

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

(Mark One)

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

For the fiscal year ended March 31, 2022

or

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

Commission File Number 001-35958

**DIGITAL TURBINE, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of  
Incorporation or Organization)

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

22-2267658

(I.R.S. Employer  
Identification No.)

78701  
(Zip Code)

(512) 387-7717

(Registrant's Telephone Number, Including Area Code)

Securities Registered Pursuant to Section 12(b) of the Act:

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

APPS  
(Trading Symbol)

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

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

None

(Title of Class)

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

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

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

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

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Emerging Growth Company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates, computed by reference to the price at which the common equity was last sold on the NASDAQ Capital Market on September 30, 2021, was \$6,379,846,481.

As of May 24, 2022, the Company had 98,394,091 shares of its common stock, \$0.0001 par value per share, outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

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

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**Digital Turbine, Inc.**

ANNUAL REPORT ON FORM 10-K  
FOR THE FISCAL YEAR ENDED March 31, 2022

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## PART I

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

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

- a decline in general economic conditions nationally and internationally;
- decreased market demand for our products and services;
- market acceptance and brand awareness of our products;
- a significant portion of our revenue are derived from a limited number of carriers and customers;
- dependency on the continued growth in usage of smartphones and other mobile connected devices;
- lack of growth or maintenance of wireless communication structure;
- actual or perceived security vulnerabilities in devices or wireless networks;
- risks associated with any significant disruptions in our services or undetected errors in our platform;
- risks associated with any disruptions in the operations of our third-party data centers and providers of cloud-based infrastructure that hosts our platform;
- risks associated with indebtedness;
- ability to comply with financial covenants in outstanding indebtedness;
- the ability to protect our intellectual property rights;
- impact of any litigation or infringement actions brought against us;
- competition from other providers and products based on pricing and other activities;
- risks and costs in product development;
- the potential for unforeseen or underestimated cash requirements or liabilities;
- risks associated with adoption of our products among existing customers and adoption of our platform and time to revenue with new customers (including the impact of possible delays with major partners in the roll-out of mobile phones and other devices deploying our products and other factors out of our control);
- risks associated with delays in major mobile phone and other device launches, or the failure of such launches to achieve the scale and customer adoption that either we or the market may expect;
- the impact of currency exchange rate fluctuations on our reported GAAP financial statements;
- the challenges, given the Company's comparatively small size, to expand the combined Company's global reach, accelerate growth, and create a scalable business model that drives EBITDA (as well as Adjusted EBITDA);
- the challenges inherent in technology development necessary to maintain the Company's competitive advantage, such as adherence to release schedules, costs and time required for finalization, and gaining market acceptance in new products;
- technology management risk as the Company needs to adapt to the complex specifications of different partners and the management of a complex technology platform, given the Company's relatively limited resources;
- risks associated with short-term agreements with advertiser and publisher customers;
- risks associated with the failure to properly safeguard confidential information;
- system security risks and cyber-attacks;
- third parties control our access to unique identifiers, and such parties could restrict or eliminate such access;
- the impact of consumer shifts in reducing use of mobile handsets to access mobile content and other applications;
- failure to deliver our products and services ahead of the commercial launch of new mobile handset models;
- rapidly changing and increasingly stringent regulations related to privacy, data security and protection of children;
- inability to raise capital to fund continuing operations;
- changes in government regulation;
- volatility in the price of our common stock and ability to satisfy exchange continued-listing requirements;

- rapid and complex changes occurring in the mobile device marketplace;
- risks and uncertainties associated with the successful integration of our acquisitions of AdColony Holding AS and Fyber N.V.;
- challenges and risks associated with our rapid growth by Acquisitions and resulting significant demands on our management and our infrastructure;
- challenges and risks associated with our global operations and related business, political, regulatory, operational, financial and economic risks as a result of our global operations;
- risks and uncertainties associated with the realization of the anticipated benefits of the aforementioned acquisitions; and
- other risks described in the risk factors in Item 1A of this Form 10-K under the heading “Risk Factors.”

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

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

All dollar amounts, except per share amounts, in Item 1 Business and Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-K are in thousands.

## **ITEM 1. BUSINESS**

### **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”). 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, our products and solutions provide monetization opportunities for OEMs, carriers, and application (“app” or “apps”) publishers and developers.

### **Recent Acquisitions**

The Company recently completed the acquisitions of Appreciate, AdColony Holding AS (“AdColony”), and Fyber, N.V. (“Fyber”) to execute on its expressed strategy of becoming a leading end-to-end solution for mobile brand acquisition, advertising, and monetization. The following is a summary of each of those acquisitions:

**Appreciate:** On March 1, 2021, Digital Turbine, through its wholly-owned subsidiary Digital Turbine (EMEA) Ltd. (“DT EMEA”), an Israeli company, entered into a Share Purchase Agreement with Triapodi Ltd., an Israeli company (d/b/a Appreciate) (“Appreciate”), the stockholder representative, and the stockholders of Appreciate, pursuant to which DT EMEA acquired, on March 2, 2021, all of the outstanding capital stock of Appreciate in exchange for total consideration of \$20,003 in cash (the “Appreciate Acquisition”). Under the terms of the Share Purchase Agreement, DT EMEA entered into bonus arrangements to pay up to \$6,000 in retention bonuses and performance bonuses to the founders and certain other employees of Appreciate. None of the goodwill recognized was deductible for tax purposes.

The acquisition of Appreciate delivered valuable deep ad-tech and algorithmic expertise to help Digital Turbine execute on its broader, longer-term vision. Deploying Appreciate’s technology expertise across Digital Turbine’s global scale and reach should further benefit partners and advertisers that are a part of the combined Company’s platform.

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

On August 27, 2021, the Company entered into an Amendment to Share Purchase Agreement (the “Amendment Agreement”) with AdColony and Otello Corporation ASA, a Norway company (“Otello”) and AdColony’s previous parent company. Pursuant to the Amendment Agreement, the Company and Otello agreed to set a fixed dollar amount of \$204,500 for the earn-out payment obligation, to set January 15, 2022, as the payment due date for such payment amount, and to eliminate all of the Company’s earn-out support obligations under the Share Purchase Agreement.

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

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

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

The Company acquired Fyber in exchange for an estimated aggregate consideration of up to \$600,000, consisting of both cash as well as the issuance of shares of the Company’s common stock. The aggregate consideration included an earn-out provision contingent upon Fyber’s net revenue (revenue less associated license fees and revenue share) being equal to or higher than \$100,000 for the 12-month earn-out period ending on March 31, 2022, as determined in the manner set forth in the Sale and Purchase Agreement. If the net revenue target is achieved, the Company will issue shares of its common stock, and under certain circumstances, an amount of cash. The number of shares to be issued is based on the weighted average share price for the 30-days prior to the end of the earn-out period, and will not exceed \$50,000 (subject to set-off against certain potential indemnification claims against the Seller). Based on estimates at the time of the acquisition, the Company initially determined it was unlikely Fyber would achieve the earn-out net revenue target and, as a result, no contingent liability was recognized at that time.

On September 30, 2021, the Company entered into the Second Amendment Agreement (the “Second Amendment Agreement”) to the Sale and Purchase Agreement for the Fyber Acquisition. Pursuant to the Second Amendment Agreement, the parties agreed to settle the remaining number of shares of Company common stock to be issued to the Seller. As a result, the Company issued a total of 5,775,299 shares of Company common stock to the Seller in connection with the Company’s acquisition of Fyber.

As of March 31, 2022, the Company re-evaluated the fair value of the contingent earn-out consideration based on Fyber's net revenue through the end of the 12-month measurement period ending on March 31, 2022, resulting in an accrued fair value of the contingent earn-out consideration of \$50,000. The Company settled the obligation through the issuance of approximately 1,200,000 shares of the Company's common stock subsequent to its fiscal year ended March 31, 2022.

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

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

Please refer to Note 3, "Acquisitions," in the Company's consolidated financial statements included in this Form 10-K for further detailed information on the acquisitions discussed above.

## **Our Products and Solutions**

### **On Device Media**

The Company's On Device Media ("ODM") business consists of products and services that simplify the discovery and delivery of mobile apps and content media for device end-users.

- Application Media represents the portion of the business where our platform delivers apps to end users through partnerships with wireless carriers and OEMs. Application Media optimizes revenue by using developed technology to streamline, track, and manage app install demand from hundreds of application developers across various publishers, carriers, OEMs, and devices.
- Content Media represents the portion of the business where our platform presents news, weather, sports, and other content directly within the native device experience (e.g., as the start page in the mobile browser, a widget, on unlock, etc.) through partnerships with wireless carriers and OEMs. Content Media optimizes revenue by a combination of:
  - Programmatic Ad Partner Revenue - advertising within the content media that's sold on an ad exchange at a market rate (cost-per-thousand ("CPM"));
  - Sponsored Content - sponsored content media from third party content providers, presented similarly to an ad, that is monetized when a recommended story is viewed (cost-per-click ("CPC"));
  - Editorial Content - owned or licensed media, presented similarly to an ad, that is monetized when the media is clicked on (CPC).

### **In App Media - Fyber**

The Company's In-App Media - Fyber ("IAM-F") business provides a platform that allows mobile app publishers and developers to monetize their monthly active users via display, native, and video advertising. The IAM-F platform allows demand side platforms ("DSPs"), 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. Our supply side platform technologies:

- store and manage anonymized data from mobile devices we reach every day, which enable better production and matching of users to relevant advertising content;
- enable the interaction of DSPs and publishers through software development kits (SDKs) that also render ad media to end users;

- enable advertiser apps and brands to have their services discovered and downloaded by target users, thereby enhancing return on marketing spend; and
- utilize advanced in-app bidding technology that optimizes the value of a developer's advertising inventory through real-time bidding.

Our relationships with brand advertisers, agencies, and other ad buyers offer app publishers and developers the opportunity to engage in direct-sold campaigns, providing more options for publishers and developers to monetize their apps.

#### **In App Media - AdColony**

The Company's In App Media - AdColony ("IAM-A") business consists of products and services to enable agencies, brands, and app developers to reach large audiences while achieving key performance indicators ranging from reach to frequency, cost-per-install, and return on ad spend. These campaigns are filled via in-house developed technologies and platforms customized to reach a wide array of audiences globally while being compatible with industry-recognized partners around measurement, data matching, and creative services. IAM-A's products and services primarily fall into three categories:

- IAM-A platform that allows DSPs, advertisers, agencies, and publishers to buy and sell digital ad impressions through programmatic, real-time bidding auctions;
- Brand and Performance services, in which IAM-A contracts with agencies and advertisers through insertion orders that require IAM-A to manage and fulfill advertising campaigns by identifying and purchasing ad inventory to meet customer requirements; and
- Reseller activities where IAM-A contracts with social media platforms and acts as a reseller of the platforms' ad inventory, primarily in international markets.

#### **Competition**

We operate in a highly competitive and fragmented mobile app ecosystem that includes divisions of large, well-established companies, including public and privately-held companies. The large companies in our ecosystem may play multiple different roles given the breadth of their businesses.

- Our primary competition for On Device Media comes from the Google Play application store. Broadly, our On Device Media platform faces competition from existing operator solutions built internally, as well as companies providing application and content media products and services, such as Facebook, Snapchat, IronSource, InMobi, Cheetah Mobile, Baidu, Magnite, Applovin, and others. These companies can be both customers for Digital Turbine products, as well as competitors in certain cases. We compete with smaller competitors, but the more material competition is internally-developed operator solutions and specific media distribution solutions built in-house by OEMs and wireless carriers. Some of our existing wireless carriers could make a strategic decision to develop their own solutions rather than continue to use our suite of products, which could be a material source of competition.
- Advertisers typically engage with several advertising platforms and networks to purchase advertisements on mobile devices and apps, looking to optimize their marketing investments. Such advertising platform companies vary in size and include players such as Facebook, Google, Amazon, and Unity Software, as well as various private companies. Several of these platforms are also our partners and clients.
- We compete with other demand-side platform providers, some of which are smaller, privately-held companies and others are divisions of large, well-established companies such as AT&T, Google, and Adobe.
- Our competition for In App Media products and services comes from a diverse group of companies, including Pubmatic, Magnite, and The Trade Desk. The competition in this area is significant and multifaceted, including our ability to offer technological advantages to both demand side and supply side partners, as well as maintain and expand relationships that provide access to ad inventory.

We believe that the principal competitive factors in the mobile app ecosystems are:

- the ability to enhance and improve technologies and offerings;
- knowledge, expertise, and experience in the mobile app ecosystem;
- relationships with third parties in the mobile app ecosystem, including app publishers and developers;
- the ability to reach and target a large number of users;
- the ability to identify and execute on strategic transactions;
- the ability to successfully monetize mobile apps;
- the pricing and perceived value of offerings;
- brand and reputation; and
- ability to expand into new offerings and geographies.

#### **Product Development**

Our product development expenses consist primarily of salaries and benefits for employees working on campaign management, creating, developing, editing, programming, performing quality assurance, obtaining wireless carrier ratification, and deploying our products across various wireless carriers, OEMs, advertisers, publishers, and on our internal platforms. We devote substantial resources to the development, technology support, and quality assurance of our products. Total product development costs incurred for the fiscal years ended March 31, 2022, 2021, and 2020, were \$52,723, \$20,119, and \$12,018, respectively.

#### **Intellectual Property**

We consider our trademarks, copyrights, trade secrets, patents, and other intellectual property rights, including those in our know-how, and the software code of our proprietary technology to be, in the aggregate, material to our business. We protect our intellectual property rights by relying on federal and state statutory and common law rights, foreign laws where applicable, as well as contractual restrictions. We have patent and patent applications in the U.S. and outside the U.S., including in Israel and Canada, and we own and use trademarks and service marks on or in connection with our proprietary technology and related services, including both unregistered common law marks and issued trademark registrations.

We design, test, and update our products, services, and websites regularly, and we have developed our proprietary solutions in house. Our know-how is an important element of our intellectual property. The development and management of our platform requires sophisticated coordination among many specialized employees. We take steps to protect our know-how, trade secrets, and other confidential information, in part, by entering into confidentiality agreements with our employees, consultants, developers, and vendors who have access to our confidential information, and generally limiting access to and distribution of our confidential information. We intend to pursue additional intellectual property protection to the extent we believe it would advance our business objectives and maintain our competitive position.

#### **Contracts with Customers**

We have both exclusive and non-exclusive wireless carrier and OEM agreements. Our agreements with advertisers and publishers are generally non-exclusive. Our wireless carrier and OEM agreements for our on-device media business are multi-year agreements, with terms that are generally longer than one to two years. In addition, some wireless carrier agreements provide that the wireless carrier can terminate the agreement early and, in some instances, at any time without cause, which could give them the ability to renegotiate economic or other terms. The agreements generally do not obligate the wireless carriers to market or distribute any of our products or services. Our contracts with publishers are generally cancellable with short-term notification periods by either party.

We have contractual relationships with numerous advertisers, agencies, and DSPs, which are not exclusive and can be terminated by them with either no notice or relatively short notice. Furthermore, we distribute a significant level of advertising through a few wireless carriers in our On Device Media business. If such advertising clients or these wireless carriers decide to materially reduce or discontinue its use of our platforms, it may cause a decline in our revenue and negatively affect our results of operations and financial condition.

With respect to customer revenue concentration, during the fiscal years ended March 31, 2022 and 2021, no single customer represented more than 10% of our net revenue. During the fiscal year ended March 31, 2020, one major customer, Oath Inc., a subsidiary of Verizon Communications, represented 15.3% of our net revenue.

With respect to partner revenue concentration, the Company partners with wireless carriers and OEMs to deliver applications on our platform through the carrier networks. During the fiscal year ended March 31, 2022, no single partner represented more than 10% of our net revenue. During the fiscal year ended March 31, 2021, T-Mobile US Inc., including Sprint and other subsidiaries, a carrier partner, generated 26.4% of our net revenue; AT&T Inc., including its Cricket subsidiary, a carrier partner, generated 22.3% of our net revenue; Verizon Wireless, a subsidiary of Verizon Communications, a carrier partner, generated 18.5% of our net revenue; and America Movil, primarily through its subsidiary Tracfone Wireless Inc., a carrier partner, generated 10.8% of our net revenue. During the fiscal year ended March 31, 2020, Verizon Wireless, a subsidiary of Verizon Communications, a carrier partner, generated 37.3% of our net revenue, while AT&T Inc., including its Cricket subsidiary, a carrier partner, generated 30.0% of our net revenue.

Under our contracts with wireless carriers and OEMs, the carriers and OEMs control, manage, and monetize the mobile device through the marketing of application slots or advertisement space/inventory to advertisers and deliver the applications or advertisements to the mobile device. The Company generally offers these services under a revenue share model or, to a lesser extent, a customer contract per device license fee model for a two-to-four year software as a service license agreement.

The Company generally offers brand and programmatic advertising services under customer contract arrangements with third-party advertisers and agencies, generally in the form of insertion orders that specify the type of arrangement at particular set budget amounts/restraints. These customer contracts are generally short-term in nature, at less than one year, as the budget amounts are typically spent in full within this time period.

The Company offers programmatic and direct-sold advertising services under customer contract arrangements as part of its In App Media business. The Company's customers can offer/bid on each individual display ad and the highest bid wins the right to fill each ad impression. When the bid is won, the ad will be received and placed on the mobile device. The entire process happens almost instantaneously and on a continuous basis. The advertising exchanges bill and collect from the winning bidders and provide daily and monthly reports of the activity to the Company.

#### **Business Seasonality**

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

#### **People and Culture**

We believe the strength of our workforce is critical to our success as we strive to become a more inclusive and diverse technology company. As of March 31, 2022, we employed 844 full-time employees globally, including 364 employees in North America, 262 employees in Europe and the Middle East, 205 employees in Asia Pacific, and 13 employees in Latin America. Our key human capital management objectives are to attract, retain, and develop the talent we need to deliver on our commitment to offer and deliver exceptional products and services. Examples of our key programs and initiatives that are focused to achieve these objectives include:

**Total Compensation and Benefits:** Our guiding principles are anchored on the goals of being able to attract, incentivize, and retain talented employees. We believe in economic security for all employees and have adopted a Living Wage policy. All employees are eligible for performance bonuses of at least 10% of base salary, which can be paid out significantly higher based on performance. In addition, each employee receives a new-hire long-term incentive stock option grant and an annual long-term incentive stock option grant, based upon performance. We also provide our employees twelve weeks of paid short-term disability at 100% of base pay, which includes parental leave.

**Diversity and Inclusion:** We take great pride in our focus and commitment to diversity and inclusion. We seek a diverse and inclusive work environment and transparently measure our progress to ensure that our employee populations are reflective of the communities in which we reside. We evaluate all of our people practices, particularly in talent acquisition and pay equity. We benchmark our demographics to our industry, both at an overall level and a professional category level (VPs and above, directors, managers, individual contributors and administrative), and note that we either are at the high end or exceed the benchmark in every diversity category.

**Culture and Values:** We have adopted our culture values of Hustle, Results, Accountability, Global, Freedom and Laugh to help create and foster a culture where every employee is empowered, engaged and trusted to be their best at work. We sponsor and support our Community Action Teams, which is an employee-led program designed to create purposeful action to build a stronger and better-connected team. The Community Action Teams have helped drive meaningful advancements in on-boarding, cross-functional understanding, a mentoring program, and a Digital Turbine Gives campaign where employees volunteer in the community over a six-week period on an annual basis.

**Workplace Flexibility:** As part of our “Freedom” value, and before the COVID-19 pandemic drove a shift to remote work, we established a workplace strategy to provide more flexible work options to enable employees to work from the location and the schedule they desire. As a result, we had process, culture, and technology in place that allowed us to seamlessly pivot to a fully remote workforce following the onset of the COVID-19 pandemic. As a result of the shift to fully remote work, we provided an allowance of up to one thousand dollars for each employee for home office set-up or personal expenses such as tutoring or caregiving services. We also re-purposed computers for employees who required more devices to support remote learning for dependents.

**Health, Safety, and Wellness:** The success of our business is fundamentally connected to the well-being of our people. Accordingly, we are committed to the health, safety, and wellness of our employees. We provide our employees and their families with access to a variety of innovative, flexible, and convenient health and wellness programs. We continue to evolve our programs to meet our employees’ health and wellness needs.

#### **Government Regulation**

We are subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business. These laws and regulations involve matters including privacy, data use, data protection and personal information, rights of publicity, content, intellectual property, advertising, marketing, consumer protection, taxation, anti-corruption and political law compliance, and securities law compliance. In particular, we are subject to federal, state, and foreign laws regarding privacy and protection of people’s data. Foreign data protection, privacy, and other laws and regulations can impose different obligations or be more restrictive than those in the United States. Refer to the Company’s risk factors disclosed in its Form 10-K for the fiscal year ended March 31, 2022, and updates to such risk factors described in subsequent periodic reports filed by the Company with the Securities and Exchange Commission under Section 13(a) of the Securities Exchange Act of 1934, as amended, for further discussion of government regulations and the associated risks.

