845 and \$5,097, respectively, resulted in an effective tax rate of 16.8% and 2.7%, respectively. Differences between the effective tax rate and the statutory tax rate primarily relate to the non-deductible goodwill impairment charge, tax limitations on deductions for compensation, state tax benefits and foreign rate differences.

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

Our primary sources of liquidity are our cash and cash equivalents, cash from operations, and borrowings under our Credit Agreement (“Amended and Restated Credit Agreement”) with Bank of America, N.A. (“BoA”). As of December 31, 2024, we had unrestricted cash of approximately \$34,620 and restricted cash of approximately \$694. Restricted cash consists primarily of cash held by a bank in a collateral account as collateral to cover the Company's corporate credit cards. The Company had \$14,000 available to draw under the Amended and Restated Credit Agreement with BoA, excluding the accordion feature, subject to the required covenants. The Amended and Restated Credit Agreement matures in 2026. We incurred a net loss of \$(23,131) and \$(73,273), respectively, and generated cash from operating activities of \$10,443 and \$372, respectively for the three and nine months ended December 31, 2024.

Our principal cash requirements for the twelve-month period following this Report primarily consist of personnel costs, contractual payment obligations, including office leases, cloud hosting costs, capital expenditures, minimum commitments under hosting agreements (see Liquidity and Capital Resources—Hosting Agreements below) payment of interest and required principal payments under our Amended and Restated Credit Agreement, cash outlays for income taxes, and cash requirements to fund working capital. In the longer term, we would expect to have similar cash requirements.

We are exploring various cost saving opportunities, namely through the Company's recently initiated transformation program, and we intend to continue seeking opportunities to generate additional revenue through operations. There can be no assurance that we will be successful in our plans described above. If we are unable to effectively implement additional cost reductions, generate additional revenue or refinance our Amended and Restated Credit Agreement or raise additional funding, we may be forced to delay, reduce or eliminate some or all of our strategic operational efforts and product and service expansion, and our business, financial condition and results of operations could be materially and adversely affected.

We believe our existing cash and cash equivalents, cash flow from operations and undrawn available balance under our Amended and Restated Credit Agreement will be sufficient to meet our working capital and other business requirements for at least 12 months from the filing date of this Report. However, 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 Amended and Restated Credit Agreement 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, economic and macro-economic factors like labor shortages, supply chain disruptions, and inflation, and geopolitical developments, including the conflict in Ukraine, the political climate related to China, and the conflict in Israel. 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. See Part I, Item 1A, "Risk Factors," in its Annual Report on Form 10-K for the fiscal year ended March 31, 2024, filed with the Securities and Exchange Commission on May 28, 2024, for additional information related to the foregoing risks.

### **Capital Resources**

Our outstanding secured indebtedness under the Amended and Restated Credit Agreement is \$411,000 as of December 31, 2024. The maturity date of the Amended and Restated Credit Agreement is April 29, 2026, and the outstanding balance is classified as long-term debt, net of debt issuance costs of \$2,846, on our consolidated balance sheets as of December 31, 2024. For further description of the terms of the Amended and Restated Credit Agreement, see Note 11—Debt under the heading "Revolver" in the notes to our condensed consolidated financial statements under Part I, Item 1 of this Report.

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 Amended and Restated Credit Agreement 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.

The Company entered into a Fourth Amendment to the Amended and Restated Credit Agreement on August 6, 2024 to renegotiate its required covenants. Refer to Note 11—Debt for further discussion. As of December 31, 2024, we were in compliance with all covenants under the Amended and Restated Credit Agreement.

In the future, we may attempt to raise additional capital through the sale of equity securities or through equity-linked or debt-financing arrangements. If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing stockholders will be diluted. If we raise additional financing by incurring additional indebtedness, we may be subject to increased fixed payment obligations and could also be subject to additional restrictive covenants and other operating restrictions that could adversely impact our ability to conduct our business. Any future indebtedness we incur may result in terms that could be less unfavorable to the Company.