#### **Available Information**

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

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

#### **ITEM 1A. RISK FACTORS**

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

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

#### **Risk Factors Summary**

Our business operations are subject to numerous risks and uncertainties, including those outside our control, that could cause our business, financial condition, or operating results to be harmed, including the following summary of risk factors:

#### **General Company Risks**

- The markets for our products and services are rapidly evolving and may decline or experience limited growth.
- We may not achieve or sustain profitability in the future.
- We have a limited operating history for our current portfolio of assets.
- The failure to successfully integrate our recent acquisitions may adversely affect our future results.
- Growth may place significant demands on our management and our infrastructure.
- Our operations are global in scope, and we face added business, political, regulatory, legal, operational, financial and economic risks as a result of our international operations.
- Our financial results could vary significantly from quarter-to-quarter and are difficult to predict.
- A significant portion of our revenue is derived from a limited number of wireless carriers and customers.
- If we are unsuccessful in establishing and increasing awareness of our brand and recognition of our products and services, our operating results and financial condition could be harmed.

#### **Risks Related to the Mobile Advertising Industry Generally**

- The mobile advertising business is an intensely competitive industry, and we may not be able to compete successfully.
- Our business is dependent on the continued growth in usage of smartphones and other mobile connected devices.
- The mobile advertising market may develop more slowly than expected.
- Wireless technologies are changing rapidly, and we may not be successful in working with these new technologies.
- The complexity of and incompatibilities among mobile devices may require us to use additional resources for the development of our products and services.
- If wireless subscribers do not continue to use their mobile devices to access mobile content and other applications, our business growth and future revenue may be adversely affected.
- A shift of technology platform by wireless carriers and mobile device manufacturers could lengthen the development period for our offerings, increase our costs, and cause our offerings to be published later than anticipated.
- We may be unable to develop and introduce in a timely way new products or services, and our products and services may have defects, which could harm our brand.
- If we fail to maintain and enhance our capabilities for our offerings to a broad array of mobile operating systems, our sales could suffer.
- We may not be able to enhance our mobile advertising platform to keep pace with technological and market developments.
- Our business depends on the growth and maintenance of wireless communications infrastructure.
- Actual or perceived security vulnerabilities in devices or wireless networks could adversely affect our revenue.
- We may be subject to legal liability associated with providing mobile and online services.
- Our business is dependent on our ability to maintain and scale our infrastructure, and any significant disruption in our service could damage our reputation, result in a potential loss of customers and adversely affect our financial results.
- Our products, services and systems rely on software that is highly technical, and if it contains errors or viruses, our business could be adversely affected.
- We rely upon third-party data centers and providers of cloud-based infrastructure to host our platform. Any disruption in the operations of these third-party providers could adversely affect our business.
- We do not have long-term agreements with advertiser and publisher customers, and we may be unable to retain key customers, attract new customers or replace departing customers with customers that can provide comparable revenue.
- Our business is highly dependent on decisions and developments in the mobile device industry.
- Our business may involve the use, transmission and storage of confidential information and personally identifiable information, and the failure to properly safeguard such information could result in significant reputational harm and monetary damages.
- Third parties control our access to unique identifiers and if the use of technology or data is further restricted, rejected or subject to regulations or intellectual property claims, our performance and business may decline.
- System security risks and cyber-attacks could disrupt our internal operations or information technology services provided to customers.

## **Industry Regulatory Risks**

- We are subject to rapidly changing and increasingly stringent laws, regulations and contractual requirements related to privacy, data security, and protection of children.
- We are subject to anti-corruption, import/export, government sanction, and similar laws, especially related to our international operations.
- Government regulation of our marketing methods could restrict or prevent our ability to adequately advertise and promote our content, products and services available in certain jurisdictions.

## **On Device Media Risks**

- Our revenue may fluctuate significantly based on mobile device sell-through, over which we have no control.
- Activities of the Company's advertisers could damage the Company's reputation.
- Our growth and monetization on mobile devices depend upon effective operation with mobile operating systems, networks, and standards that we do not control as we are largely an Android-based technology provider.
- If we fail to deliver our products and services ahead of the commercial launch of new mobile device models, our sales may suffer.
- The Company does not control the mobile networks over which it provides its advertising services.

## **Media Demand Risks**

- If our access to quality advertising inventory is diminished or fails to expand, our revenue could decline and our growth could be impeded.
- Our failure to meet standards and provide services our advertiser and publisher customers trust could harm our brand and business.

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

- Our business and growth may suffer if we are unable to hire and retain key talent.
- If we are unable to maintain our corporate culture, our business could be harmed.
- The acquisition of other technologies could result in operating difficulties, dilution, and other harmful consequences.

## **Risks Related to Our Intellectual Property and Potential Liability**

- Third parties may obtain and improperly use our intellectual property; and if so, our competitive position may be adversely affected, particularly if we do not, or are unable to, adequately protect our intellectual property rights.
- Third parties may sue us for intellectual property infringement, which may prevent or limit our use of the intellectual property and disrupt our business and could require us to pay significant damage awards.
- Our platform contains open source software.

## **Risks Relating to Our Common Stock and Capital Structure**

- We have identified a material weakness in our internal control over financial reporting and disclosure controls and procedures which could, if not remediated, result in additional material misstatements in our financial statements.
- The Company has secured and unsecured indebtedness, which could limit our financial flexibility.
- To service our debt and fund our other obligations and capital requirements, we will require a significant amount of cash, and our ability to generate cash will depend on many factors beyond our control.
- The market price of our common stock is likely to be highly volatile and subject to wide fluctuations, and you may be unable to resell your shares at or above the current price or the price at which you purchased your shares.
- The sale of securities by us in any equity or debt financing, or the issuance of new shares related to an acquisition, could lower the market price for our common stock.

## **Risks Related to Our Business**

### **General Company Risks**

#### **The markets for our products and services are rapidly evolving and may decline or experience limited growth.**

The industry in which we operate is characterized by rapid technological change, new features, tools, solutions and strategies, evolving legal and regulatory requirements, changing customer needs and a dynamic competitive market. Our future success will depend in large part on the continued growth of our markets and our ability to improve and expand our products and services to respond quickly and effectively to this growth.

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

The opportunities provided by apps, mobile advertising and other engagement touchpoints in mobile devices are still relatively new, and our customers, which include advertisers, app developers, advertising networks, wireless carriers and OEMs, may not recognize the need for, or benefits of, some or all of our products and services. Moreover, they may decide to adopt alternative products and services to satisfy some portion of their business needs.

To sustain or increase our revenue, we must regularly add new customers and encourage existing customers to maintain or increase the amount of advertising inventory purchased or sold through our platform and adopt new features and functionalities that we make available. If competitors introduce lower cost or differentiated offerings that compete with or are perceived to compete with ours, our ability to sell our products and services to new or existing customers could be impaired. We must constantly make investment decisions regarding offerings and technology to meet customer demand and evolving industry standards. We may not achieve the anticipated returns on these investments. If new or existing competitors have more attractive offerings, we may lose customers or customers may decrease their use of our platform. New customer demands, superior competitive offerings or new industry standards could require us to make unanticipated and costly changes to our platform or business model. In addition, as we develop and introduce new products and services, including those incorporating or utilizing artificial intelligence and machine learning, they may raise new, or heighten existing, technological, legal and other challenges, and may cause unintended consequences or may not function properly. If we fail to adapt to our rapidly changing industry or to evolving customer needs, or we provide new products and services that exacerbate technological, legal or other challenges, demand for our platform could decrease and our business, financial condition and results of operations may be adversely affected.

If we fail to deliver timely releases of products that are ready for use, release a new version, service, tool or update, or respond to new offerings by competitors, or if new technologies emerge that are able to deliver competitive products or services more efficiently, more conveniently or more securely than our products and services, then our position in our markets could be harmed, and we could lose customers, which would adversely affect our business and results of operations. Further, we must be able to keep pace with rapid regulatory changes in order to compete successfully in our markets. Our revenue growth depends on our ability to respond to frequently changing data protection regulations, policies and user and customer demands and expectations, which will require us to incur additional costs to implement. The regulatory landscape in this industry is rapidly shifting, and we may become subject to new regulations that restrict our operations or materially and adversely affect our business, financial condition, and results of operations.

Our ability to succeed within the markets that our products and services address and continue to be profitable in the future depends upon a number of factors, including the cost, performance and perceived value associated with our individual products and services. Significant time, resources and expertise are required in order to build the technology that can deliver automated, high-quality user growth and monetization, while meeting user expectations for tailored experiences and relevant advertising.

The markets for our products and services could fail to grow significantly or there could be a reduction in demand for our products or services as a result of a lack of customer acceptance, technological challenges, competing products and services, decreases in spending by current and prospective customers, weakening economic conditions and other causes. If our markets do not continue to experience growth or if the demand for our products and services decreases, then our business, financial condition and results of operations could be materially and adversely affected.

**We have a history of net losses, may incur substantial net losses in the future, and may not achieve or sustain profitability in the future.**

We expect to continue to increase expenses as we implement initiatives designed to continue to grow our business, including, among other things, the development and marketing of new products and services, further international and domestic expansion, expansion of our infrastructure, growing our number of employees, development of systems and processes, acquisition of content, and general and administrative expenses associated with being a public company. If our revenue does not increase at a level to offset these expected increases in operating expenses, we will incur losses and will not be profitable. Our revenue growth in past periods should not be considered indicative of our future performance. In fact, in future periods, our revenue could decline as they have in past years. Accordingly, we may not be able to achieve or sustain profitability in the future. If there are delays in the distribution of our products or if we are unable to successfully negotiate with advertisers, application developers, carriers, mobile operators or OEMs or if these negotiations cannot occur on a timely basis, we may not be able to generate revenue sufficient to meet the needs of the business in the foreseeable future or at all.

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

Evaluation of our business and our prospects must be considered in light of our limited operating history with our combined business following our acquisitions of Triapodi Ltd. (d/b/a Appreciate) (“Appreciate”) on March 2, 2021, AdColony Holding AS (“AdColony”) on April 29, 2021 and Fyber N.V. (“Fyber”) on May 25, 2021 and the risks and uncertainties encountered by companies in our stage of development in the emerging mobile application industry. To continue to grow our business, we must do the following:

- maintain our current, and develop new, wireless carrier, OEM, application developer, advertiser and marketplace exchange relationships, in both international and domestic markets;
- retain or improve our current revenue-sharing arrangements;
- continue to develop new high-quality products and services that achieve significant market acceptance;
- continue to develop and upgrade our technology;
- continue to enhance our information processing systems;
- continue to expand both domestically and internationally;
- increase the number of customers and users of our products and services;
- execute our business and marketing strategies successfully;
- respond to competitive developments;
- address increasing regulatory requirements, including data protection and consumer privacy compliance; and
- attract, integrate, retain and motivate qualified talent.

We may be unable to accomplish one or more of these objectives, which could cause our business to suffer. In addition, accomplishing many of these efforts may be very expensive and these efforts may not yield the anticipated returns, which could adversely impact our operating results and financial condition.

**The failure to successfully integrate the business and operations of our recent acquisitions or delays in such integration may adversely affect our future results.**

We recently completed the acquisitions of Appreciate, AdColony and Fyber. We believe the acquisitions of Appreciate, AdColony, and Fyber will result in certain benefits, including providing vertical integrations essential to achieving the Company’s strategic goal of being a powerful, best-in-class, end-to-end solution for mobile brand acquisition, advertising, and monetization. To realize these anticipated benefits, however, the businesses of Appreciate, AdColony, and Fyber must continue to be successfully integrated. The success of the acquisitions will depend on our ability to realize these anticipated benefits from integrating all three businesses. The acquisitions may fail to realize the anticipated benefits for a variety of reasons, including the following:

- failure to harmonize the full vertical operations;
- failure to successfully take advantage of revenue growth opportunities;

- failure to effectively coordinate sales and marketing efforts to communicate the capabilities of the complementary offerings;
- failure to combine product offerings quickly and effectively;
- potential difficulties integrating and harmonizing operations, systems, technologies, products, personnel, and other key functions, and inefficiencies and lack of control that may result if such integration is delayed or not implemented;
- failure to successfully scale and grow human and system resources to meet the demands of a larger international organization;
- diversion of our management's attention in the acquisition and integration process, including oversight over acquired businesses that continue their operations under contingent consideration provisions in acquisition agreements;
- the loss of key employees;
- the failure to successfully implement internal control and disclosure controls, procedures, and policies appropriate for a larger, U.S.-based public company at companies that prior to acquisition may not have had robust internal control and disclosure controls, procedures, and policies, in particular, with respect to the effectiveness of internal control, cyber and data security practices and incident response plans, compliance with privacy and other regulations protecting the rights of customers and users, and compliance with U.S.-based economic policies and sanctions which may not have previously been applicable to the acquired company's operations;
- the failure to successfully implement remediation of the material weakness in our internal control over financial reporting related to the presentation of certain revenue net of license fees and revenue share expense and the classification of certain hosting costs described;
- the failure to successfully integrate operations across different cultures and languages and to address the particular economic, currency, political, and regulatory risks associated with specific countries as well as tax risks that may arise from the acquisitions;
- the increasing legal, regulatory, and compliance exposure, and the additional costs related to mitigate each of those, as a result of adding new offices, employees and other service providers, benefit plans, job types, and lines of business globally; and
- liability for activities of the acquired companies before the acquisitions, including intellectual property, commercial, and other litigation claims or disputes, cyber and data security vulnerabilities, violations of laws, rules and regulations, including with respect to employee classification, tax liabilities, and other known and unknown liabilities.

The integration may result in additional and unforeseen expenses or delays. If we are unable to successfully integrate the business and operations of our recent acquisitions, or if there are delays in integrating the businesses, the anticipated benefits of the acquisitions may not be realized or realized in full or may take longer to realize than expected.

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

In recent years, we have significantly grown the scale of our business. In addition, during 2021 we consummated the acquisitions of Appreciate, AdColony, and Fyber, which have significantly grown the size and scope of our business. The growth and expansion of our business places significant strain on our management and our operational and financial resources. As we expand our product and service offerings and the usage of our platform grows, we will need to devote additional resources to improving its capabilities, features and functionality, and scaling our business, IT, financial, operating and administrative systems. There can be no assurance that we will appropriately allocate our resources in a manner that results in increased revenue or other growth in our business. Any failure of or delay in these efforts could result in impaired performance and reduced customer satisfaction, which would hurt our revenue growth and our reputation. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays and other unknown factors that may result in losses in future periods. Even if we are successful in our expansion and integration efforts, they will be expensive and complex and require the dedication of significant management time and attention. We may also suffer inefficiencies or service disruptions as a result of our efforts to scale our internal infrastructure. We cannot be sure that the expansion and integration of and improvements to our internal infrastructure will be effectively implemented on a timely basis, if at all, and such failures could harm our business, financial condition and results of operations.

Our growth has placed, and may continue to place, significant demands on our management and our operational and financial infrastructure. Continued growth could strain our ability to:

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

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

**Our operations are global in scope, and we face added business, political, regulatory, legal, operational, financial, and economic risks as a result of our international operations and distribution, any of which could increase our costs and hinder our growth.**

Our operations are global in scope, with operations and sales presence in North America, Germany, Israel, India, South America, Singapore, and Turkey and customers in multiple countries. We are continuing to adapt to and develop strategies to address global markets, but we cannot assure you that such efforts will be successful. We expect that our global activities will continue to grow for the foreseeable future as we continue to pursue opportunities globally, which will require the dedication of management attention and financial resources.

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

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

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

**The Russia-Ukraine Conflict has caused, and is currently expected to continue to cause, negative effects on geopolitical conditions and the global economy, including financial markets, inflation, and the global supply chain, which could have an adverse impact on our business, operating results, and financial condition.**

On February 24, 2022, Russia launched an invasion of Ukraine that has resulted in an ongoing military conflict between the two countries (the “Russia-Ukraine Conflict”). The Russia-Ukraine Conflict has caused, and is currently expected to continue to cause, political, economic, and social instability, significant disruptions to the regional and the global economy, financial system, international trade, and the transportation and energy sectors, among others. In addition, the Russia-Ukraine Conflict has displaced millions of people, causing an acute refugee crisis in Europe, and has increased the threat of nuclear accidents or attacks, cyberattacks and further regional or global conflicts (including a potential expansion of the Russia-Ukraine Conflict to other countries as well as other unrelated potential conflicts), among other potentially dire consequences. In response to Russia’s actions, multiple countries and governing bodies, including the United States and the European Union, have put in place global sanctions and other severe restrictions or prohibitions on the activities of certain individuals and businesses connected to Russia and/or Belarus. Companies have also implemented restrictions that severely limit, and in some cases, reverse or cancel, business transactions in or involving certain individuals and/or businesses connected to or associated with Russia and/or Belarus. Further, some companies have moved to divest of Russia-based subsidiaries and assets. In addition, the impacts of the Russia-Ukraine Conflict on the supply chain and commodity prices are expected to be profound and may result in substantial inflation in one or more countries (or globally). The ultimate impact of the Russia-Ukraine Conflict and its effect on the geopolitical environment and global economic and commercial activity and conditions, and on our operations, financial condition and performance, and the duration and severity of those effects, is impossible to predict.

Our revenue is driven in part by discretionary consumer spending habits and preferences, and by advertising spending patterns. Historically, consumer purchasing and advertising spending have each declined during economic downturns and periods of uncertainty regarding future economic prospects or when disposable income or consumer lending is lower. We are particularly susceptible to market conditions and risks associated with the mobile app ecosystem, changes in user demographics, the availability and popularity of other forms of entertainment, and changing advertiser and developer requirements, which may change rapidly and cannot necessarily be predicted. The Russia-Ukraine Conflict may have a significant adverse impact on, and result in significant losses to, our Company. In particular, we may suffer significant increases in operating costs (including, among other reasons, as a result of the substantial increase in labor and development costs), reductions in customers or reductions in spending on advertising in Europe, including Eastern Europe and Russia, decreases or delays in the introduction of new mobile devices by OEMs in Europe, including Eastern Europe and Russia, decreases in the volume of sales of mobile devices by OEMs in Europe, including Eastern Europe and Russia, and reductions or delays in our deployment of our products and services in Europe, including Eastern Europe and Russia, losses from cyberattacks, reductions in revenue and growth, increased foreign exchange risk and/or unexpected operational losses and liabilities. It may also limit our ability to source, diligence and execute new investments and acquisitions. Developing and further governmental actions (sanctions-related, military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to our operations and the strategies we intend to pursue, all of which could adversely affect our business, operating results, and financial condition.

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

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

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

- the number of new products and services released by us and our competitors;
- the timing of release of new products and services by us and our competitors, particularly those that may represent a significant portion of revenue in a period;
- the popularity of new products and services, and products and services released in prior periods;
- changes in prominence of deck placement for our leading products and those of our competitors;
- the timing of charges related to impairments of goodwill and intangible assets;
- changes in pricing policies by us, our competitors, our vendors or our carriers and other distributors;

- changes in the mix of direct versus indirect advertising sales, which have varying margin profiles;
- changes in the mix of CPI, CPP, CPA, and license fee sales, which have varying revenue and margin profiles;
- the seasonality of our industry;
- fluctuations in the size and rate of growth of overall consumer demand for mobile products and services and digital advertising;
- changes in advertising budget allocations or marketing strategies;
- changes to our product, media, customer or channel mix;
- changes in the economic prospects of advertisers, app developers, or the economy generally, which could alter advertisers' or developers' spending priorities, or could increase the time or costs required to complete advertising inventory sales;
- changes in the pricing and availability of advertising inventory through real-time advertising exchanges or in the cost of reaching end consumers through digital advertising;
- disruptions or outages on our platform;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- our success in entering new geographic markets;
- decisions by one or more of our partners and/or customers to terminate our business relationship(s);
- foreign exchange fluctuations;
- accounting rules governing recognition of revenue;
- general economic, political and market conditions and trends;
- the timing of compensation expense associated with equity compensation grants; and
- decisions by us to incur additional expenses for product and service development.

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

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

In our On Device Media business, we rely on wireless carriers and OEMs to distribute our product and services and therefore the success of our On Device Media business is highly dependent on maintaining successful relationships with the carriers and OEMs. A significant portion of our On Device Media business is derived from a limited number of wireless carriers.

We expect that we will continue to generate a substantial portion of our On Device Media revenue, on a go-forward basis, through relationships with a limited number of wireless carriers for the foreseeable future. Our failure to maintain our relationships with these carriers, establish relationships with new carriers, or a loss or change of terms would materially reduce our revenue and thus harm our business, operating results and financial condition.

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

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

- the carrier or OEM's preference for our competitors' products and services rather than ours;
- the carrier or OEM's decision not to include or highlight our products and services on the deck of its mobile devices;
- the carrier or OEM's decision to discontinue the sale of some or all of products and services;
- a failure of the carrier or OEM's merchandising, provisioning or billing systems;
- the carrier or OEM's decision to offer its own competing products and services;

- the carrier's decision to offer similar products and services to its subscribers without charge or at reduced prices;
- the carrier or OEM's decision to transition to different platforms and revenue models; and
- consolidation among carriers or OEMs.

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

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

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

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

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

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

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

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

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

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

**Downturns in the global economy, including financial market disruptions, could have an adverse impact on our business, operating results, or financial condition.**

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

**Risks Related to the Mobile Advertising Industry Generally**

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

We operate in a highly competitive and fragmented mobile app ecosystem composed of divisions of large, well-established companies as well as public and privately-held companies. The large companies in our ecosystem may play multiple different roles given the breadth of their businesses.

- Our primary competition for On Device Media comes from the Google Play application store. Broadly, our On Device Media platform faces competition from existing operator solutions built internally, as well as companies providing application and content media products and services, such as Facebook, Snapchat, IronSource, InMobi, Cheetah Mobile, Baidu, Magnite, Applovin, and others. These companies can be both customers for Digital Turbine products, as well as competitors in certain cases. We compete with smaller competitors, but the more material competition is internally-developed operator solutions and specific media distribution solutions built in-house by OEMs and wireless carriers. Some of our existing wireless carriers could make a strategic decision to develop their own solutions rather than continue to use our suite of products, which could be a material source of competition.
- Advertisers typically engage with several advertising platforms and networks to purchase advertisements on mobile devices and apps, looking to optimize their marketing investments. Such advertising platform companies vary in size and include players such as Facebook, Google, Amazon, and Unity Software, as well as various private companies. Several of these platforms are also our partners and clients.
- We compete with other demand-side platform providers, some of which are smaller, privately-held companies and others are divisions of large, well-established companies such as AT&T, Google, and Adobe.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Actual or perceived security vulnerabilities in mobile devices or wireless networks could adversely affect our revenue.**

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

**We may be subject to legal liability (including potential issues with the use of intellectual property) associated with providing mobile and online services.**

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

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

Our reputation and ability to attract, retain, and serve customers is dependent upon the reliable performance of our products and services and the underlying infrastructure, both internal and from third-party providers. Our systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to our business. If our products and services are unavailable, or if they do not load as quickly as expected, customers may not use our products as often in the future, or at all. If our customer base grows, we will need an increasing amount of infrastructure, including network capacity, to continue to satisfy the needs of our customers. It is possible that we may fail to effectively scale and grow our infrastructure to accommodate these increased demands.

Our platform is complex and multifaceted, and operational and performance issues could arise both from the platform itself and from outside factors. Errors, failures, vulnerabilities and bugs may occur. Our platform also relies on third-party technology and systems to perform properly and is often used in connection with computing environments utilizing different operating systems, system management software, equipment and networking configurations, which may cause errors in, or failures of, our platform or such other computing environments. Operational and performance issues with our platform could include the failure of our user interface, outages, errors during upgrades or patches, discrepancies in costs billed versus costs paid, unanticipated volume overwhelming our databases, server failure, or catastrophic events affecting one or more server farms. While we have built redundancies in our systems, full redundancies do not exist. Some failures will shut our platform down completely, others only partially. In addition, our business may be subject to interruptions, delays, or failures resulting from earthquakes, adverse weather conditions, other natural disasters, power loss, terrorism, ineffective business execution, epidemics, pandemics, or other catastrophic events.

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

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

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

**We rely upon third-party data centers and providers of cloud-based infrastructure to host our platform. Any disruption in the operations of these third-party providers, limitations on capacity, or interference with our use could materially and adversely affect our business, financial condition, and results of operations.**

We currently serve our customers from data centers in the United States and other locations worldwide, which are operated by third-party cloud hosting providers. We use various third-party cloud hosting providers, such as Amazon Web Services (“AWS”), to provide cloud infrastructure for our platform. Our platform relies on the operations of this infrastructure. Customers need to be able to access, send requests and receive communication from our platform at any time, without interruption or degradation of performance. In addition, our platform depends on the ability of these data centers and cloud infrastructure to allow for our customers’ configuration, architecture, features and interconnection specifications and to secure the information stored in these data centers. Any limitation on the capacity of our data centers or cloud infrastructure could impede our ability to onboard new customers or expand the usage of our existing customers, host our platform or serve our customers, which could materially and adversely affect our business, financial condition and results of operations. In addition, any incident affecting our data centers or cloud infrastructure that may be caused by cyber-attacks, natural disasters, fire, flood, severe storm, earthquake, power loss, outbreaks of contagious diseases, telecommunications failures, terrorist or other attacks and other similar events beyond our control could negatively affect the cloud-based portion of our platform. A prolonged service disruption affecting our data centers or cloud-based services for any of the foregoing reasons would negatively impact our ability to serve our customers and could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers or incur additional costs under our customer and partner agreements or otherwise harm our business. We may also incur significant costs for using alternative providers or taking other actions in preparation for, or in response to, events that damage the third-party hosting services we use.

In the event that our service agreements relating to our data centers or cloud infrastructure are terminated or there is a lapse of service, elimination of services or features that we utilize, interruption of Internet service provider connectivity or damage to such facilities, we could experience interruptions in access to our platform, loss of revenue from revenue-share and usage-based solutions, as well as significant delays and additional expense in arranging or creating new facilities and services or re-architecting our platform for deployment on a different data center provider or cloud infrastructure service provider, which could materially and adversely affect our business, financial condition and results of operations.

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

An important component of the Company’s future success is to retain and expand our relationships with existing customers and attract new customers. In order for the Company to maintain or improve our results of operations, it is important that the Company maintain positive relationships with existing customers and that they are satisfied with the products and services we provide. Our customer retention rates may decline or fluctuate as a result of a number of factors, some of which may be outside our control, such as the performance and perceived value associated with our products and services, including their perception of our continued development of products and services that are important to them, the business strength or weakness of our customers, the success of our customers’ apps and their ability to monetize their apps, the success of our customers’ advertising campaigns, the entry and success of competitive products and overall general economic conditions in the geographic regions in which we operate. However, our efforts may not be successful despite the resources we devote to them, and our customers may choose to decrease their use of the Company’s platform, switch to one of our competitors or replace our products with similar technology that the customer creates internally.

The Company's contracts with its advertiser and publisher customers do not generally include long-term obligations requiring them to purchase the Company's services and are cancellable upon short or no notice and without penalty. As a result, the Company may have limited visibility as to its future advertising revenue streams. The Company gives no assurance that its advertiser and publisher customers will continue to use its services or that it will be able to replace, in a timely or effective manner, departing customers with new customers that generate comparable revenue. If a major advertising customer representing a significant portion of the Company's business decides to materially reduce its use of the Company's platform or to cease using the Company's platform altogether, it is possible that the Company would not have a sufficient supply of ads to fill its developers', carriers', or OEMs' advertising inventory, in which case the Company's revenue could be significantly reduced. Customers in general may shift their business to a competitor's platform because of new or more compelling offerings, strategic relationships, technological developments, pricing and other financial considerations, or a variety of other reasons. Any non-renewal, renegotiation, cancellation or deferral of large customer contracts, or a number of contracts that in the aggregate account for a significant amount of revenue, could cause an immediate and significant decline in the Company's revenue and harm its business.

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

The Company's ability to maintain and grow its business will be impaired if mobile connected devices, mobile operating systems, networks, standards and content distribution channels, which are run by operating system providers and app stores including those controlled by the primary competitors of the Company, develop in ways that prevent the Company's products and services from being delivered to their users. The Company's business model will depend upon the continued compatibility of its mobile advertising platform with most mobile connected devices, as well as the major operating systems that run on them and the thousands of apps that are downloaded onto them.

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

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

The parties that control these operating systems frequently introduce new technology, and from time to time, they may introduce new operating systems or modify existing ones. Further, the Company and its customers are also subject to the policies, practices, guidelines, certifications and terms of service of such parties' platforms on which we and our customers create, run and monetize applications and content. These policies, guidelines and terms of service govern the promotion, distribution, content and operation generally of applications and content available through such parties. The parties that control the operating systems have broad discretion to change and interpret their terms of service, guidelines and policies, and those changes may have an adverse effect on us or our customers' ability to use our products and services. A party that controls the operating system may also change its fee structure, add fees associated with access to and use of its platform or app store, alter how customers are able to advertise and monetize on their platform, change how the personal or other information of its users is made available to application developers on their platform, limit the use of personal information and other data for advertising purposes or restrict how users can share information on their platform or across other platforms. If we or our customers were to violate a party's terms of service, guidelines, certifications or policies, or if a party were to believe that such a violation occurred, then that party could limit or discontinue our or our customers' access to its platform or app store. If our platform was unable to work effectively on these operating systems, this would have a material adverse effect on our business, financial condition and results of operations.

Parties that control operating systems, such as Apple or Google, could also change their technical requirements, guidelines or policies in a manner that materially and adversely impacts the way in which we or our customers collect, use and share data from user devices, including restricting our ability to use or read device identifiers, other tracking features or other device data. Our ability to provide our customers with our user growth and monetization solutions relies on access to and collection of certain data, including re-settable device identifiers and interactions with advertisements served by our monetization solutions for purposes such as serving advertisements, limiting the number of advertisements served to a specific device, detecting and preventing advertisement fraud, creating reports for customers, providing support to customers and measuring the effectiveness of advertisements. Without such data, we may not be able to serve such advertisements effectively, provide our products and services to customers, improve our products and services and remain competitive. There also is the risk that a party that controls an operating system could limit or discontinue our access to its platform or app store if it establishes more favorable relationships with one or more of our competitors or it determines that it is in their business interests to do so, and we would have no recourse against any such party, which could have a material adverse effect on our business, financial condition and results of operations.

If any parties that control operating systems, including either Android or iOS, stop providing us with access to their platform or infrastructure, fail to provide reliable access, cease operations, modify or introduce new systems or otherwise terminate services, the delay caused by qualifying and switching to other operating systems could be time consuming and costly and could materially and adversely affect our business, financial condition and results of operations. Any limitation on or discontinuation of us or our customers' access to any mobile operating system platform or app store could materially and adversely affect our business, financial condition, results of operations or otherwise require us to change the way we conduct business.

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

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

**Third parties control our access to unique identifiers, and if the use of "third-party cookies" or other technology to uniquely identify devices is rejected by Internet users, restricted or otherwise subject to unfavorable regulation or intellectual property claims, blocked or limited by technical changes on end users' devices and web browsers, or our and our customers' ability to use data on our platform is otherwise restricted, our performance may decline and we may lose advertisers, publishers and revenue.**

Our ability to successfully leverage user data and generate revenue from opportunities to serve advertisements could be impacted by restrictions imposed by third parties, including restrictions on our ability to use or read cookies, device identifiers, or other tracking features or our ability to use real-time bidding networks or other bidding networks. For example, if publishers or supply-side platforms decide to limit the data that we receive in order to comply (in their view) with the opt-out of sale provisions of the California Consumer Privacy Act of 2018 ("CCPA") or a potential federal privacy law, then our demand-side service may prove to be less valuable to our advertising customers and we may find it more difficult to generate revenue. That is, if third parties on which we rely for data or opportunities to serve advertisements impose limitations (for whatever reason) or are restricted by other ecosystem participants or applicable regulations, we may lose the ability to access data, bid on opportunities, or purchase digital ad space, which could have a substantial impact on our revenue.

Digital advertising mostly relies on the ability to uniquely identify devices across websites and applications, and to collect data about user interactions with those devices for purposes such as serving relevant ads and measuring the effectiveness of ads. Devices are identified through unique identifiers stored in cookies, provided by device operating systems for advertising purposes, or generated based on statistical algorithms applied to information about a device, such as the IP address and device type. We use device identifiers to record such information as when an Internet user views an ad, clicks on an ad, or visits one of our advertiser's websites or applications. We use device identifiers to help us achieve our advertisers' campaign goals, including to limit the instances that an Internet user sees the same advertisement, report information to our advertisers regarding the performance of their advertising campaigns, and detect and prevent malicious behavior and invalid traffic throughout our network of inventory. We also use data associated with device identifiers to help our customers decide whether to bid on, and how to price, an opportunity to place an advertisement in a specific location, at a given time, in front of a particular Internet user. Additionally, our customers rely on device identifiers to add information they have collected or acquired about users into our platform. Without such data, our customers may not have sufficient insight into an Internet user's activity, which may compromise their and our ability to determine which inventory to purchase for a specific campaign and may undermine the effectiveness of our platform or our ability to improve our platform and remain competitive.

Today, digital advertising, including our platform, makes significant use of cookies to store device identifiers for the advertising activities described above. When we use cookies, they are generally considered third-party cookies, which are cookies owned and used by parties other than the owners of the website visited by the Internet user. The most commonly used Internet browsers—Chrome, Firefox, Internet Explorer, Microsoft Edge and Safari—allow Internet users to modify their browser settings to prevent some or all cookies from being accepted by their browsers. Internet users can delete cookies from their computers at any time. Additionally, some browsers currently, or may in the future, block or limit some third-party cookies by default or may implement user control settings that algorithmically block or limit some cookies. Today, three major web browsers—Apple's Safari, Mozilla's Firefox, and Microsoft's Edge-block third-party cookies by default. Google's Chrome has introduced new controls over third-party cookies and limiting support for third-party cookies and user agent strings. Some Internet users also download free or paid ad blocking software that not only prevents third-party cookies from being stored on a user's computer, but also blocks all interaction with a third-party ad server. In addition, Google has introduced ad blocking software in its Chrome web browser that will block certain ads based on quality standards established under a multi-stakeholder coalition. If such a feature inadvertently or mistakenly blocks ads that are not within the established blocking standards, or if such capabilities become widely adopted and the advertising technology industry does not collaboratively develop alternative technologies, our business could be harmed. The Interactive Advertising Bureau and Digital Advertising Alliance have also developed frameworks that allow users to opt out of the "sale" of their personal information under the CCPA in ways that stop or severely limit the ability to show targeted ads.

Advertising shown on mobile applications can also be affected by blocking or restricting use of mobile device identifiers. Data regarding interactions between users and devices are tracked mostly through stable, pseudonymous advertising identifiers that are built into the device operating system with privacy controls that allow users to express a preference with respect to data collection for advertising, including to disable the identifier. These identifiers and privacy controls are defined by the developers of the platforms through which the applications are accessed and could be changed by the platforms in a way that may negatively impact our business. For example, effective in April 2021, Apple requires user opt-in before permitting access to Apple's unique identifier, or IDFA. This shift from enabling user opt-out to an opt-in requirement is likely to have a substantial impact on the mobile advertising ecosystem and could impact our growth in this channel.

In addition, in the European Union, Directive 2002/58/EC (as amended by Directive 2009/136/EC), commonly referred to as the ePrivacy or Cookie Directive, directs EU member states to ensure that accessing information on an Internet user's computer, such as through a cookie and other similar technologies, is allowed only if the Internet user has been informed about such access and given his or her consent. A recent ruling by the Court of Justice of the European Union clarified that such consent must be reflected by an affirmative act of the user, and European regulators are increasingly agitating for more robust forms of consent. These developments may result in decreased reliance on implied consent mechanisms that have been used to meet requirements of the Cookie Directive in some markets. A replacement for the Cookie Directive is currently under discussion by EU member states to complement and bring electronic communication services in line with the General Data Protection Regulation 2016/679 ("GDPR") and force a harmonized approach across EU member states. Like the GDPR, the proposed ePrivacy Regulation has extra-territorial application as it applies to businesses established outside the EU who provide publicly available electronic communications services to, or gather data from the devices of, users in the EU. Though still subject to debate and not adopted, the proposed ePrivacy Regulation may further raise the bar for the use of cookies and the fines and penalties for breach may be significant. We may be required to, or otherwise may determine that it is advisable to, make significant changes in our business operations and product and services to obtain user opt-in for cookies and use of cookie data, or develop or obtain additional tools and technologies to compensate for a lack of cookie data.

As the collection and use of data for digital advertising has received media attention over the past several years, some government regulators, such as the FTC, and privacy advocates have suggested creating a “Do Not Track” standard that would allow Internet users to express a preference, independent of cookie settings in their browser, not to have their online browsing activities tracked. “Do Not Track” has seen renewed emphasis from proponents of the CCPA, and the final regulations browser-based or similar “do not sell” signals. California’s Privacy Rights Act (“CPRA”), similarly contemplates the use of technical opt outs for the sale and sharing of personal information for advertising purposes as well as to opt out of the use of sensitive information for advertising purposes and allows for AG rule-making to develop these technical signals. If a “Do Not Track,” “Do Not Sell,” or similar control is adopted by many Internet users or if a “Do Not Track” standard is imposed by state, federal, or foreign legislation (as it arguably is to some degree under the CCPA regulations), or is agreed upon by standard setting groups, we may have to change our business practices, our customers may reduce their use of our platform, and our business, financial condition, and results of operations could be adversely affected.

Increased transparency into the collection and use of data for digital advertising, introduced both through features in browsers and devices and regulatory requirements, such as the GDPR, the CCPA, “Do Not Track”, and ePrivacy, as well as compliance with such requirements, may create operational burdens to implement and may lead more users to choose to block the collection and use of data about them. Adapting to these and similar changes has in the past and may in the future require significant time, resources and expense, which may increase our cost of operation or limit our ability to operate or expand our business.

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

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

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

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

## Industry Regulatory Risks

We are subject to rapidly changing and increasingly stringent laws, contractual obligations and industry standards relating to privacy, data protection, data security and the protection of children. The restrictions and costs imposed by these requirements, or our actual or perceived failure to comply with them, could harm our business.

Our platform relies on our ability to collect, use and share information of customers, users and others. These activities are regulated by a variety of federal, state, local and international privacy, data protection and data security laws and regulations, which have become increasingly stringent in recent years.

Most jurisdictions in which we or our customers operate have adopted, or are in the process of adopting, privacy, data protection and data security laws. In this regard, it is important to highlight the European Union's GDPR, which went into effect in May 2018. The GDPR regulates the collection, control, processing, sharing, disclosure and other uses of data relating to personal data. Further to the UK's exit from the EU on January 31, 2020, the GDPR ceased to apply in the UK at the end of the transition period on December 31, 2020. However, as of January 1, 2021, the UK's European Union (Withdrawal) Act 2018 incorporated the GDPR (as it existed on December 31, 2020, but subject to certain UK specific amendments) into UK law (referred to as the "UK GDPR"). The UK GDPR and the UK Data Protection Act 2018 set out the UK's data protection regime, which is independent from but aligned with the GDPR. The GDPR, UK GDPR, and national implementing legislation in European Economic Area ("EEA") member states and the UK impose a strict data protection compliance regime including:

- providing detailed disclosure about how personal data is collected and processed and how data subjects can exercise their rights (in a concise, intelligible and easily accessible form);
- demonstrating that an appropriate legal basis is in place or otherwise exists to justify data processing activities;
- granting new rights for data subjects in regard to their personal data (including the right to be "forgotten" and the right to data portability), as well as enhancing current rights such as data subject access requests;
- introducing the obligation to notify data protection regulators or supervisory authorities (and in certain cases, affected individuals) of personal data breaches that is likely to result in a risk to the rights and freedoms of individuals;
- defining for the first time pseudonymized (key-coded) data;
- imposing limitations on retention of personal data;
- maintaining a record of data processing;
- requiring appropriate technical and organizational measures to be implemented to ensure a level of security appropriate to the level of risk;
- restricting transfers of personal data outside the EEA and UK unless an adequate transfer mechanism has been implemented to legitimize such transfers; and
- complying with the principle of accountability and the obligation to demonstrate compliance through policies, procedures, training and audit.

We are subject to the supervision of local data protection authorities in those EEA and UK jurisdictions where we are established or otherwise subject to the GDPR and the UK GDPR. Fines for certain breaches of the GDPR are significant, including fines up to the greater of €20 million or 4% of global turnover. In addition to the foregoing, a breach of the GDPR could result in regulatory investigations, reputational damage, orders to cease or change our processing of data, enforcement notices or assessment notices for a compulsory audit. We may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, and reputational harm. Similar to GDPR, in September 2020, Brazil enacted the Brazilian General Data Protection Law (LGPD). We are also subject to the LGPD.

The UK GDPR mirrors the fines under the GDPR including fines up to the greater of €20 million (£17.5 million) or 4% of global turnover. These changes will lead to additional costs and increase our overall risk exposure.

U.S. privacy and data security laws are also complex and changing rapidly. Many states have enacted laws regulating the online collection, use and disclosure of personal information and requiring companies implement reasonable data security measures. Laws in all states and U.S. territories also require businesses to notify affected individuals, governmental entities and/or credit reporting agencies of the occurrence of certain security breaches affecting personal information. These laws are not consistent, and compliance with them in the event of a widespread data breach is complex and costly.

States have also begun to introduce more comprehensive privacy legislation. For example, California enacted the CCPA, which took effect on January 1, 2020 and became enforceable by the California Attorney General on July 1, 2020. The CCPA creates new individual privacy rights for California consumers (as defined in the law) and places increased privacy and security obligations on entities handling personal data of consumers or households. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of sale of their personal information, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action may increase the likelihood of, and risks associated with data breach litigation. In addition to increasing our compliance costs and potential liability, the CCPA created restrictions on “sales” of personal information that may restrict the disclosure of personal information for advertising purposes. Our advertising business relies, in part, on such disclosure and could be materially and adversely affected by the CCPA’s restrictions.