### **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 \$244,388 over the next six fiscal years.

### Cash Flow Summary (\$ in thousands)

	Nine months ended December 31,		% of Change
	2024	2023	
<b>Consolidated statements of cash flows data:</b>			
<b>Net cash provided by operating activities</b>	<b>\$ 372</b>	<b>\$ 40,433</b>	<b>(99.1)%</b>
Equity investments	—	(9,678)	(100.0)%
Business acquisitions, net of cash acquired	—	65	(100.0)%
Capital expenditures	(20,533)	(17,384)	18.1 %
<b>Net cash used in investing activities</b>	<b>\$ (20,533)</b>	<b>\$ (26,997)</b>	<b>(23.9)%</b>
Proceeds from borrowings	38,000	25,000	52.0 %
Payment of debt issuance costs	(1,627)	—	100.0 %
Repayment of debt obligations	(13,000)	(62,134)	(79.1)%
Acquisition of non-controlling interest in consolidated subsidiaries	—	(3,751)	(100.0)%
Payment of withholding taxes for net share settlement of equity awards	(231)	(1,176)	(80.4)%
Options exercised	103	2,786	(96.3)%
<b>Net cash provided by (used in) financing activities</b>	<b>\$ 23,245</b>	<b>\$ (39,275)</b>	<b>(159.2)%</b>

#### 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 \$372 for the nine months ended December 31, 2024, compared to \$40,433 for the nine months ended December 31, 2023. The decrease of \$40,061 was due to the following:

- \$110,669 decrease in net loss;
- \$3,220 net increase due to changes in operating assets and liabilities, driven primarily by working capital changes, specifically accounts receivable and other current assets;
- \$153,950 net decrease in non-cash charges during the nine months ended December 31, 2024 primarily related to the impairment of goodwill reported for the nine months ended December 31, 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 nine months ended December 31, 2024, net cash used in investing activities decreased by \$6,464 to \$20,533. Our cash used in investing activities for the nine months ended December 31, 2024 and December 31, 2023, was primarily comprised of capital expenditures related to internally-developed software.

#### Financing Activities

For the nine months ended December 31, 2024, net cash provided by financing activities was \$23,245, which was comprised of: (1) the repayment of debt obligations of \$13,000, (2) a payment of \$1,627 for debt issuance costs, and (3) payment of payroll withholding taxes for net share settlement of equity awards of \$231. These cash outflows were offset by cash inflows comprising of proceeds from borrowings of \$38,000 and stock

option exercises of \$103.

For the nine months ended December 31, 2023, net cash used in financing activities was \$39,275, which was comprised of: (1) the repayment of debt obligations of \$62,134, (2) payment of payroll withholding taxes for net share settlement of equity awards of \$1,176, and (3) payment of \$3,751 for the acquisition of the remaining minority interest shareholders' outstanding shares in one of our subsidiaries. These cash outflows were offset by cash inflows from proceeds from borrowings of \$25,000 and stock option exercises of \$2,786.

### **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, 2024, and Note 2—Basis of Presentation and Summary of Significant Accounting Policies," of this Report on Form 10-Q for our fiscal third quarter ended December 31, 2024.

### **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 Amended and Restated Credit Agreement 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 Amended and Restated Credit Agreement. As of December 31, 2024, the Company had \$411,000 drawn against the Amended and Restated Credit Agreement and had \$14,000 available to draw on the revolving line of credit under the Amended and Restated Credit Agreement, excluding the accordion feature, subject to the required covenants. As of December 31, 2024, the interest rate was 8.25% and the unused line of credit fee was 0.35%. Market interest rates have increased significantly, and if market interest rates continue to 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 Amended and Restated Credit Agreement. The Company has not used any derivative financial instruments to manage its interest rate risk exposure. The Company is potentially exposed to refinancing risk in the future, should the Company seek to refinance its debt or raise new debt. As such, the type, cost, and terms of any new debt potentially raised in the future may differ from that of our existing debt agreements.

#### **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, which 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, 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 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 have been no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) or 15d-15(d) of the Exchange Act during the three months ended December 31, 2024 that have 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. 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 filed an amended complaint on August 23, 2023, the Company filed a motion to dismiss the amended complaint on September 22, 2023. On August 22, 2024, the court granted the Company's motion to dismiss the amended complaint with prejudice. The plaintiffs had thirty days to file a notice of appeal and did not do so. 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 were stayed pending a final, non-appealable 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. On October 24, 2024, the plaintiffs in *Olszanski v. Digital Turbine, Inc., et al.*, Case No. 1:22-cv-911 filed a notice of dismissal. On November 19, 2024, the plaintiff in *Krumwiede v. Digital Turbine, Inc.*; Case No. 2023-0277 filed a notice of dismissal. On November 25, 2024, the federal court in the District of Delaware issued an order dismissing without prejudice *Witt v. Digital Turbine, Inc., et al.*; Case 1:22-cv-01429-UNA.

### ITEM 1A. RISK FACTORS

Other than as set forth below, 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, 2024, filed with the Securities and Exchange Commission on May 28, 2024.

***Our transformation program and reduction in force may not adequately reduce our operating costs or improve our operating margins or cash flows, may lead to additional workforce attrition and may cause operational disruptions.***

In October 2024, the Company began a transformation program intended to improve various measures across the organization. These measures include but are not limited to current and future operating expenses, cash flows, and personnel costs. Additionally, the initiatives intend to simplify and streamline business operations, including product optimization, procurement and cost optimization, and team restructuring.

The charges and expenditures that we expect to incur in connection with the transformation program and reduction in force, and timing thereof, are subject to a number of assumptions, including local law requirements in various jurisdictions, and we may incur costs that are greater than we currently expect in connection with the transformation program and reduction in force. The transformation program and reduction in force may yield unintended consequences and costs, such as the loss of institutional knowledge and expertise, employee attrition beyond our intended reductions in force, a reduction in morale among our remaining employees, greater-than-anticipated costs incurred in connection with implementing the transformation program and reduction in force and the risk that we may not achieve the benefits from the transformation program and reduction in force to the extent or as quickly as we anticipate, all of which may have a material adverse effect on our results of operations or financial

condition. These restructuring initiatives could place substantial demands on our management and employees, which could lead to the diversion of our management's and employees' attention from other business priorities. In addition, while we eliminated certain positions in connection with the transformation program and reduction in force, certain functions necessary to our reduced operations remain, and we may be unsuccessful in distributing the duties and obligations of departed employees among our remaining employees or to external service providers, which could result in disruptions to our operations. We may also discover that the workforce reductions and other restructuring efforts will make it difficult for us to pursue new opportunities and initiatives and require us to hire qualified replacement personnel, which may require us to incur additional and unanticipated costs and expenses. We may further discover that, despite the implementation of our transformation program and reduction in force, we may require additional capital to continue expanding our business, and we may be unable to obtain such capital on acceptable terms, if at all. Our failure to successfully accomplish any of the above activities and goals may have a material adverse impact on our business, financial condition and results of operations.

***Our corporate culture has contributed to our success, and if we cannot maintain this culture, we could lose the innovation, creativity, passion and teamwork that we believe contribute to our success and our business may be harmed.***

We believe a critical contributor to our success has been our company culture, which we rely on to foster innovation, creativity, a customer-centric focus, passion, teamwork, collaboration and loyalty. We have invested substantial time and resources in building our team within this company culture. Any failure to preserve our culture could negatively affect our ability to retain and recruit personnel and to ensure employees effectively focus on and pursue our company objectives. As we continue to evolve our business, we may find it difficult to maintain these important aspects of our culture, which could limit our ability to innovate and operate effectively. The effects of our transformation program and planned reduction in workforce could make it more difficult to preserve our company culture and could negatively impact employee morale.

**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
<a href="#">31.1</a>	<a href="#">Certification of William Stone, Principal Executive Officer. *</a>
<a href="#">31.2</a>	<a href="#">Certification of Barrett Garrison, Principal Financial Officer. *</a>
<a href="#">32.1</a>	<a href="#">Certification of William Stone, Principal Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. +</a>
<a href="#">32.2</a>	<a href="#">Certification of Barrett Garrison, Principal Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. +</a>
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 the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Digital Turbine, Inc.

Dated: February 5, 2025

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

Digital Turbine, Inc.

Dated: February 5, 2025

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

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, William Gordon Stone III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Digital Turbine, Inc.;
2. Based on my knowledge, this 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.

February 5, 2025

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

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

I, James Barrett Garrison, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Digital Turbine, Inc.;
2. Based on my knowledge, this 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.

February 5, 2025

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



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

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

The Quarterly Report on Form 10-Q for the period ending December 31, 2024, 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.

February 5, 2025

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

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

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

The Quarterly Report on Form 10-Q for the period ending December 31, 2024, 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.

February 5, 2025

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