We will also be subject to the forthcoming CPRA, which was passed into law on November 3, 2020 but will not take substantial effect until January 1, 2023. The CPRA imposes additional obligations on companies covered by the legislation and will significantly modify the CCPA, including by expanding consumers’ rights with respect to certain sensitive personal information, such as increasing regulation on online advertising and particularly cross-context behavioral advertising. The CPRA also creates a new state agency that will be vested with authority to implement and enforce the CCPA and the CPRA. The CPRA potentially results in further uncertainty and requires us to incur additional costs and expenses in an effort to comply.

Certain other state laws impose similar privacy obligations. For example, Virginia has passed the Virginia Consumer Data Protection Act which will take effect on January 1, 2023. Colorado has passed the Colorado Privacy Act that will take effect on July 1, 2023. Utah has passed the Utah Consumer Privacy Act that will take effect on December 31, 2023. We also expect that more states may enact legislation similar to the CCPA, which provides consumers with new privacy rights and increases the privacy and security obligations of entities handling certain personal information of such consumers. The CCPA has prompted a number of proposals for a new federal and state-level privacy legislation. Such proposed legislation, if enacted, may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment of resources in compliance programs, impact strategies and the availability of previously useful data and could result in increased compliance costs and/or changes in business practices and policies.

Data privacy legislation restricts the cross-border transfer of personal data and some countries introduced data localization into their laws. Specifically, the GDPR, the UK GDPR and other European and UK data protection laws generally prohibit the transfer of personal data from the EEA, the UK and Switzerland, to the United States and most other countries unless the transfer is to an entity established in a country deemed to provide adequate protection (such as Israel) or the parties to the transfer have implemented specific safeguards to protect the transferred personal data. Where we transfer personal data outside the EEA or the UK to a country that is not deemed to be “adequate,” we ensure we comply with applicable laws including where we can rely on derogation (e.g. where the transfer is necessary for the performance of a contract) or we may put in place standard contractual clauses. We have previously also relied on relevant third parties’ Privacy Shield (as defined below) certifications.

Recent legal developments in the EU have created complexity and uncertainty regarding transfers of personal data from the EEA to the United States. Most recently, on July 16, 2020, in a case known as Schrems II, the Court of Justice of the European Union (“CJEU”) invalidated the EU-US Privacy Shield Framework (“Privacy Shield”) under which personal data could be transferred from the EEA to U.S. entities who had self-certified under the Privacy Shield scheme. While the CJEU upheld the adequacy of the standard contractual clauses (a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism, and potential alternative to the Privacy Shield), it made clear that reliance on them alone may not necessarily be sufficient in all circumstances. Use of the standard contractual clauses must now be assessed on a case-by-case basis taking into account the legal regime applicable in the destination country, in particular applicable surveillance laws and rights of individuals and additional measures and/or contractual provisions may need to be put in place, however, the nature of these additional measures is currently uncertain. The CJEU went on to state that if a competent supervisory authority believes that the standard contractual clauses cannot be complied with in the destination country and the required level of protection cannot be secured by other means, such supervisory authority is under an obligation to suspend or prohibit that transfer.

In response to this decision, the data protection authority in Berlin, Germany has encouraged companies under its supervision to stop transfers of personal data to the United States and switch to service providers based in the European Union or other countries providing adequate data protection. Authorities in the United Kingdom and Switzerland may similarly issue guidance that precludes or complicates our lawful use of the Standard Contractual Clauses. There are few viable alternatives to the standard contractual clauses, and the law in this area remains dynamic. These recent developments will require us to review and may require us to amend the legal mechanisms by which we make and/or receive personal data transfers to/in the United States. As supervisory authorities issue further guidance on personal data export mechanisms, including circumstances where the standard contractual clauses cannot be used, and/or start taking enforcement action, we could suffer additional costs, complaints and/or regulatory investigations or fines, and/or if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we provide our products and services, the geographical location or segregation of our relevant systems and operations, may reduce demand for our products and services from companies subject to EU data protection laws and could materially and adversely affect our financial results.

On March 25, 2022, the U.S. and the EU announced an “agreement in principle” with respect to trans-Atlantic transfers that could take the place of the EU-US Privacy Shield Framework. However, it is not clear when this development will become available and/or whether it will withstand judicial and/or administrative review.

Additionally, other countries outside of the EU have enacted or are considering enacting similar cross-border data transfer restrictions and laws requiring local data residency, which could increase the cost and complexity of delivering our solutions and operating our business.

In addition, we are also subject to the Israeli Privacy Protection Law 5741-1981 (the “PPL”), and its regulations, including the Israeli Privacy Protection Regulations (Data Security) 2017 (the “Data Security Regulations”), which came into effect in Israel in May 2018 and impose obligations with respect to the manner personal data is processed, maintained, transferred, disclosed, accessed and secured, as well as the guidelines of the Israeli Privacy Protection Authority. In this respect, the Data Security Regulations may require us to adjust our data protection and data security practices, data security measures, certain organizational procedures, applicable positions (such as an data security manager) and other technical and organizational security measures. Failure to comply with the PPL, its regulations and guidelines issued by the Israeli Privacy Protection Authority, may expose us to administrative fines, civil claims (including class actions) and in certain cases criminal liability. Current pending legislation may result in a change of the current enforcement measures and sanctions. The Israeli Privacy Protection Authority may initiate administrative inspection proceedings from time to time without any suspicion of any particular breach of the PPL, as the Israeli Privacy Protection Authority has done in the past with respect to dozens of Israeli companies in various business sectors. In addition, to the extent that any administrative supervision procedure is initiated by the Israeli Privacy Protection Authority that reveals certain irregularities with respect to our compliance with the PPL, we may need to take certain remedial actions to rectify such irregularities, which may increase our costs and may also expose us to administrative fines, civil claims (including class actions) and in certain cases, criminal liability.

Children’s privacy has been a focus of recent enforcement activity under longstanding privacy laws as well as privacy and data protection laws enacted in recent years. EU and UK regulators focus, among other things, on the processing of personal data relating to children, with increased enforcement pending as well as additional guidance. The U.S. Federal Trade Commission and state attorneys general have, in recent years, increased enforcement of the Children’s Online Privacy Protection Act (“COPPA”), which requires companies to obtain parental consent before collecting personal information from children under the age of 13 for purposes not permitted by COPPA. COPPA also sets forth, among other things, a number of restrictions related to what information may be collected with respect to children under the age of 13. In addition, the GDPR and UK GDPR address the processing of children’s personal data, and specifically require that if processing of personal data of individuals is based on such individuals’ consent, and such individuals are children under the age of 13 to 16 (depending on the specific legislation of the UK or each EU member state), parental consent must be obtained. In addition, the CCPA requires companies to obtain the consent of children in California under 16 (or parental consent for children under 13) before selling their personal information.

Apart from the requirements of privacy, data protection and data security laws, we have obligations relating to privacy, data protection and data security under our published policies and documentation, contracts and applicable industry standards. Although we endeavor to comply with these obligations, we may have failed to do so in the past and may be subject to allegations that we have failed to do so or have otherwise processed data improperly. We could be subject to enforcement action or litigation alleging that our methods of data collection or our other data processing practices violate our published policies, federal or state laws prohibiting unfair or deceptive business practices or other privacy laws.

In response to the increasing restrictions of global privacy and data security laws, our customers have sought and may continue to seek increasingly stringent contractual assurances regarding our handling of personal information, and may adopt internal policies that limit their use of our platform. In addition, privacy advocates and industry groups have regularly proposed, and may propose in the future, self-regulatory standards upon which we may be legally or contractually bound. If we fail to comply with these contractual obligations or standards, we may face substantial contractual liability or fines.

Various jurisdictions around the world continue to propose new laws that regulate the privacy and/or security of certain types of personal data. Complying with these laws, if enacted, would require significant resources and leave us vulnerable to possible fines and penalties if we are unable to comply. Our obligations under privacy and data security laws, our contracts and applicable industry standards (including requirements by operating system platforms or app stores) are increasing, becoming more complex and changing rapidly, which has increased and may continue to increase the cost and effort required to comply with them. The privacy and data security compliance challenges we and our customers face in the EU, the UK, the United States and other jurisdictions may also limit our ability to operate, or offer certain product features, in those jurisdictions, which could reduce demand for our solutions from customers subject to their laws. We may also be required to adapt our solutions in order to comply with changing regulations. Despite our efforts, we may not be successful in achieving compliance with these rapidly evolving requirements. We could be perceived to be in non-compliance with applicable privacy laws, especially when acquiring new companies and before we have completed our gap analysis and remediation. Any actual or perceived non-compliance could result in litigation and proceedings against us by governmental entities, customers, individuals or others; fines and civil, criminal or administrative penalties for us or company officials; obligations to cease offering or to substantially modify our solutions in ways that make them less effective in certain jurisdictions; negative publicity; harm to our brand and reputation and reduced overall demand for our solutions or reduced revenue. Such occurrences could materially and adversely affect our business, financial condition and results of operations.

**We are subject to anti-bribery, anti-corruption and similar laws and non-compliance with such laws can subject us to criminal penalties or significant fines and harm our business and reputation.**

We are subject to anti-bribery and similar laws, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the USA PATRIOT Act, U.S. Travel Act, the U.K. Bribery Act 2010 and Proceeds of Crime Act 2002, and possibly other anti-corruption, anti-bribery and anti-money laundering laws in countries in which we conduct business. Anti-corruption laws have been enforced with great rigor in recent years and are interpreted broadly. Such laws prohibit companies and their employees and their agents from making or offering improper payments or other benefits to government officials and others in the private sector. We have operations, deal with carriers, and make sales in countries known to experience corruption, particularly certain emerging countries in Eastern Europe, Latin America, and Asia. Further international expansion may involve more of these countries. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, consultants, sales agents or distributors that could be in violation of various laws including the FCPA, even though these parties are not always subject to our control. As we increase our international sales and business, particularly in countries with a low score on the Corruption Perceptions Index, of Transparency International, and increase our use of third parties such as sales agents, distributors, resellers or consultants, our risks under these laws will increase. We adopt appropriate policies and procedures and conduct training, but cannot guarantee that improprieties will not occur. Noncompliance with these laws could subject us to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension and/or debarment from contracting with specified persons, the loss of export privileges, reputational harm, adverse media coverage, and other collateral consequences. Any investigations, actions and/or sanctions could have a material negative impact on our business, financial condition and results of operations.

**We are subject to governmental economic sanctions requirements and export and import controls that could impair our ability to compete in international markets or subject us to liability if we are not in compliance with applicable laws.**

As a U.S. company, we are subject to U.S. export control and economic sanctions laws and regulations, and we are required to export our technology and services in compliance with those laws and regulations, including the U.S. Export Administration Regulations and economic embargo and trade sanctions programs administered by the Treasury Department's Office of Foreign Assets Control. U.S. economic sanctions and export control laws and regulations prohibit the shipment of specified products and services to countries, governments and persons targeted by U.S. sanctions. While we take precautions to prevent doing any business, directly or indirectly, with countries, governments and persons targeted by U.S. sanctions and to ensure that our technology and services are not exported or used by countries, governments and persons targeted by U.S. sanctions, such measures may be circumvented. There can be no assurance that we will be in compliance with U.S. export control or economic sanctions laws and regulations in the future. Any such violation could result in significant criminal or civil fines, penalties or other sanctions and repercussions, including reputational harm that could materially adversely impact our business.

Furthermore, if we export our technology, the exports may require authorizations, including a license, a license exception or other appropriate government authorization. Complying with export control and sanctions regulations may be time-consuming and may result in the delay or loss of opportunities.

In addition, various countries regulate the import of encryption technology, including the imposition of import permitting and licensing requirements, and have enacted laws that could limit our ability to offer our platform or could limit our customers' ability to use our platform in those countries. Changes in our platform or future changes in export and import regulations may create delays in the introduction of our platform in international markets or prevent our customers with international operations from deploying our platform globally. Any change in export or import regulations, economic sanctions or related legislation, or change in the countries, governments, persons, or technologies targeted by such regulations, could result in decreased use of our platform by, or in our decreased ability to export our technology and services to, existing or potential customers with international operations. Any decreased use of our platform or limitation on our ability to export our platform would likely adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

## **On Device Media Risks**

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

A significant portion of our revenue is impacted by the level of sell-through of mobile devices on which our software is installed. Demand for mobile devices sold by carriers and OEMs varies materially by device, and if our software is installed on devices for which demand is lower than our expectations -- a factor over which we have no control as we do not market mobile devices -- our On Device Media revenue will be impacted negatively, and this impact may be significant. As our software is deployed on an increasingly diverse universe of devices, we expect this risk will decrease, as the relative performance of one device over another device would have less impact on us, but until we achieve wider diversification in our device installations, we will continue to be subject to revenue fluctuations based on device sell-through, and such fluctuations can be material. Further, it is difficult to predict the level of demand for a particular device, making our revenue projections correspondingly difficult.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Media Demand Risks**

##### **If our access to quality advertising inventory is diminished or fails to expand, our revenue could decline and our growth could be impeded.**

We must maintain a consistent supply of attractive ad inventory. Our success depends on our ability to secure quality inventory on reasonable terms across a broad range of advertising networks and exchanges and social media platforms, including video, display, CTV, audio and mobile inventory. The amount, quality and cost of inventory available to us can and does change at any time and from time to time. A few inventory suppliers hold a significant portion of the programmatic inventory either generally or concentrated in a particular channel, such as audio and social media. In addition, we compete with companies with which we have business relationships. For example, Google is one of our largest advertising inventory suppliers in addition to being one of our competitors. If Google or any other company with attractive advertising inventory limits our access to its advertising inventory, our business could be adversely affected. If our relationships with certain of our suppliers were to cease, or if the material terms of these relationships were to change unfavorably, our business would be negatively impacted. Our suppliers are generally not bound by long-term contracts. As a result, there is no guarantee that we will have access to a consistent supply of quality inventory on favorable terms. If we are unable to compete favorably for advertising inventory available on real-time advertising exchanges, or if real-time advertising exchanges decide not to make their advertising inventory available to us, we may not be able to place advertisements or find alternative sources of inventory with comparable traffic patterns and consumer demographics in a timely manner. Furthermore, the inventory that we access through real-time advertising exchanges may be of low quality or misrepresented to us, despite attempts by us and our suppliers to prevent fraud and conduct quality assurance checks.

Inventory suppliers control the bidding process, rules and procedures for the inventory they supply, and their processes may not always work in our favor. For example, suppliers may place restrictions on the use of their inventory, including prohibiting the placement of advertisements on behalf of specific advertisers. Through the bidding process, we may not win the right to deliver advertising to the inventory that is selected through our platform and may not be able to replace inventory that is no longer made available to us.

As new types of inventory become available, we will need to expend significant resources to ensure we have access to such new inventory. For example, although television advertising is a large market, only a very small percentage of it is currently purchased through digital advertising exchanges. Our success depends on consistently adding valued inventory in a cost-effective manner. If we are unable to maintain a consistent supply of quality inventory for any reason, customer retention and loyalty, and our financial condition and results of operations could be harmed.

**Our failure to meet standards and provide services that our advertisers and inventory suppliers trust could harm our brand and reputation and those of our partners and negatively impact our business, financial condition and results of operations.**

We do not provide or control the content of the advertisements that we serve or the content of the websites providing the inventory. Advertisers provide the advertising content and inventory suppliers provide the inventory. Both advertisers and inventory suppliers are concerned about being associated with content they consider inappropriate, competitive or inconsistent with their brands, or illegal, and they are hesitant to spend money or make inventory available, respectively, without some guarantee of brand security. Consequently, our reputation depends in part on providing services that our advertisers and inventory suppliers trust, and we have contractual obligations to meet content and inventory standards. We contractually prohibit the misuse of our platform by our customers and inventory suppliers. Additionally, we use our proprietary technology and third-party services to, and we participate in industry co-ops that work to, detect malware and other content issues as well as click fraud (whether by humans or software known as “bots”) and to block fraudulent inventory, including “tool bar” inventory, which is inventory that appears within an application and displaces any advertising that would otherwise be displayed on the website. Despite such efforts, our customers may inadvertently purchase inventory that proves to be unacceptable for their campaigns, in which case we may not be able to recoup the amounts paid to inventory suppliers. Preventing and combating fraud is an industry-wide issue that requires constant vigilance, and we cannot guarantee that we will be successful in our efforts. Our customers could intentionally run campaigns that do not meet the standards of our inventory suppliers or attempt to use illegal or unethical targeting practices or seek to display advertising in jurisdictions that do not permit such advertising or in which the regulatory environment is uncertain, in which case our supply of ad inventory from such suppliers could be jeopardized. Some of our competitors undertake human review of content, but because our platform is self-service, and because such means are cost-intensive, we do not utilize all means available to decrease these risks. We may provide access to inventory that is objectionable to our advertisers, serve advertising that contains malware, objectionable content, or is based on questionable targeting criteria to our inventory suppliers, or be unable to detect and prevent non-human traffic, any one of which could harm our or our customers’ brand and reputation, decrease their trust in our platform, and negatively impact our business, financial condition and results of operations.

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

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

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

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

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

**Our corporate culture has contributed to our success and, if we are unable to maintain it as we grow, our business, financial condition, and results of operations could be harmed.**

We have experienced and may continue to experience rapid expansion of our employee ranks. We believe our corporate culture has been a key element of our success. However, as our organization grows, it may be difficult to maintain our culture, which could reduce our ability to innovate and operate effectively. The failure to maintain the key aspects of our culture as our organization grows could result in decreased employee satisfaction, increased difficulty in attracting top talent, increased turnover and could compromise the quality of our customer service, all of which are important to our success and to the effective execution of our business strategy. In the event we are unable to maintain our corporate culture as we grow to scale, our business, financial condition and results of operations could be harmed.

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

As part of our business strategy, we have made and intend to continue to review opportunities and possibly make acquisitions to add specialized employees and complementary companies, products, technologies, or distribution channels. In some cases, these acquisitions may be substantial and our ability to acquire and integrate such companies in a successful manner will be challenging. We can give you no assurance that any such integration would be successful. The failure to successfully integrate an acquired business could disrupt operations and divert management's attention, which could have an adverse effect on our business and operations.

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

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

International acquisitions involve risks related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries. Also, to realize the anticipated benefits of an acquisition, the acquired business must be successfully integrated. The acquired business may not be successfully integrated for a variety of reasons. Failure to successfully integrate the acquired business could cause us to fail to realize the anticipated benefits from the acquisition, which in turn could have an adverse effect on our business, operations, financial condition and results of operations.

#### **Risks Related to Our Intellectual Property and Potential Liability**

**Third parties may obtain and improperly use our intellectual property; and if so, our competitive position may be adversely affected, particularly if we do not, or are unable to, adequately protect our intellectual property rights.**

Our intellectual property is an essential element of our business. We rely on a combination of copyright, trademark, trade secret, patent, and other intellectual property laws and restrictions on disclosure to protect our intellectual property rights.

We face risks associated with our trademarks. For example, there is a risk that our international trademark applications may be considered too generic or that the words “Digital” or “Turbine” could be separately or compositely trademarked by third parties with competitive products who may try and block our applications or sue us for trademark dilution which could have adverse effects on our financial status. We also seek to maintain certain intellectual property as trade secrets. The secrecy could be compromised by outside parties, or by our employees, which could cause us to lose the competitive advantage resulting from these trade secrets.

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

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

**Third parties may sue us for intellectual property infringement, which may prevent or limit our use of the intellectual property and disrupt our business and could require us to pay significant damage awards.**

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

**Our platform contains third-party open source software components, which may pose particular risks to our proprietary software, technologies, and solutions in a manner that could negatively affect our business.**

Our platform contains software modules by third-party authors that are publicly available under “open source” licenses, and we expect to use open source software in the future. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide support, warranties, indemnification or other contractual protections regarding infringement claims or the quality of the code. To the extent that our platform depends upon the successful operation of open source software, any undetected errors or defects in this open source software could prevent the deployment or impair the functionality of our platform, delay introductions of new solutions, result in a failure of any of our solutions and injure our reputation. For example, undetected errors or defects in open source software could render it vulnerable to breaches or security attacks, and, in conjunction, make our systems more vulnerable to data breaches. In addition, the public availability of such software may make it easier for others to compromise our platform.

Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use, or grant other licenses to our intellectual property. If we combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public. While our open source policies are meant to prevent such misuse, there can be no assurance that such incidents would not occur. This would allow our competitors to create similar offerings with lower development effort and time and ultimately could result in a loss of our competitive advantages. Alternatively, to avoid the public release of the affected portions of our source code, we could be required to expend substantial time and resources to re-engineer some or all of our software.

Although we monitor our use of open source software to avoid subjecting our platform to conditions we do not intend, there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to provide or distribute our solutions. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their products or platforms. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software. Moreover, we cannot assure you that our processes for controlling our use of open source software in our platform will be effective. If we are held to have breached or failed to fully comply with all the terms and conditions of an open source software license, we could face infringement or other liability, or be required to seek costly licenses from third parties to continue providing our solutions on terms that are not economically feasible, to re-engineer our solutions, to discontinue or delay the provision of our solutions if re-engineering could not be accomplished on a timely basis or to make generally available, in source code form, our proprietary code, any of which could materially and adversely affect our business, financial condition and results of operations.

#### **Litigation may harm our business.**

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

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

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

#### **Risks Relating to Our Common Stock and Capital Structure**

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

The Company's outstanding secured indebtedness of \$524.1 million as of March 31, 2022, and its ability to borrow additional amounts under its \$525.0 million revolving credit facility, could have significant negative consequences including:

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

Our credit facility also contains a maximum consolidated secured net leverage ratio and minimum consolidated interest coverage ratio. There can be no assurance we will continue to satisfy these ratio covenants. If we fail to satisfy these covenants, the lender may declare a default, which could lead to acceleration of the debt maturity. Any such default would have a material adverse effect on the Company.

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

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

On April 29, 2021, we borrowed approximately \$107.0 million under our senior revolving credit facility, and on May 25, 2021, we borrowed an additional \$130.0 million under our senior revolving credit facility to fund the cash closing payments for the AdColony and Fyber acquisitions, respectively. In addition, under the terms of the Share Purchase Agreement for the acquisition of AdColony, on January 15, 2022, we paid AdColony an earn-out payment of \$204.5 million with available cash-on-hand and borrowings of \$179.0 million under our senior revolving credit facility.

Our ability to meet our debt service obligations and to fund working capital, capital expenditures, and investments in our business will depend upon our future performance, which will be subject to financial, business, and other factors affecting our operations, many of which are beyond our control, availability of borrowing capacity under our credit facility, and our ability to access the capital markets. For example, this could include general and regional economic, financial, competitive, legislative, regulatory, and other factors. We cannot ensure that we will generate cash flow from operations, or that future borrowings or the capital markets will be available, in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs. We could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional indebtedness or equity capital, or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations.

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

The market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond our control, including the risk factors described in this Form 10-K and announcements of new products or services by our competitors. In addition, the market price of our common stock could be subject to wide fluctuations in response to a variety of factors, including:

- quarterly variations in our revenue and operating expenses;
- developments in the financial markets, and the worldwide or regional economies;
- announcements of innovations or new products or services by us or our competitors;
- price and volume fluctuations in the overall stock market from time to time;
- significant volatility in the market price and trading volume of technology companies in general and of companies in the digital advertising industry in particular;
- whether our results of operations meet the expectations of securities analysts or investors;
- litigation involving us, our industry, or both;
- significant sales of our common stock or other securities in the open market; and
- changes in accounting principles.

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

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

Our common stock is listed for trading on the NASDAQ Capital Market (“NADSAQ”). A delisting of our common stock from NADSAQ could materially reduce the liquidity of our common stock and result in a corresponding material reduction in the price of our common stock. In addition, delisting could harm our ability to raise capital through alternative financing sources on terms acceptable to us, or at all, and may result in the potential loss of confidence by investors, employees and fewer business development opportunities.

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

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

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

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

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

In the future, we may sell additional shares of our common stock or securities convertible into our common stock to raise capital. In addition, we have issued shares of our common stock to complete acquisitions and have issued approximately 1,200,000 shares subsequent to our fiscal year ended March 31, 2022, associated with the Fyber earn-out payment. We may issue shares of our common stock in the future to complete additional acquisitions. Also, a substantial number of shares of our common stock is reserved for issuance upon the exercise of stock options, and the vesting of restricted stock units and restricted stock. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sale of substantial amounts of common stock, or the perception that such issuances and sales may occur, could adversely affect the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

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

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

**We do not anticipate paying dividends.**

Our secured and unsecured indebtedness essentially prevents all payments of dividends to our stockholders. Even if such dividends were permitted by the applicable lenders, we have never paid cash or other dividends on our common stock. Subject to the restrictions in our senior credit facility, payment of dividends on our common stock is within the discretion of our Board of Directors and will depend upon our earnings, our capital requirements and financial condition, and other factors deemed relevant by our Board of Directors. However, the earliest our Board of Directors would likely consider a dividend is if we begin to generate excess cash flow. Our Board of Directors does not intend to declare dividends for the foreseeable future.

**We have identified a material weakness in our internal control over financial reporting and disclosure controls and procedures which could, if not remediated, result in additional material misstatements in our financial statements. If we are unable to develop and maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in us and materially and adversely affect our business and operating results.**

Effective internal control is necessary for us to provide reliable financial reports and prevent fraud. In addition, Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires us to maintain, evaluate and report on disclosure controls and procedures and internal control over financial reporting, that meet the applicable standards. We have identified a material weakness in our internal control over financial reporting related to the presentation of certain revenue net of license fees and revenue share expense and the classification of certain hosting costs. Management concluded that our internal control over financial reporting and disclosure controls and procedures were not effective as of March 31, 2022. We are actively engaged in implementing a remediation plan designed to address the material weakness. We cannot be certain that measures taken by the Company to remediate the material weakness will be successful. Also, we cannot be certain that we will be able to implement and maintain adequate controls over our financial processes and reporting in the future. For additional information on the foregoing, see "Item 9A — Controls and procedures — Management's Report on Internal Control over Financial Reporting."

Even if we are able to conclude that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we discover additional material weaknesses in our internal control or are unable to remediate our existing material weakness, the disclosure of those matters could reduce the market's confidence in our financial statements and harm our stock price. In addition, if we fail to comply with the applicable portions of the Sarbanes-Oxley Act, we could be subject to a variety of civil and administrative sanctions and penalties, including ineligibility for short form resale registration, action by the SEC, and the inability of registered broker-dealers to make a market in our common stock.

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

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934 and the Sarbanes-Oxley Act. Additionally, the time and effort required to maintain communications with stockholders and the public markets can be demanding on senior management, which can divert focus from operational and strategic efforts. The requirements of the public markets and the related regulatory requirements have resulted in an increase in our legal, accounting, and financial compliance costs, may make some activities more difficult, time-consuming, and costly, and may place undue strain on our talent, systems, and resources.

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

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

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

**Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management, and limit the market price of our common stock.**

Provisions in our certificate of incorporation and bylaws may have the effect of preventing a change of control or changes in our management. Our certificate of incorporation and bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights, and preferences determined by our board of directors that may be senior to our common stock;
- specify that special meetings of our stockholders can be called only by our board of directors, the chairperson of our board of directors, our chief executive officer, or our president, or holders of a majority of our outstanding common stock;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- prohibit cumulative voting in the election of directors.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally, subject to certain exceptions, prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder. Any of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our common stock, and they could deter potential acquirers of our company, thereby reducing the likelihood that you would receive a premium for your shares of our common stock in an acquisition.

**Our bylaws designate the Court of Chancery of the State of Delaware as the exclusive forum for certain disputes between us and our stockholders.**

Our bylaws provide that the Court of Chancery of the State of Delaware is the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on our behalf; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers, or other employees to us or our stockholders; (iii) any action or proceeding asserting a claim arising out of or pursuant to any provision of the Delaware General Corporation Law; and (iv) any action or proceeding asserting a claim that is governed by the internal affairs doctrine, in all cases to the fullest extent permitted by law. These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

The principal offices of Digital Turbine, Inc. are located in Austin, Texas. The Company also leases properties, primarily for office space, in Durham, North Carolina, Arlington, Virginia, San Mateo, California, Los Angeles, California, and San Francisco, California in the United States. Internationally, the Company leases properties, primarily for office space, in Singapore, Berlin, Germany, and Tel Aviv, Israel.

**ITEM 3. LEGAL PROCEEDINGS**

The information required by this Item 3 is incorporated herein by reference to the information set forth under the caption "Legal Matters" in Note 13, "Commitments and Contingencies", of the notes to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

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

#### *Market Information*

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

#### *Holders*

As of May 24, 2022, there were 99 holders of record of our common stock. There were also an undetermined number of holders who hold their stock in nominee or “street” name.

#### *Dividends*

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

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

There were no purchases of equity securities by us during the fiscal year ended March 31, 2022.

#### *Recent Sale of Unregistered Securities*

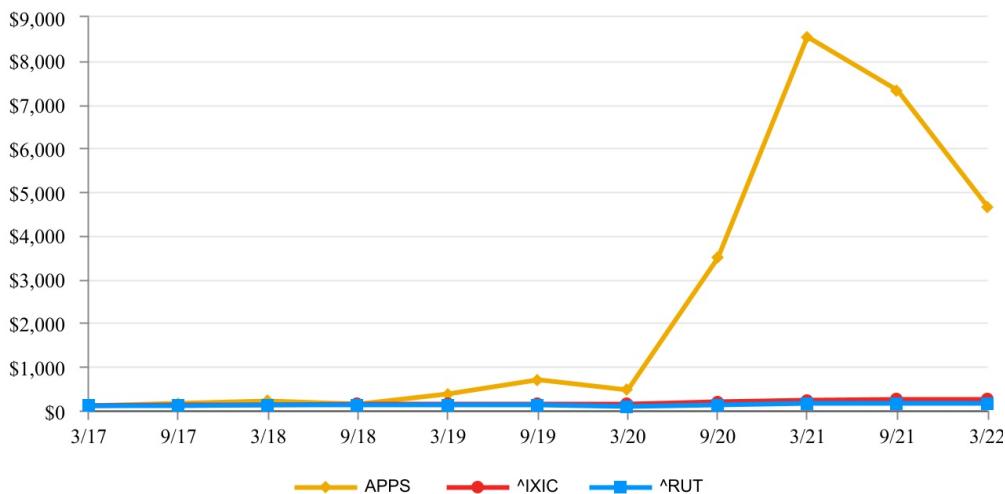
None.

#### *Performance Graph*

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

The graph set forth below compares the cumulative total stockholder return on an initial investment of \$100 in our common stock between March 31, 2017 and March 31, 2022, with the comparative cumulative total return of such amount on (i) the NASDAQ Composite Index (IXIC) and (ii) the Russell 2000 Index (RUT) over the same period. We have not paid any cash dividends and, therefore, the cumulative total return calculation for us is based solely upon stock price appreciation (depreciation) and not upon reinvestment of cash dividends. The comparisons shown in the graph below are based upon historical data. We caution that the stock price performance shown in the graph below is not necessarily indicative of, nor is it intended to forecast, the potential future performance of our common stock.

## COMPARISON OF CUMULATIVE TOTAL RETURN



### ITEM 6. RESERVED

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

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Financial Statements and the Notes thereto included in this Annual Report on Form 10-K (the "Report"). The following discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements involve substantial risks and uncertainties. When used in this Report, the words "anticipate," "believe," "estimate," "expect," "will," "seeks," "should," "could," "would," "may," and similar expressions, as they relate to our management or us, are intended to identify such forward-looking statements. Our actual results, performance, or achievements could differ materially from those expressed in, or implied by, these forward-looking statements as a result of a variety of factors, including those set forth under "Risk Factors" in this Report, 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 management assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Historical operating results are not necessarily indicative of the trends in operating results for any future period. We do not undertake any obligation to update any forward-looking statements made in this Report. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on known results and trends at the time they are made, to anticipate future results or trends. This Report and all subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

All dollar amounts, except share amounts, in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations on this Form 10-K are in thousands.

#### 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"). 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, our products and solutions provide monetization opportunities for OEMs, carriers, and application ("app" or "apps") publishers and developers.

## **Recent Developments**

### **Credit Agreement**

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

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

On December 29, 2021, the Company amended the New Credit Agreement (the "First Amendment"), which provides for an increase in the revolving line of credit by \$125,000, which increased the maximum aggregate principal amount of the revolving line of credit to \$525,000. The First Amendment made no other changes to the term or interest rates of the New Credit Agreement.

Amounts outstanding under the New Credit Agreement accrue interest at an annual rate equal to, at the Company's election, (i) the London Inter-Bank Offered Rate ("LIBOR") plus between 1.50% and 2.25%, based on the Company's consolidated leverage ratio, or (ii) a base rate based upon the highest of (a) the federal funds rate plus 0.50%, (b) BoA's prime rate, or (c) LIBOR plus 1.00% plus between 0.50% and 1.25%, based on the Company's consolidated leverage ratio. Additionally, the New Credit Agreement is subject to an unused line of credit fee between 0.15% and 0.35% per annum, based on the Company's consolidated leverage ratio.

The Company's payment and performance obligations under the New Credit Agreement and related loan documents are secured by 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 March 31, 2022, we had \$524,134 drawn against the revolving line of credit under the New Credit Agreement. The proceeds were used to finance the acquisitions detailed below. As of March 31, 2022, we were in compliance with the consolidated leverage ratio, interest coverage ratio, and other covenants under the New Credit Agreement.

### **Acquisitions**

The Company recently completed the acquisitions of Appreciate, AdColony Holding AS ("AdColony"), and Fyber, N.V. ("Fyber") to execute on its expressed strategy of becoming a leading end-to-end solution for mobile brand acquisition, advertising, and monetization. The following is a summary of each of those acquisitions:

**Appreciate:** On March 1, 2021, Digital Turbine, through its wholly-owned subsidiary Digital Turbine (EMEA) Ltd. ("DT EMEA"), an Israeli company, entered into a Share Purchase Agreement with Triapodi Ltd., an Israeli company (d/b/a Appreciate) ("Appreciate"), the stockholder representative, and the stockholders of Appreciate, pursuant to which DT EMEA acquired, on March 2, 2021, all of the outstanding capital stock of Appreciate in exchange for total consideration of \$20,003 in cash (the "Appreciate Acquisition"). Under the terms of the Share Purchase Agreement, DT EMEA entered into bonus arrangements to pay up to \$6,000 in retention bonuses and performance bonuses to the founders and certain other employees of Appreciate. None of the goodwill recognized was deductible for tax purposes.

The acquisition of Appreciate delivered valuable deep ad-tech and algorithmic expertise to help Digital Turbine execute on its broader, longer-term vision. Deploying Appreciate's technology expertise across Digital Turbine's global scale and reach should further benefit partners and advertisers that are a part of the combined Company's platform.

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

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

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

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

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

The Company recognized \$4,214 of costs related to the AdColony Acquisition, which were included in general and administrative expenses on the consolidated statement of operations and comprehensive income / (loss) for the year ended March 31, 2022.

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

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

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

- i. Approximately \$150,000 in cash, \$124,336 of which was paid to the Seller at the closing of the acquisition and the remainder of which is to be paid to the Minority Fyber Shareholders for the Minority Fyber Shares pursuant to the tender offer described below;

- ii. 5,816,588 newly-issued shares of common stock of the Company to the Seller, which such number of shares were determined based on the volume-weighted average price of the common stock on NASDAQ during the 30-day period prior to the closing date, equal in value to \$359,233 at the Company's common stock closing price on May 25, 2021, as follows.
  - 1. 3,216,935 newly-issued shares of common stock of the Company equal in value to \$198,678, issued at the closing of the acquisition;
  - 2. 1,500,000 newly-issued shares of common stock of the Company equal in value to \$92,640, issued on June 17, 2021;
  - 3. 1,040,364 newly-issued shares of common stock of the Company equal in value to \$64,253, issued on July 16, 2021;
  - 4. 59,289 shares of common stock equal in value to \$3,662, to be newly-issued during the Company's fiscal second quarter 2022, but subject to a true-up reduction based on increased transaction costs associated with the staggered delivery of the Majority Fyber Shares to the Company, which true-up reduction has been finalized, as described below; and

- iii. Contingent upon Fyber's net revenue (revenue less associated license fees and revenue share) being equal to or higher than \$100,000 for the 12-month earn-out period ending on March 31, 2022, as determined in the manner set forth in the Sale and Purchase Agreement, a certain number of shares of the Company's common stock, which will be newly-issued to the Seller at the end of the earn-out period, and under certain circumstances, an amount of cash, which value of such shares, based on the weighted average share price for the 30-days prior to the end of the earn-out period, and cash in aggregate, will not exceed \$50,000 (subject to set-off against certain potential indemnification claims against the Seller). Based on estimates at the time of the acquisition, the Company initially determined it was unlikely Fyber would achieve the earn-out net revenue target and, as a result, no contingent liability was recognized at that time.

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

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

As of March 31, 2022, the Company determined Fyber's net revenue for the measurement period exceeded \$100,000. As a result, the Company recorded a charge of \$50,000 to change in fair value of contingent consideration on the consolidated statement of operations and comprehensive income / (loss) for the fiscal year ended March 31, 2022, which was also recorded in acquisition purchase price liabilities on the consolidated balance sheet as of March 31, 2022. The Company settled the obligation through the issuance of approximately 1,200,000 shares of the Company's common stock subsequent to its fiscal year ended March 31, 2022.

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

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

The Company recognized \$18,698 of costs related to the Fyber Acquisition, which were included in general and administrative expenses on the consolidated statement of operations and comprehensive income / (loss) for the year ended March 31, 2022.

## **Segment Reporting**

Prior to the acquisitions of both AdColony and Fyber, the Company had one operating and reportable segment called Media Distribution. As a result of the acquisitions, the Company reassessed its operating and reportable segments in accordance with ASC 280, *Segment Reporting*. Effective April 1, 2021, the Company operates through the following three segments, each of which is a reportable segment:

- **On Device Media ("ODM")** - This segment is the legacy single reporting segment of Digital Turbine prior to the AdColony and Fyber acquisitions. This segment generates revenue from products and services that simplify the discovery and delivery of mobile apps and content media for device end-users. The Company provides ODM solutions to all participants in the mobile application ecosystem who want to connect with end users and consumers who hold the device, including mobile carriers and device original equipment manufacturers ("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.
- **In App Media – AdColony ("IAM-A")** - The Company's In App Media - AdColony ("IAM-A") segment provides a platform that allows mobile app publishers and developers to monetize their monthly active users via display, native, and video advertising. The IAM-A platform allows demand side platforms ("DSPs"), 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. IAM-A also provides brand and performance advertising services to advertisers and agencies. IAM-A customers are primarily DSPs, advertisers and agencies and relationships with app publishers are a key success factor.
- **In App Media – Fyber ("IAM-F")** - The Company's In-App Media - Fyber ("IAM-F") segment consists of products and services to enable agencies, brands, and app developers to reach large audiences while achieving key performance indicators ranging from reach to frequency, cost-per-install, and return on ad spend. These campaigns are filled via in-house developed technologies and platforms customized to reach a wide array of audiences globally while being compatible with industry-recognized partners around measurement, data matching, and creative services. IAM-F customers are primarily DSPs, advertisers and agencies and relationships with app publishers are a key success factor.

## **Impact of COVID-19**

Our results of operations are affected by economic conditions, including macroeconomic conditions, levels of business confidence, and consumer confidence. Due to the continued uncertainties associated with the COVID 19 pandemic, it is difficult to predict how our business and the demand for our service offerings will be impacted. The extent to which COVID-19 impacts our operational and financial performance will depend in part on actions taken by governments, individuals and businesses, including carriers and OEMs in relation to their sales of smartphones, tablets, and other devices, and application developers and in-app advertisers in relation to demand for advertising. If COVID-19 continues to have a significant negative impact on global economic conditions over a prolonged period of time, our results of operations and financial condition could be adversely impacted. Presently, we are conducting business as usual, with some modifications to employee travel, employee work locations, and cancellation of certain marketing events, among other modifications. We will continue to actively monitor the situation and 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. See the section titles "Item 1A. Risk Factors - Public health issues, such as major epidemic or pandemic, could adversely affect our business or financial results" for additional information.

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## RESULTS OF OPERATIONS

*The following discusses the results of our operations for the year ended March 31, 2022, compared to the year ended March 31, 2021. For a discussion of the results of our operations for the year ended March 31, 2021, compared to the year ended March 31, 2020, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended March 31, 2021, filed with SEC on June 10, 2021. References to "Notes" are notes to our consolidated financial statements in "Item 8. Financial Statements and Supplementary Data."*

### **Net revenue (\$ in thousands)**

	<b>Year ended March 31,</b>		<b>% of Change</b>
	<b>2022</b>	<b>2021</b>	
Net revenue			
On Device Media	\$ 502,636	\$ 313,579	60.3 %
In App Media - AdColony	169,725	—	100.0 %
In App Media - Fyber	92,611	—	100.0 %
Elimination	(17,376)	—	(100.0)%
Total net revenue	<u><u>\$ 747,596</u></u>	<u><u>\$ 313,579</u></u>	<u><u>138.4 %</u></u>

### **Fiscal 2022 compared to fiscal 2021**

During the year ended March 31, 2022, net revenue increased by \$434,017 or 138.4% compared to the prior year. The increase was due to a combination of continuing organic growth of the Company's legacy business (now the On Device Media segment) and contributions from recent acquisitions. When the Company reports revenue on a net basis, net revenue from the transaction is reported net of the license fees and revenue share expense associated with the transaction. Approximately \$139,241 of our net revenue for the year ended March 31, 2022, was reported net of the associated license fees and revenue share expense.

#### ***On Device Media***

The Company's ODM segment generates revenue from services that deliver mobile application media or content media to end users. This segment is the legacy reporting segment of Digital Turbine (previously called Media Distribution) and its customers are mobile device carriers and OEMs as well as advertisers. During the year ended March 31, 2022, ODM revenue increased by \$189,057 or 60.3% compared to the prior year. The increase was primarily due to increased demand for our application media and content media distribution services, which led to higher revenue per available placement, as well as increased revenue from advertising partners as placement across existing commercial partners expanded, distribution with new partners expanded, and new services and features were deployed or expanded upon. Increase in application media distribution increased \$150,132 as compared to the prior year, while content media distribution increased \$38,925 as compared to the prior year.

#### ***In App Media - AdColony***

The Company's IAM-A segment is comprised of the operations of the AdColony Acquisition and generates revenue from its platform that allows demand side platforms ("DSPs"), 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. IAM-A also provides brand and performance advertising services to advertisers and agencies. Total net revenue for the year ended March 31, 2022 was \$169,725.

Revenue for the IAM-A segment is reported on both a gross and net (revenue, net of license fees and revenue share expense) basis. Revenue from its brand and performance services are reported on a gross basis as the Company acts as a principal in the transaction and generated net revenue of \$123,094 for the year ended March 31, 2022. Revenue reported on a net basis are primarily related to the segment's platform that enables programmatic, real-time bidding for ad impressions as the Company acts as an agent in the transactions and had net revenue of \$46,631 for the year ended March 31, 2022. Please see Note 3, "Acquisitions," for further information.

### **In App Media - Fyber**

The Company's IAM-F segment provides a platform that allows mobile app publishers and developers to monetize their monthly active users via display, native, and video advertising. The IAM-F platform allows demand side platforms ("DSPs"), 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 IAM-F segment is comprised of the Fyber Acquisition and, reports revenue on a net (revenue, net of license fees and revenue share expense) basis as the Company acts as an agent in the transactions. Net revenue for the year ended March 31, 2022, were \$92,611. Please see Note 3, "Acquisitions," for further information.

#### **Costs of revenue and operating expenses (\$ in thousands)**

	<b>Year ended March 31,</b>		<b>% of Change</b>
	<b>2022</b>	<b>2021</b>	
Costs of revenue and operating expenses			
License fees and revenue share	\$ 370,648	\$ 178,649	107.5 %
Other direct costs of revenue	29,838	2,358	1,165.4 %
Product development	52,723	20,119	162.1 %
Sales and marketing	63,309	19,304	228.0 %
General and administrative	138,837	33,940	309.1 %
Total costs of revenue and operating expenses	<u>\$ 655,355</u>	<u>\$ 254,370</u>	<u>157.6 %</u>

#### **Fiscal 2022 compared to fiscal 2021**

For the year ended March 31, 2022, total costs of revenue and operating expenses increased by \$400,985 compared to the year ended March 31, 2021. The increase in total costs of revenue and operating expenses was a result of continuing organic growth and the acquisitions of Appreciate, AdColony, and Fyber. Costs of revenue and operating expenses included transaction costs of \$26,237 for the year ended March 31, 2022, compared to \$3,413 for the year ended March 31, 2021.

#### **License fees and revenue share**

License fees and revenue share include amounts paid to our carrier and OEM partners, as well as app publishers and developers who drive the revenue generated from advertising via direct cost-per-thousand ("CPM"), cost-per-install (CPI), cost-per-placement ("CPP"), or cost-per-acquisition ("CPA") arrangements, and are recorded as a cost of revenue. In addition, when indirect arrangements exist through advertising aggregators (ad networks) and revenue is shared with our carrier and app development partners, the shared revenue is also recorded as a cost of revenue.

License fees and revenue share increased by \$191,999 to \$370,648 for the year ended March 31, 2022, and was 49.6% as a percentage of total net revenue compared to \$178,649, or 57.0% of total net revenue, for the year ended March 31, 2021.

The increase in license fees and revenue share was attributable to the increase in total net revenue over the same period as these costs are paid as a percentage of our revenue. The decrease in license fees and revenue share as a percentage of total net revenue was primarily due to our recent acquisitions, which report revenue on a net basis for certain product lines.

#### **Other direct costs of revenue**

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

Other direct costs of revenue increased to \$29,838 for the year ended March 31, 2022, and was 4.0% as a percentage of total net revenue compared to \$2,358, or 0.8% of total net revenue, for the year ended March 31, 2021.

The increase in other direct costs of revenue for the year ended March 31, 2022, compared to the prior year, was primarily driven by our recent acquisitions and continued growth for the legacy On Device Media segment, both of which contributed to significant increases in hosting costs.

#### ***Product development***

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

Product development expenses increased by \$32,604 to \$52,723 for the year ended March 31, 2022, and was 7.1% as a percentage of total net revenue compared to \$20,119, or 6.4% of total net revenue, for the year ended March 31, 2021. For the years ended March 31, 2022 and 2021, product development expenses included acquisition-related costs of \$2,699 and \$92, respectively. Excluding acquisition-related costs, product development expenses as a percentage of total net revenue was relatively consistent, increasing to 6.7% for the fiscal year ended March 31, 2022, from 6.4% for fiscal year ended and March 31, 2021.

The increase in product development expenses for the year ended March 31, 2022, compared to the prior year, was primarily attributable to higher product development headcount, both organically and through our recent acquisitions, and incremental third-party development costs due to increased development activities to support revenue growth.

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

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

Sales and marketing expenses increased by \$44,005 to \$63,309 for the year ended March 31, 2022, and was 8.5% as a percentage of total net revenue compared to \$19,304, or 6.2% of total net revenue, for the year ended March 31, 2021. For the year ended March 31, 2022, sales and marketing expenses included \$512 of acquisition-related costs. Excluding acquisition-related costs, sales and marketing expenses as a percentage of total net revenue was 8.4% for the year ended March 31, 2022.

The increase in sales and marketing expenses for the year ended March 31, 2022, compared to the prior year, was primarily due to our recent acquisitions and additional headcount in existing markets to support the Company's continued expansion of its global footprint. The increase in sales and marketing expenses as a percentage of total net revenue was primarily due to higher-leverage sales and marketing resources, advertising and marketing campaigns, and campaign management as total net revenue grew at a higher rate.

#### ***General and administrative***

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

General and administrative expenses increased by \$104,897 to \$138,837 for the year ended March 31, 2022, and was 18.6% as a percentage of total net revenue compared to \$33,940, or 10.8% of total net revenue, for the year ended March 31, 2021. For the years ended March 31, 2022 and 2021, general and administrative expenses included acquisition-related costs of \$23,026 and \$3,321, respectively. Excluding acquisition-related costs, general and administrative expenses as a percentage of total net revenue was 15.5% and 9.8% for the fiscal years ended March 31, 2022 and 2021, respectively.

The increase in general and administrative expenses for the year ended March 31, 2022, compared to the prior year, was primarily due to the recent acquisitions of AdColony and Fyber. In addition, general and administrative expenses increased due to higher employee-related expenses, including stock-based compensation, primarily from higher headcount to support the Company's growth, higher professional service costs, and an increase in amortization of intangible assets and depreciation for capitalized internal-use software due to the recent acquisitions.

**Interest and other income / (expense), net (\$ in thousands)**

	<b>Year ended March 31,</b>		<b>% of Change</b>
	<b>2022</b>	<b>2021</b>	
Interest and other income / (expense), net			
Change in fair value of contingent consideration	\$ (41,087)	\$ (15,751)	(160.9)%
Interest expense, net	(8,495)	(1,003)	(747.0)%
Loss on extinguishment of debt	—	(452)	100.0 %
Foreign exchange transaction gain	2,062	—	100.0 %
Other income / (expense), net	(749)	(146)	(413.0)%
<b>Total interest and other income / (expense), net</b>	<b>\$ (48,269)</b>	<b>\$ (17,352)</b>	<b>(178.2)%</b>

**Fiscal 2022 compared to fiscal 2021**

Total interest and other income / (expense), net, for the years ended March 31, 2022 and 2021, was approximately \$48,269 and \$17,352, respectively, an increase in net expense of \$30,917.

***Change in fair value of contingent consideration***

For the years ended March 31, 2022 and 2021, the Company recorded charges for changes in fair value of contingent consideration of \$41,087 and \$15,751, respectively. The change in fair value of contingent consideration for the fiscal year ended March 31, 2022, was due to a charge of \$50,000 for the increase in the fair value of the Fyber earn-out, offset by reduction in the fair value of the AdColony earn-out of \$8,913. The change in fair value of contingent consideration for the fiscal year ended March 31, 2021 related to the Mobile Posse acquisition.

***Interest income / (expense), net***

For the years ended March 31, 2022 and 2021, the Company recorded net interest expense of \$8,495 and \$1,003, respectively, an increase of \$7,492 or 747.0%. The increase was primarily due to borrowings under the New Credit Agreement with BoA and interest on the loans we assumed through our acquisition of Fyber. The increase in borrowings was primarily due to the recently completed acquisitions. Interest expense also includes the amortization of debt issuance costs related to our New Credit Agreement.

***Foreign exchange transaction gain***

The foreign exchange transaction gain of \$2,062 was primarily attributable to fluctuations in foreign exchange rates for trade accounts receivables and payables denominated in currencies other than the functional currency of foreign entities.

**Liquidity and Capital Resources**

Our primary sources of liquidity are cash from operations and debt. As of March 31, 2022, we had cash in total of approximately \$127,162 and \$866 available to draw under the New Credit Agreement with BoA. The maturity date of the New Credit Agreement is April 29, 2026, and the outstanding balance of \$524,134 is classified as long-term debt, net of debt issuance costs of \$3,349, on our consolidated balance sheet as of March 31, 2022.

Our ability to meet our debt service obligations and to fund working capital, capital expenditures, and investments in our business will depend upon our future performance, which will be subject to financial, business, and other factors affecting our operations, many of which are beyond our control, availability of borrowing capacity under our credit facility, and our ability to access the capital markets. For example, these factors could include general and regional economic, financial, competitive, legislative, regulatory, and other factors. We cannot ensure that we will generate cash flow from operations, or that future borrowings or the capital markets will be available, in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs. We could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional indebtedness or equity capital, or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations.

The Company believes it will generate sufficient cash flow from operations and has the liquidity and capital resources to meet its business requirements for at least twelve months from the filing date of this Annual Report on Form 10-K.

#### **Outstanding Secured Indebtedness**

The Company's outstanding secured indebtedness under the New Credit Agreement is \$524,134 as of March 31, 2022. See "Recent Developments - Credit Agreement" for additional information on the New Credit Agreement. The Company's ability to borrow additional amounts under its New Credit Agreement could have significant negative consequences, including:

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

Our credit facility also contains a maximum consolidated secured net leverage ratio and minimum consolidated interest coverage ratio. There can be no assurance we will continue to satisfy these ratio covenants. If we fail to satisfy these covenants, the lender may declare a default, which could lead to acceleration of the debt maturity. Any such default would have a material adverse effect on the Company.

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

#### **Debt Assumed Through Fyber Acquisition**

As a part of the Fyber Acquisition, the Company assumed \$25,789 of debt previously held by Fyber. This debt was comprised of amounts drawn against three separate revolving lines of credit. The Company settled two of the three revolving lines of credit, resulting in payments of \$13,289, during the year ended March 31, 2022. Details for the remaining line of credit can be found in Note 9, "Debt," of the consolidated financial statements. The remaining revolving line of credit from Bank Leumi matures on June 15, 2022. The balance of \$12,500 on this line of credit is classified as short-term debt on the consolidated balance sheet as of March 31, 2022.

#### **Acquisition Purchase Price Liability**

The Company recognized an acquisition purchase price liability of \$50,000 on its consolidated balance sheet as of March 31, 2022, for the contingent earn-out consideration for the Fyber Acquisition. The Company settled the obligation through the issuance of approximately 1,200,000 shares of the Company's common stock subsequent to its fiscal year ended March 31, 2022.

#### **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 \$212,572 over the next five years.

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

	Year ended March 31,		% of Change	
	2022	2021		
	(in thousands)			
<b>Consolidated statements of cash flows data:</b>				
<b>Net cash provided by operating activities</b>	\$ 84,738	\$ 62,795	34.9 %	
Business acquisitions, net of cash acquired	(148,722)	(28,604)	(419.9) %	
Capital expenditures	(23,280)	(9,204)	(152.9) %	
<b>Net cash used in investing activities</b>	<b>(172,002)</b>	<b>(37,808)</b>	<b>(354.9) %</b>	
Payment of contingent consideration	—	(16,956)	100.0 %	
Proceeds from borrowings	549,060	15,000	3,560.4 %	
Payment of debt issuance costs	(4,064)	(469)	(766.5) %	
Payment of deferred business acquisition consideration	(302,676)	—	(100.0) %	
Options and warrants exercised	4,300	7,209	(40.4) %	
Payment of withholding taxes for net share settlement of equity awards	(8,605)	—	(100.0) %	
Repayment of debt obligations	(52,772)	(20,000)	(163.9) %	
<b>Net cash provided by / (used in) financing activities</b>	<b>\$ 185,243</b>	<b>\$ (15,216)</b>	<b>1,317.4 %</b>	

***Operating Activities***

Cash provided by operating activities was \$84,738 for the year ended March 31, 2022, compared to \$62,795 for the year ended March 31, 2021. The increase of \$21,943 was due to the following:

- \$117,428 increase due to higher non-cash charges, primarily for depreciation and amortization, change in fair value of contingent consideration, and stock-based compensation expense. These increases were primarily due to the impact of the AdColony and Fyber acquisitions on operating activities post-acquisition; partially offset by
- \$76,170 decrease for changes in operating assets and liabilities, primarily due to higher net working capital to support the Company's growth, and the payout of compensation related to the AdColony and Fyber acquisitions and the Company's annual incentive plan; and a
- \$19,315 decrease in net income.

***Investing Activities***

For the year ended March 31, 2022, net cash used in investing activities was approximately \$172,002, comprised of cash expenditures for business acquisitions, net of cash acquired, of \$148,722 and capital expenditures related mostly to internally-developed software of \$23,280. For the year ended March 31, 2021, net cash used in investing activities was approximately \$37,808, comprised of cash expenditures for business acquisitions, net of cash acquired, of \$28,604 and capital expenditures related mostly to internally-developed software of \$9,204. The \$120,118 increase in cash expenditures for business acquisitions was due to our acquisitions of AdColony and Fyber during the year ended March 31, 2022, as compared to our acquisition of Mobile Posse, Inc., during the year ended March 31, 2021. The \$14,076 increase in capital expenditures was due to a combination of continued investments in product development for our legacy ODM business as well as development activities at our AdColony and Fyber Acquisitions.

***Financing Activities***

For the year ended March 31, 2022, net cash provided by financing activities was approximately \$185,243, comprised of proceeds from borrowings of \$549,060 primarily used for the acquisitions of AdColony and Fyber, and options exercised of \$4,300, partially offset by payment of deferred business acquisition consideration of \$302,676, repayment of debt obligations of \$52,772, payment of withholding taxes for net share settlement of equity awards of \$8,605, and payment of debt issuance costs of \$4,064. For the year ended March 31, 2021, net cash used in financing activities was approximately \$15,216, comprised of payment of contingent consideration of \$16,956 related to the Mobile Posse acquisition and repayment of debt obligations of \$20,000, offset by proceeds from borrowings of \$15,000 and proceeds from the exercise of stock options of \$7,209.

## **Critical Accounting Policies and Estimates**

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

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

### **Revenue Recognition**

We generate revenue from transactions for the purchase and sale of digital advertising inventory through our various platforms and service offerings. Generally, our revenue is based on a percentage of the ad spend through our platforms, although for certain service offerings, we receive a fixed cost-per-thousand ("CPM") or cost-per-install ("CPI") for ad impressions sold or app installs completed. We recognize revenue upon fulfillment of our performance obligation to our customers, which generally occurs at the point in time when an ad is rendered or an end consumer action, such as an app install, is completed.

### **ODM - Carriers and OEMs**

We enter contracts with carriers and OEMs for our ODM segment to help the customer control, manage, and monetize the mobile device through the marketing of application slots or advertisement space/inventory to advertisers and delivering the applications or advertisements to the mobile device. The Company generally offers these services under a revenue share model or, to a lesser extent, a customer contract per-device license fee model for a two-to-four-year software as a service ("SaaS") license agreement. These agreements typically include the following services: the access to a SaaS platform, hosting, solution features, and general support and maintenance. The Company has concluded that each promised service is delivered concurrently, interdependently, and continuously with all other promised services over the contract term and, as such, has concluded these promises are a single performance obligation that is delivered to the customer over a series of distinct service periods over the contract term. The Company meets the criteria for overtime recognition because the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs, and the same method would be used to measure progress over each distinct service period. The fees for such services are not known at contract inception but are measurable during each distinct service period. The Company's contracts do not include advance non-refundable fees. The Company's fees for these services are based upon a revenue-share arrangement with the carrier or OEM. Both parties have agreed to share the revenue earned from third-party advertisers, discussed below, for these services.

### **ODM - Third-Party Advertisers**

The Company generally offers these services through cost-per-install ("CPI"), cost-per-placement ("CPP"), and/or cost-per-action ("CPA") arrangements with third-party advertisers, developers, agencies, and advertising aggregators, generally in the form of insertion orders. The insertion orders specify the type of arrangement and additional terms such as advertising campaign budgets and timelines as well as any constraints on advertising types. These customer contracts can be open ended with regard to length of time and can renew automatically unless terminated; however, specific advertising campaigns are generally short-term in nature. These agreements typically include the delivery of applications to home screens of mobile devices. Access to inventory of application slots is allocated by carriers or OEMs in the contracts identified above. The Company controls these application slots and markets it on behalf of the carriers and OEMs to the advertisers. The Company has concluded that the performance obligation within the contract is complete upon delivery of the application to the device. Revenue recognition related to CPI and CPA arrangements is dependent upon an action of the end user. As a result, the transaction price is variable and is fully constrained until an install or action occurs.

#### **ODM - Programmatic Advertising and Targeted Media Delivery**

The Company generally offers these services under CPM impression arrangements and page-view arrangements. Through its mobile phone first screen applications and mobile web portals, the Company markets ad space/inventory within its content products for display advertising. The ad space/inventory is allocated to the Company through arrangement with the carrier or OEM in the contracts discussed above. The Company controls this ad space/inventory and markets it on behalf of the carriers and OEMs to the advertisers. The Company's advertising customers can bid on each individual display ad and the highest bid wins the right to fill each ad impression. Advertising agencies acting on the behalf of advertisers bid on the ad placement via the Company's advertising exchange customers. When the bid is won, the ad will be received and placed on the mobile device by the Company. The entire process happens almost instantaneously and on a continuous basis. The advertising exchanges bill and collect from the winning bidders and provide daily and monthly reports of the activity to the Company. The Company has concluded that the performance obligation is satisfied at the point in time upon delivery of the advertisement to the device based on the impressions or page-view arrangement, as defined in the contract.

Through its mobile phone first screen applications and mobile web portals, the Company's software platform also recommends sponsored content to mobile phone users and drives web traffic to a customer's website. The Company markets this content to content sponsors, such as Outbrain or Taboola, similarly to the marketing of ad space/inventory. This sponsored content takes the form of articles, graphics, pictures, and similar content. The Company has concluded that the performance obligation within the contract is complete upon delivery of the content to the mobile device.

#### **IAM-A and IAM-F - Marketplace**

The Company, through its IAM-A and IAM-F segments, provides platforms that allow demand-side platforms ("DSPs") and publishers to buy and sell ad inventory, respectively, in a programmatic, real-time bidding ("RTB") auction. The Company generally contracts with DSPs through an RTB Ad Exchange Agreement ("Exchange Agreement"). It also separately contracts with publishers through an advertising insertion order or service order to provide access to its auction platform and the ad inventory available through the platform. The auction is held when ad inventory becomes available. The Company will send bid requests to various DSPs, which may choose to bid on the available ad inventory. Once a DSP wins an auction, it must deliver an ad, which is generally served through the Company's software development kits ("SDK"). The entire auction process is nearly instantaneous. The Company bills the DSPs based on the total number of impressions and the bid price. It then remits the payment to the publishers, net of a revenue share agreed with the publisher that is generally a percentage of the DSPs' total spending with the publisher through the platform.

#### **IAM-A - Brand and Performance**

The Company, through its IAM-A segment for its Brand and Performance offerings, contracts directly with advertisers or agencies, through insertion orders, that require the Company to fulfill advertising campaigns by identifying and purchasing targeted ad inventory and serving ads on behalf of the advertiser. The insertion orders or addendum communications provide advertising campaign details, such as campaign start and end date, target demographics, maximum budget, and rate. Rates are generally based on an end user action (CPI) or on a CPM basis. Revenue is recognized based on the rate and the number of impressions or end user actions at the time the ad is rendered, or when the end user action is completed.

#### **Principal vs Agent Reporting**

The determination of whether we act as a principal or as an agent in a transaction requires significant judgement and is based on our assessment of the terms of customer arrangements and the relevant accounting guidance. When we are the principal in a transaction, revenue is reported on a gross basis, which is the amount billed to DSPs, advertisers, and agencies. When we are an agent in a transaction, revenue is reported net of license fees and revenue share paid to app publishers or developers.

The Company has determined that it is a principal for its advertiser services for application management and programmatic advertising and targeted media delivery when it controls the application slots or ad space/inventory. This is because it has been allocated such slots or space from the carrier or OEM and is responsible for marketing or monetizing the slots or space. The advertisers look to the Company to acquire such slots or space, and the Company's software is used to deliver the applications, ads or content to the mobile device. The Company also may manage application or ad campaigns of advertisers associated with these services. If the applications or advertisements are not delivered to the mobile device or the Company doesn't comply with certain policies of the advertiser, the Company would be responsible and would have to indemnify the customer for these issues. The Company also has discretion in setting the price of the slots or space based on market conditions, collects the transaction prices, and remits the revenue-share percentage of the transaction price to the carrier or OEM.

The Company recognizes the transaction price received from advertisers, content providers, or websites gross and the carrier or OEM share of such transaction price as costs of revenue - license fees and revenue share - in the accompanying consolidated statements of operations and comprehensive income / (loss).

The carrier or OEM may have the right to market and sell application slots or ad space to advertisers using the Company's software. The carrier or OEM will share revenue with the Company when it does so. The Company recognizes the revenue shared by the carrier or OEM on a net basis as the Company is not considered the primary obligor in these transactions.

The Company has determined that it is a principal for its Brand and Performance offerings as the advertisers or agencies provide parameters for their target audiences, as well as a budget for ad campaigns. Once an advertiser or advertising agency provides its specifications, the Company has the discretion to fulfill the campaign by utilizing its data and proprietary technology. The Company controls the service because it has the ultimate discretion in purchasing ad inventory; and once an ad inventory slot is purchased, filling that ad inventory slot. As a result, the Company reports the revenue billed to advertisers and agencies on a gross basis and revenue shares paid to publishers as license fees and revenue share.

The Company has determined that it is an agent in transactions on its Marketplace platforms. The Company acts as an intermediary between DSPs and publishers by providing access to a platform and the SDKs that allow both parties to transact in the buying and selling of ad inventory. The transaction price is determined through a real-time auction and the Company has no pricing discretion or obligation related to the fulfillment of the advertising delivery.

#### **Software Development Costs**

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

The Company has adopted the "tested working model" approach to establish technological feasibility for its products. Under this approach, the Company does not consider a product in development to have passed the technological feasibility milestone until the Company has completed a model of the product that contains essentially all the functionality and features of the final product and has tested the model to ensure that it works as expected.

The Company considers the following factors in determining whether costs can be capitalized: the emerging nature of the mobile market; the gradual evolution of the wireless carrier platforms and devices for which it develops products; the lack of pre-orders or sales history for its products; the uncertainty regarding a product's revenue-generating potential; its lack of control over the carrier distribution channel resulting in uncertainty as to when, if ever, a product will be available for sale; and its historical practice of canceling products at any stage of the development process.

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

The Company also applies the principles of FASB ASC 350-40, *Accounting for the Cost of Computer Software Developed or Obtained for Internal Use* ("ASC 350-40"). ASC 350-40 requires that software development costs incurred before the preliminary project stage be expensed as incurred. We capitalize development costs related to these software applications once the preliminary project stage is complete and it is probable that the project will be completed, and the software will be used to perform the functions intended.

## **Income Taxes**

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

The Company is required to evaluate its ability to realize its deferred tax assets using all available evidence, both positive and negative, and determine if a valuation allowance is needed. Further, ASC 740-10-30-18 outlines the four possible sources of taxable income that may be available to realize a tax benefit for deductible temporary differences and carry-forwards. The sources of taxable income are listed below from least to most subjective:

- Future reversals of existing taxable temporary differences
- Future taxable income exclusive of reversing temporary differences and carryforwards
- Taxable income in prior carryback year(s) if carryback is permitted under the tax law
- Tax-planning strategies that would, if necessary, be implemented to, for example:
  - Accelerate taxable amounts to utilize expiring carryforwards
  - Change the character of taxable or deductible amounts from ordinary income or loss to capital gain or loss
  - Switch from tax-exempt to taxable investments

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

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

## **Stock-Based Compensation**

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

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

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

The Company grants restricted stock units ("RSUs") subject to performance conditions that vest based on the satisfaction of the conditions of the award. The fair value of performance-based awards is determined using the market closing price on the grant date as well as the Company's judgment of likely future performance, which impacts the total number of RSUs that will be issued to the employees.

## **Business Combinations**

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, estimated replacement costs and future expected cash flows from acquired users, acquired technology, acquired patents, and acquired trade names from a market participant perspective. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Allocation of purchase consideration to identifiable assets and liabilities affects Company amortization expense, as acquired finite-lived intangible assets are amortized over the useful life, whereas any indefinite lived intangible assets, including goodwill, are not amortized. During the measurement period, which is not to exceed one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

## **Goodwill and Indefinite-Lived Intangible Assets**

Goodwill represents the excess of acquisition cost over fair value of net assets of businesses acquired. In accordance with FASB ASC 350-20 *Goodwill and Other Intangible Assets*, the values assigned to goodwill and indefinite-lived intangible assets are not amortized to expense, but rather they are evaluated, at least on an annual basis, to determine if there are potential impairments.

For goodwill and indefinite-lived intangible assets, we complete what is referred to as the "Step 0" analysis, which involves evaluating qualitative factors including macroeconomic conditions, industry and market considerations, cost factors, and overall financial performance. If our "Step 0" analysis indicates it is more likely than not the fair value is less than the carrying amount, we would perform a quantitative two-step impairment test.

The quantitative analysis compares the fair value of our reporting unit or indefinite-lived intangible assets to their carrying amounts and an impairment loss is recognized equivalent to the excess of the carrying amount over the fair value. Fair value is determined based on discounted cash flows, market multiples, or appraised values, as appropriate. Discounted cash flow analysis requires assumptions about the timing and amount of future cash inflows and outflows, risk, the cost of capital, and terminal values. Each of these factors can significantly affect the value of the intangible asset. The estimates of future cash flows, based on reasonable and supportable assumptions and projections, require management's judgment.

Any changes in key assumptions about the Company's businesses and their prospects, or changes in market conditions, could result in an impairment charge. Some of the more significant estimates and assumptions inherent in the intangible asset valuation process include: the timing and amount of projected future cash flows; the discount rate selected to measure the risks inherent in the future cash flows; and the assessment of the asset's life cycle and the competitive trends impacting the asset, including consideration of any technical, legal or regulatory trends.

In the years ended March 31, 2022 and 2021, the Company determined there were no indicators of impairment of goodwill. See Note 5, "Goodwill and Intangible Assets," to the Company's consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K. In performing the related valuation analyses, the Company used various valuation methodologies including probability-weighted discounted cash flows, comparable transaction analysis, and market capitalization and comparable company multiple comparison.

## **Recently Issued Accounting Pronouncements**

Recent accounting pronouncements are detailed in Note 2, "Basis of Presentation and Summary of Significant Accounting Policies," to our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

### **Interest Rate Fluctuation Risk**

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

Our borrowings under our credit facility are subject to variable interest rates and thus expose us to interest rate fluctuations, depending on the extent to which we utilize the credit facility. If market interest rates materially increase, our results of operations could be adversely affected. A hypothetical increase in market interest rates of 100 basis points would result in an increase in our interest expense of \$1,000 per year for every \$100,000 of outstanding debt under the credit facility.

### **Foreign Currency Exchange Risk**

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. dollar. While a portion of our sales are denominated in foreign currencies and then translated into U.S. dollars, the vast majority of our license fees and revenue share and operating expenses are billed in U.S. dollars, causing both our revenue and our income from operations and net income to be impacted by fluctuations in exchange rates. In addition, gains / (losses) related to translating certain cash balances, trade accounts receivable and payable balances, and intercompany balances impact our net income. As our foreign operations expand, our results may be more impacted by fluctuations in the exchange rates of the currencies in which we do business.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**DIGITAL TURBINE, INC.**  
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## **Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders  
Digital Turbine, Inc.

### **Opinion on the financial statements**

We have audited the accompanying consolidated balance sheets of Digital Turbine, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of March 31, 2022 and 2021, the related consolidated statements of operations and comprehensive income / (loss), stockholders’ equity, and cash flows for each of the two years in the period ended March 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended March 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of March 31, 2022, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated June 6, 2022, expressed an adverse opinion.

### **Basis for opinion**

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

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

### **Critical audit matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### *Determination of whether the Company acts as a principal or as an agent in a revenue transaction*

As described further in Note 2 to the consolidated financial statements, the determination of whether the Company acts as a principal or as an agent in a revenue transaction requires significant judgment and is based on an assessment of the terms of customer arrangements and the relevant accounting guidance. In the industry for mobile brand acquisition, advertising and monetization, companies commonly use third parties to assist in delivery of the performance obligation to the customer, resulting in the need to determine whether the Company is acting as a principal or as an agent. We identified the presentation of revenue on a gross or net basis, representing the Company acting as a principal or as an agent, as a critical audit matter.

The principal consideration for our determination that the presentation of revenue on a gross or net basis is a critical audit matter is that the evaluation is complex and requires a high degree of auditor judgment due to the subjective nature of evaluating the various qualitative factors in determining whether the Company acts as a principal or agent. The significant judgment is primarily due to the evaluation of the qualitative factors including the nature of the business model, evaluation of the terms and conditions contained in publisher and advertiser contracts, expectations of the customer, and technology used to deliver the performance obligation. These qualitative factors are subjectively weighted to determine whether the Company controls the promised good or service before transferring that good or service to the customer.

Our audit procedures related to the presentation of revenue on a gross or net basis included the following, among others.

- We reviewed, on a sample basis, the terms of contracts with customers and vendors in order to evaluate management's assessment of whether the Company acts as a principal or as an agent
- Discussed the terms and conditions contained in the contracts with operational and finance personnel responsible for managing the contractual arrangements
- Assessed customer expectations based on the terms and conditions contained in the contracts and the nature of the business model
- Evaluated the related disclosures in the consolidated financial statements

*Valuation of the acquired intangible assets and contingent consideration in business combinations*

As described further in Note 3 to the consolidated financial statements, the Company completed the acquisition of 95.1% ownership of Fyber N.V. in May 2021 for total consideration of approximately \$508 million, including estimated contingent consideration with an initial fair value of \$0, resulting in the recording of \$561 million of intangible assets, including goodwill. Additionally, the Company completed the acquisition of 100% of the capital stock of AdColony Holding AS in April 2021 for total consideration of \$412 million including estimated contingent consideration with an initial fair value of \$213 million, resulting in the recording of \$397 million of intangible assets, including goodwill. These acquisitions were accounted for as business combinations. We identified the valuation of the acquired intangible assets and contingent consideration as a critical audit matter.

The principal considerations for our determination that the valuation of acquired intangible assets and contingent consideration is a critical audit matter is that the valuation of the acquired intangible assets and contingent consideration was considered especially challenging and required significant auditor judgment due to the complex determination by management of the appropriate assumptions, such as discount rates, revenue projections, and projected profit margins, for the valuation of the acquired intangible assets and contingent consideration. The Company, utilizing third-party specialists, used income valuation models including relief from royalty method, the replacement method and the Multi-Period Excess Earning Method (MPEEM) to measure the identified intangible assets. The contingent consideration was valued either through the use of a risk-neutral pricing analysis within a Monte Carlo simulation framework or an option pricing model. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve professionals having expertise in the valuation of acquired intangible assets and contingent consideration, when performing audit procedures to evaluate management's judgments and conclusions related to the valuation of the intangible assets and contingent consideration.

Our audit procedures related to the valuation of the acquired intangible assets and contingent consideration included the following, among others.

- Tested management's process and related internal controls for developing fair value estimates including the development of key assumptions such as discount rates, revenue projections, and projected profit margins
- Tested the completeness and accuracy of the underlying data used to develop the fair value estimates
- Evaluated the appropriateness of the valuation models and methodologies used by management
- Assessed the reasonableness of management's forecasts by comparing the projections to historical results and external sources including industry trends and peer companies' historical data
- Involved professionals with specialized skills and knowledge to assist in the evaluation of the significant assumptions used by management including the discount rates, attrition rates, and royalty rates, among others

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2021.

Dallas, Texas  
June 6, 2022

## **Report of Independent Registered Public Accounting Firm**

Board of Directors and Stockholders  
Digital Turbine, Inc.

### **Opinion on internal control over financial reporting**

We have audited the internal control over financial reporting of Digital Turbine, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of March 31, 2022, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, because of the effect of the material weakness described in the following paragraphs on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of March 31, 2022, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management’s assessment.

The Company’s internal control for business combinations did not include a control adequately designed to ensure that acquiree accounting policies, as they relate to presentation and classification, were conformed to those of the Company and U.S. Generally Accepted Accounting Principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended March 31, 2022, and our report dated June 6, 2022, expressed an unqualified opinion on those financial statements.

### **Basis for opinion**

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

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

Our audit of, and opinion on, the Company’s internal control over financial reporting does not include the internal control over financial reporting of AdColony Holding AS (“AdColony”), and Fyber N.V. (“Fyber”), wholly-owned subsidiaries (collectively, the “2022 Acquisitions”) whose financial statements reflect assets constituting 48.2 percent of total assets and revenues constituting 34.3 percent of total revenues, respectively, of the related consolidated financial statement amounts as of and for the year ended March 31, 2022. As indicated in Management’s Report, both subsidiaries were acquired during fiscal 2022. Management’s assertion on the effectiveness of the Company’s internal control over financial reporting excluded internal control over financial reporting of the 2022 Acquisitions.

### **Definition and limitations of internal control over financial reporting**

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

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

/s/ GRANT THORNTON LLP

Dallas, Texas  
June 6, 2022

**Report of Independent Registered Public Accounting Firm**

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

**Opinion on Financial Statements**

We have audited the accompanying consolidated statements of operations and comprehensive income / (loss), stockholders' equity, and cash flows for the year ended March 31, 2020, and the related notes to the consolidated financial statements (collectively, the "financial statements") of Digital Turbine, Inc. and Subsidiaries (collectively, the "Company"). In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations of the Company and its cash flows for the year ended March 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

/s/ SingerLewak LLP

We served as the Company's auditor from 2009 to 2021.

Los Angeles, California  
June 2, 2020

**CONSOLIDATED FINANCIAL STATEMENTS**

**Digital Turbine, Inc. and Subsidiaries**

**Consolidated Balance Sheets  
(in thousands, except par value and share amounts)**

	March 31, 2022	March 31, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 126,768	\$ 30,778
Restricted cash	394	340
Accounts receivable, net	263,139	61,985
Prepaid expenses and other current assets	20,570	4,282
<b>Total current assets</b>	<u>410,871</u>	<u>97,385</u>
Property and equipment, net	31,086	13,050
Right-of-use assets	15,439	3,495
Intangible assets, net	440,589	53,300
Goodwill	559,792	80,176
Deferred tax assets, net	—	12,963
Other non-current assets	732	—
<b>TOTAL ASSETS</b>	<u><u>\$ 1,458,509</u></u>	<u><u>\$ 260,369</u></u>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 167,858	\$ 34,953
Accrued license fees and revenue share	95,170	46,196
Accrued compensation	28,775	9,817
Acquisition purchase price liabilities	50,000	—
Short-term debt	12,500	14,557
Other current liabilities	30,960	5,626
<b>Total current liabilities</b>	<u>385,263</u>	<u>111,149</u>
Long-term debt, net of debt issuance costs	520,785	—
Deferred tax liabilities, net	19,976	—
Other non-current liabilities	16,270	4,108
<b>Total liabilities</b>	<u>942,294</u>	<u>115,257</u>
<b>Commitments and contingencies (Note 13)</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; 97,921,826 issued and 97,163,701 outstanding at March 31, 2022; 90,685,553 issued and 89,949,847 outstanding at March 31, 2021	10	10
Additional paid-in capital	745,661	373,310
Treasury stock (758,125 shares at March 31, 2022 and March 31, 2021)	(71)	(71)
Accumulated other comprehensive loss	(39,341)	(903)
Accumulated deficit	(191,788)	(227,334)
<b>Total stockholders' equity</b>	<u>514,571</u>	<u>145,112</u>
Non-controlling interest	1,644	—
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 1,458,509</u></u>	<u><u>\$ 260,369</u></u>

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

**Digital Turbine, Inc. and Subsidiaries**

**Consolidated Statements of Operations and Comprehensive Income / (Loss)**  
(in thousands, except per share amounts)

	Year ended March 31,		
	2022	2021	2020
Net revenue	\$ 747,596	\$ 313,579	\$ 138,715
Costs of revenue and operating expenses			
License fees and revenue share	370,648	178,649	83,588
Other direct costs of revenue	29,838	2,358	1,454
Product development	52,723	20,119	12,018
Sales and marketing	63,309	19,304	11,244
General and administrative	138,837	33,940	17,199
Total costs of revenue and operating expenses	655,355	254,370	125,503
Income from continuing operations	92,241	59,209	13,212
Interest and other income / (expense), net			
Change in fair value of contingent consideration	(41,087)	(15,751)	—
Interest income / (expense), net	(8,495)	(1,003)	41
Foreign exchange transaction gain	2,062	—	—
Change in fair value of warrant liability	—	—	(9,580)
Loss on extinguishment of debt	—	(452)	—
Other income / (expense), net	(749)	(146)	232
Total interest and other income / (expense), net	(48,269)	(17,352)	(9,307)
Income from continuing operations before income taxes	43,972	41,857	3,905
Income tax provision / (benefit)	8,403	(13,027)	(10,375)
Income from continuing operations, net of taxes	35,569	54,884	14,280
Loss from discontinued operations	—	—	(380)
Loss from discontinued operations, net of taxes	—	—	(380)
Net income	35,569	54,884	13,900
Less: net income attributable to non-controlling interest	23	—	—
Net income attributable to Digital Turbine, Inc.	35,546	54,884	13,900
Other comprehensive loss			
Foreign currency translation adjustment	(39,395)	(312)	(235)
Comprehensive income / (loss)	(3,826)	54,572	13,665
Less: comprehensive loss attributable to non-controlling interest	(934)	—	—
Comprehensive income / (loss) attributable to Digital Turbine, Inc.	\$ (2,892)	\$ 54,572	\$ 13,665
Net income per common share			
Basic	\$ 0.37	\$ 0.62	\$ 0.17
Diluted	\$ 0.35	\$ 0.57	\$ 0.16
Weighted-average common shares outstanding			
Basic	95,198	88,514	84,594
Diluted	102,640	96,151	89,558

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

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

	<b>Common Stock Shares</b>	<b>Amount</b>	<b>Preferred Stock Shares</b>	<b>Amount</b>	<b>Treasury Stock Shares</b>	<b>Amount</b>	<b>Additional Paid-In Capital</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Accumulated Deficit</b>	<b>Non- Controlling Interest</b>	<b>Total</b>
Balance at March 31, 2019	81,460,724	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 332,793	\$ (356)	\$ (296,118)	\$ —	\$ 36,358
Net income	—	—	—	—	—	—	—	—	13,900	—	13,900
Foreign currency translation	—	—	—	—	—	—	—	(235)	—	—	(235)
Settlement of derivative liability	—	—	—	—	—	—	17,588	—	—	—	17,588
Stock-based compensation expense	—	—	—	—	—	—	3,353	—	—	—	3,353
Shares issued:											
Exercise of stock options	2,279,266	—	—	—	—	—	3,865	—	—	—	3,865
Vesting of restricted and performance stock units	123,943	—	—	—	—	—	—	—	—	—	—
Exercise of warrants	3,283,090	\$ —	—	\$ 100	758,125	\$ (71)	\$ 2,625	—	—	—	2,625
Balance at March 31, 2020	87,147,023	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 360,224	\$ (591)	\$ (282,218)	\$ —	\$ 77,454
Net income	—	—	—	—	—	—	—	—	54,884	—	54,884
Foreign currency translation	—	—	—	—	—	—	—	(312)	—	—	(312)
Stock-based compensation expense	—	—	—	—	—	—	5,877	—	—	—	5,877
Shares issued:											
Exercise of stock options	2,506,383	—	—	—	—	—	7,209	—	—	—	7,209
Vesting of restricted and performance stock units	136,680	—	—	—	—	—	—	—	—	—	—
Balance at March 31, 2021	89,790,086	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 373,310	\$ (903)	\$ (227,334)	\$ —	\$ 145,112
Net income	—	—	—	—	—	—	—	—	35,546	23	35,569
Foreign currency translation	—	—	—	—	—	—	—	(38,438)	—	(957)	(39,395)
Stock-based compensation expense	—	—	—	—	—	—	19,970	—	—	—	19,970
Shares issued:											
Exercise of stock options	1,311,098	—	—	—	—	—	4,300	—	—	—	4,300
Vesting of restricted and performance stock units	287,218	—	—	—	—	—	—	—	—	—	—
Shares for acquisition of Fyber	5,775,299	—	—	—	—	—	356,686	—	—	—	356,686
Acquisition of non-controlling interests in Fyber	—	—	—	—	—	—	—	—	—	2,578	2,578
Payment of withholding taxes related to the net share settlement of equity awards	—	—	—	—	—	—	(8,605)	—	—	—	(8,605)
Balance at March 31, 2022	97,163,701	\$ 10	100,000	\$ 100	758,125	\$ (71)	\$ 745,661	\$ (39,341)	\$ (191,788)	\$ 1,644	\$ 516,215

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

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

	Year ended March 31,		
	2022	2021	2020
<b>Cash flows from operating activities</b>			
Net income	\$ 35,569	\$ 54,884	\$ 14,280
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	57,452	7,114	2,342
Non-cash interest expense	715	94	6
Loss on extinguishment of debt	—	255	—
Stock-based compensation expense	19,304	5,877	3,353
Foreign exchange transaction gain	(2,062)	—	—
Change in fair value of warrant liability	—	—	9,580
Change in fair value of contingent consideration	41,087	15,751	—
Payment of contingent consideration in excess of amount capitalized at acquisition	—	(15,751)	—
Right-of-use asset	6,043	742	(1,858)
Deferred income taxes	(3,981)	(12,952)	40
(Increase) / decrease in assets:			
Accounts receivable, gross	(73,656)	(25,378)	(2,431)
Allowance for credit losses	1,097	1,424	2,866
Prepaid expenses and other current assets	(3,204)	(586)	(747)
Other non-current assets	283	—	—
Increase / (decrease) in liabilities:			
Accounts payable	31,762	(1,897)	16,168
Accrued license fees and revenue share	14,566	26,408	(3,630)
Accrued compensation	(43,907)	5,224	1,661
Other current liabilities	9,634	2,721	1,040
Other non-current liabilities	(5,964)	(1,135)	(9,000)
Net cash provided by operating activities - continuing operations	84,738	62,795	33,670
Net cash used in operating activities - discontinued operations	—	—	(2,293)
<b>Net cash provided by operating activities</b>	<b>84,738</b>	<b>62,795</b>	<b>31,377</b>
<b>Cash flows from investing activities</b>			
Business acquisitions, net of cash acquired	(148,722)	(28,604)	(41,872)
Capital expenditures	(23,280)	(9,204)	(4,845)
<b>Net cash used in investing activities</b>	<b>(172,002)</b>	<b>(37,808)</b>	<b>(46,717)</b>
<b>Cash flows from financing activities</b>			
Payment of contingent consideration	—	(16,956)	—
Proceeds from borrowings	549,060	15,000	20,000
Payment of debt issuance costs	(4,064)	(469)	(313)
Payment of deferred business acquisition consideration	(302,676)	—	—
Options and warrants exercised	4,300	7,209	6,488
Payment of withholding taxes for net share settlement of equity awards	(8,605)	—	—
Repayment of debt obligations	(52,772)	(20,000)	—
<b>Net cash provided by / (used in) financing activities</b>	<b>185,243</b>	<b>(15,216)</b>	<b>26,175</b>
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(1,935)	(312)	(235)
<b>Net change in cash and cash equivalents and restricted cash</b>	<b>96,044</b>	<b>9,459</b>	<b>10,600</b>
Cash and cash equivalents and restricted cash, beginning of period	31,118	21,659	11,059
Cash and cash equivalents and restricted cash, end of period	<b>\$ 127,162</b>	<b>\$ 31,118</b>	<b>\$ 21,659</b>
<b>Supplemental disclosure of cash flow information</b>			
Interest paid	\$ 5,985	\$ 922	\$ 101
Income taxes paid	<b>\$ 1,715</b>	<b>\$ 927</b>	<b>\$ —</b>
<b>Supplemental disclosure of non-cash activities</b>			
Common stock for the acquisition of Fyber	\$ 356,686	\$ —	\$ —
Unpaid cash consideration for the acquisition of Fyber minority interest	<b>\$ 2,578</b>	<b>\$ —</b>	<b>\$ —</b>
Fair value of unpaid contingent consideration in connection with business acquisition	<b>\$ 50,000</b>	<b>\$ —</b>	<b>\$ —</b>
De-recognition of liability upon warrant exercise	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 17,593</b>

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

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

**1. Description of Business**

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

**2. Basis of Presentation and Summary of Significant Accounting Policies**

**Basis of Presentation and Consolidation**

The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). The 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.

**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 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 (please see Note 13, "Commitments and Contingencies," for further information on the fair value of the Company's 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.

In light of the ongoing and quickly evolving COVID-19 pandemic, management has considered the impacts of the COVID-19 pandemic on the Company's critical and significant accounting estimates. As of the date of issuance of these financial statements, the Company is not aware of any specific event or circumstance that would require the Company to update its estimates or judgments or revise the carrying value of its assets or liabilities as a result of the COVID-19 pandemic. Management's estimates may change as new events occur and additional information is obtained. Actual results could differ from estimates and any such differences may be material to the Company's consolidated financial statements.

**Summary of Significant Accounting Policies**

**Revenue Recognition**

The Company generates revenue from transactions for the purchase and sale of digital advertising inventory through our various platforms and service offerings. Generally, our revenue is based on a percentage of the ad spend through our platforms, although for certain service offerings, we receive a fixed cost-per-thousand ("CPM") or cost-per-install ("CPI") for ad impressions sold or app installs completed. We recognize revenue upon fulfillment of our performance obligation to our customers, which generally occurs at the point in time when an ad is rendered or an end user action, such as an app install, is completed.

#### ***ODM - Carriers and OEMs***

The Company enters contracts with OEMs for our On Device Media ("ODM") segment to help the customer control, manage, and monetize the mobile device through the marketing of application slots or advertisement space/inventory to advertisers and delivering the applications or advertisements to the mobile device. The Company generally offers these services under a revenue share model or, to a lesser extent, a customer contract per-device license fee model for a two-to-four-year software as a service ("SaaS") license agreement. These agreements typically include the following services: the access to a SaaS platform, hosting, solution features, and general support and maintenance. The Company has concluded that each promised service is delivered concurrently, interdependently, and continuously with all other promised services over the contract term and, as such, has concluded these promises are a single performance obligation that is delivered to the customer over a series of distinct service periods over the contract term. The Company meets the criteria for overtime recognition because the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs, and the same method would be used to measure progress over each distinct service period. The fees for such services are not known at contract inception but are measurable during each distinct service period. The Company's contracts do not include advance non-refundable fees. The Company's fees for these services are based upon a revenue-share arrangement with the carrier or OEM. Both parties have agreed to share the revenue earned from third-party advertisers, discussed below, for these services.

#### ***ODM - Third-Party Advertisers***

The Company generally offers these services through cost-per-install ("CPI"), cost-per-placement ("CPP"), and/or cost-per-action ("CPA") arrangements with third-party advertisers, developers, agencies, and advertising aggregators, generally in the form of insertion orders. The insertion orders specify the type of arrangement and additional terms such as advertising campaign budgets and timelines as well as any constraints on advertising types. These customer contracts can be open ended with regard to length of time and can renew automatically unless terminated; however, specific advertising campaigns are generally short-term in nature. These agreements typically include the delivery of applications to home screens of mobile devices. Access to inventory of application slots is allocated by carriers or OEMs in the contracts identified above. The Company controls these application slots and markets it on behalf of the carriers and OEMs to the advertisers. The Company has concluded that the performance obligation within the contract is complete upon delivery of the application to the device. Revenue recognition related to CPI and CPA arrangements is dependent upon an action of the end user. As a result, the transaction price is variable and is fully constrained until an install or action occurs.

#### ***ODM - Programmatic Advertising and Targeted Media Delivery***

The Company generally offers these services under CPM impression arrangements and page-view arrangements. Through its mobile phone first screen applications and mobile web portals, the Company markets ad space/inventory within its content products for display advertising. The ad space/inventory is allocated to the Company through arrangement with the carrier or OEM in the contracts discussed above. The Company controls this ad space/inventory and markets it on behalf of the carriers and OEMs to the advertisers. The Company's advertising customers can bid on each individual display ad and the highest bid wins the right to fill each ad impression. Advertising agencies acting on the behalf of advertisers bid on the ad placement via the Company's advertising exchange customers. When the bid is won, the ad will be received and placed on the mobile device by the Company. The entire process happens almost instantaneously and on a continuous basis. The advertising exchanges bill and collect from the winning bidders and provide daily and monthly reports of the activity to the Company. The Company has concluded that the performance obligation is satisfied at the point in time upon delivery of the advertisement to the device based on the impressions or page-view arrangement, as defined in the contract.

Through its mobile phone first screen applications and mobile web portals, the Company's software platform also recommends sponsored content to mobile phone users and drives web traffic to a customer's website. The Company markets this content to content sponsors, such as Outbrain or Taboola, similarly to the marketing of ad space/inventory. This sponsored content takes the form of articles, graphics, pictures, and similar content. The Company has concluded that the performance obligation within the contract is complete upon delivery of the content to the mobile device.

#### ***IAM-A and IAM-F - Marketplace***

The Company, through its IAM-A and IAM-F segments provide platforms that allow demand-side platforms ("DSPs") and publishers to buy and sell ad inventory, respectively, in a programmatic, real-time bidding ("RTB") auction. The Company generally contracts with DSPs through an RTB Ad Exchange Agreement ("Exchange Agreement"). It also separately contracts with publishers through an Advertising insertion order or service order to provide access to its auction platform and the ad inventory available through the platform. The auction is held when ad inventory becomes available. AdColony will send bid requests to various DSPs, which may choose to bid on the available ad inventory. Once a DSP wins an auction, it must deliver an ad, which is generally served through the Company's software development kits ("SDK"). The entire auction process is nearly instantaneous. The Company bills the DSP based on the total number of impressions and the bid price. It then remits the payment to the publishers, net of a revenue share agreed with the publisher that is generally a percentage of the DSPs' total spending with the publisher through the platform. The Company has concluded that the performance obligation is the continuous provisioning access to the Company's auction platform. The transaction price is variable and is fully constrained until an auction concludes and the ad is served.

#### ***IAM-A - Brand and Performance***

The Company, through its IAM-A segment for its Brand and Performance offerings, contracts directly with advertisers or agencies, through insertion orders, that require the Company to fulfill advertising campaigns by identifying and purchasing targeted ad inventory and serving ads on behalf of the advertiser. The insertion orders or addendum communications provide advertising campaign details, such as campaign start and end date, target demographics, maximum budget, and rate. Rates are generally based on an end user action (CPI) or on a CPM basis. Revenue is recognized based on the rate and the number of impressions or end user actions at the time the ad is rendered, or when the end user action is completed.

#### ***Principal vs Agent Reporting***

The determination of whether we act as a principal or as an agent in a transaction requires significant judgement and is based on an assessment of the terms of customer arrangements, how the Company's technology operates in satisfying the performance obligations in the customer contracts and the relevant accounting guidance. When we are the principal in a transaction, revenue is reported on a gross basis, which is the amount billed to DSPs, advertisers, and agencies. When we are an agent in a transaction, revenue is reported net of license fees and revenue share paid to app publishers or developers.

The Company has determined that it is a principal for its advertiser services for application management and programmatic advertising and targeted media delivery when it controls the application slots or ad space/inventory. This is because it has been allocated such slots or space from the carrier or OEM and is responsible for marketing or monetizing the slots or space. The advertisers look to the Company to acquire such slots or space, and the Company's software is used to deliver the applications, ads or content to the mobile device. The Company also may manage application or ad campaigns of advertisers associated with these services. If the applications or advertisements are not delivered to the mobile device or the Company doesn't comply with certain policies of the advertiser, the Company would be responsible and would have to indemnify the customer for these issues. The Company also has discretion in setting the price of the slots or space based on market conditions, collects the transaction prices, and remits the revenue-share percentage of the transaction price to the carrier or OEM.

The Company recognizes the transaction price received from advertisers, content providers, or websites gross and the carrier or OEM share of such transaction price as costs of revenue - license fees and revenue share - in the accompanying consolidated statements of operations and comprehensive income / (loss).

The carrier or OEM may have the right to market and sell application slots or ad space to advertisers using the Company's software. The carrier or OEM will share revenue with the Company when it does so. The Company recognizes the revenue shared by the carrier or OEM on a net basis as the Company is not considered the primary obligor in these transactions.

The Company has determined that it is a principal for its Brand and Performance offerings as the advertisers or agencies provide parameters for their target audiences, as well as a budget for ad campaigns. Once an advertiser or advertising agency provides its specifications, the Company has the discretion to fulfill the campaign by utilizing its data and proprietary technology. The Company controls the service because it has the ultimate discretion in purchasing ad inventory; and once an ad inventory slot is purchased, filling that ad inventory slot. As a result, the Company reports the revenue billed to advertisers and agencies on a gross basis and revenue shares paid to publishers as license fees and revenue share expense.

The Company has determined that it is an agent in transactions on its Marketplace platforms. The Company acts as an intermediary between DSPs and publishers by providing access to a platform and the SDKs that allow both parties to transact in the buying and selling of ad inventory. The transaction price is determined through a real-time auction and the Company has no pricing discretion or obligation related to the fulfillment of the advertising delivery.

#### **Segment Reporting**

Prior to the acquisitions of AdColony and Fyber, the Company had one operating and reportable segment called Media Distribution. As a result of the acquisitions, the Company reassessed its operating and reportable segments in accordance with ASC 280, *Segment Reporting*. Effective April 1, 2021, the Company reports its results of operations through the three segments disclosed in Note 4, "Segment Information," each of which represents a reportable segment.

#### **Software Development Costs**

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

The Company has adopted the "tested working model" approach to establish technological feasibility for its products. Under this approach, the Company does not consider a product in development to have passed the technological feasibility milestone until the Company has completed a model of the product that contains essentially all the functionality and features of the final product and has tested the model to ensure that it works as expected. The Company capitalizes costs related to the development of software to be sold, leased, or otherwise marketed as we believe we have met the "tested working model" threshold. Development costs continue to be capitalized until the related software is released. The Company considers the following factors in determining whether costs can be capitalized: the emerging nature of the mobile market; the gradual evolution of the wireless carrier platforms and mobile phones for which it develops products; the uncertainty regarding a product's revenue-generating potential; its lack of control over carrier distribution channels; and its historical practice of canceling products at any stage of the development process.

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

The Company also applies the principles of FASB ASC 350-40, *Accounting for the Cost of Computer Software Developed or Obtained for Internal Use* ("ASC 350-40"). ASC 350-40 requires that software development costs incurred before the preliminary project stage be expensed as incurred. We capitalize development costs related to these software applications once the preliminary project stage is complete and it is probable that the project will be completed, and the software will be used to perform the functions intended.

Capitalized software development costs, whether for software developed to be sold, leased, or otherwise marketed or for internal use, are generally amortized over a 3-year useful life. For fiscal years 2022, 2021, and 2020, the Company capitalized software development costs in the amount of \$3,784, \$8,859, and \$1,453.

#### **Stock-Based Compensation**

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

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

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

The Company grants restricted stock units ("RSUs") subject to performance conditions that vest based on the satisfaction of the conditions of the award. The fair value of performance-based awards is determined using the market closing price on the grant date as well as the Company's judgment of likely future performance, which impacts the total number of RSUs that will be issued to the employees.

#### **Income Taxes**

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

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

The Company is required to evaluate its ability to realize its deferred tax assets using all available evidence, both positive and negative, and determine if a valuation allowance is needed. Further, ASC 740-10-30-18 outlines the four possible sources of taxable income that may be available to realize a tax benefit for deductible temporary differences and carry-forwards. The sources of taxable income are listed below from least to most subjective:

- Future reversals of existing taxable temporary differences
- Future taxable income exclusive of reversing temporary differences and carryforwards
- Taxable income in prior carryback year(s) if carryback is permitted under the tax law
- Tax-planning strategies that would, if necessary, be implemented to, for example:
  - Accelerate taxable amounts to utilize expiring carryforwards
  - Change the character of taxable or deductible amounts from ordinary income or loss to capital gain or loss
  - Switch from tax-exempt to taxable investments

#### **Foreign Currency Translation**

The Company uses the United States dollar for financial reporting purposes. Some of our foreign subsidiaries use their local currency as their functional currency. Assets and liabilities of foreign operations are translated using current rates of exchange prevailing at the balance sheet date. Equity accounts have been translated at their historical exchange rates when the capital transaction occurred. Statement of Operations amounts are translated at average rates in effect for the reporting period. The foreign currency translation adjustment loss of \$39,395, \$312, and \$235 in the years ended March 31, 2022, 2021, and 2020, respectively, has been reported as a component of comprehensive income / (loss) in the consolidated statements of operations and comprehensive income / (loss) and consolidated statements of stockholders' equity.

#### **Cash and Cash Equivalents**

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

## **Accounts Receivable**

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.

## **Fair Value of Financial Instruments**

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

The carrying amounts of certain financial instruments, such as cash equivalents, short term investments, accounts receivable, accounts payable, and accrued liabilities, approximate fair value due to their relatively short maturities. The carrying value of our debt, exclusive of capitalized debt issuance costs, approximates fair value due to the variable nature of the interest rates.

Fair value measurements are based on a fair value hierarchy, based on three levels of inputs, of which the first two are considered observable and the last unobservable, as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access at the measurement date.
- Level 2 - Inputs, other than the quoted prices required for Level 1, that are observable for the asset or liability, either directly or indirectly, such as quoted market prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3 - Unobservable inputs.

Certain long-lived assets, including capitalized software development costs, are also subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired as a result of an impairment review.

## **Property and Equipment**

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

## **Leases**

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

The right-of-use asset components of our operating leases are included in right-of-use assets on our Consolidated Balance Sheets, while the current portion of our operating lease liabilities are included in other current liabilities and the long-term portion of our operating lease liabilities in other non-current liabilities on our Consolidated Balance Sheets.

#### **Business Combinations**

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, estimated replacement costs and future expected cash flows from acquired advertiser or publisher relationships, acquired technology, acquired patents, and acquired trade names from a market participant perspective. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Allocation of purchase consideration to identifiable assets and liabilities affects Company amortization expense, as acquired finite-lived intangible assets are amortized over the useful life, whereas any indefinite lived intangible assets, including goodwill, are not amortized. During the measurement period, which is not to exceed one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

#### **Goodwill and Indefinite-Life Intangible Assets**

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

Goodwill values assigned through ASC 805, *Business Combinations*, related to the acquisitions are subject to adjustments prior to the finalization of the purchase price accounting not to exceed one year from the date of acquisition.

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

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

There were no indications of impairment present or that the carrying amounts may not be recoverable during the fiscal years ended March 31, 2022, 2021, and 2020.

## **Preferred Stock**

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

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

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash deposits and accounts receivable.

A significant portion of the Company's cash was held at four major financial institutions as of March 31, 2022, and one major financial institution as of March 31, 2021, that management assessed to be of high credit quality. Three of the major financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250 per depository account. The fourth major financial institution is located outside the United States and, therefore, not subject to the jurisdiction of the FDIC. As of March 31, 2022 and 2021, the Company had \$124,412 and \$27,128 in excess of the FDIC-insured limit, respectively. The Company has not experienced any losses in such accounts.

The Company mitigates its credit risk with respect to accounts receivable by monitoring customers' accounts receivable balances. As of March 31, 2022, no customer represented more than 10% of the Company's net accounts receivable balance. As of March 31, 2021, one major customer, Outbrain Inc., represented 13.0% of the Company's net accounts receivable balance.

## **Recent Accounting Pronouncements**

### **ASU 2019-12**

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The Company adopted this guidance as of April 1, 2021. ASU 2019-12 did not have a material impact on the Company's consolidated financial statements upon adoption.

### **ASU 2020-04**

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* which provides optional expedients and exceptions for applying generally accepted accounting principles ("GAAP") to contracts, hedging relationships, and other transactions affected by the discontinuation of the London Inter-Bank Offered Rate ("LIBOR") or by another reference rate expected to be discontinued. The amendments are effective for all entities through December 31, 2022, and can be adopted as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020. The Company is continuing to assess ASU 2020-04 and its impact on the Company's consolidated financial statements.

## **3. Acquisitions**

### **Acquisition of Fyber N.V.**

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

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

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

- i. Approximately \$150,000 in cash, \$124,336 of which was paid to the Seller at the closing of the acquisition and the remainder of which is to be paid to the Minority Fyber Shareholders for the Minority Fyber Shares pursuant to the tender offer described below;
- ii. 5,816,588 newly-issued shares of common stock of the Company to the Seller, which such number of shares was determined based on the volume-weighted average price of the common stock on NASDAQ during the 30-day period prior to the closing date, equal in value to \$359,233 at the Company's common stock closing price on May 25, 2021, as follows.
  1. 3,216,935 newly-issued shares of common stock of the Company equal in value to \$198,678, issued at the closing of the acquisition;
  2. 1,500,000 newly-issued shares of common stock of the Company equal in value to \$92,640, issued on June 17, 2021;
  3. 1,040,364 newly-issued shares of common stock of the Company equal in value to \$4,253, issued on July 16, 2021;
  4. 59,289 shares of common stock equal in value to \$3,662, to be newly-issued during the Company's fiscal second quarter 2022, but subject to a true-up reduction based on increased transaction costs associated with the staggered delivery of the Majority Fyber Shares to the Company, which true-up reduction has been finalized, as described below; and
- iii. Contingent upon Fyber's net revenue (revenue less associated license fees and revenue share) being equal to or higher than \$00,000 for the 12-month earn-out period ending on March 31, 2022, as determined in the manner set forth in the Sale and Purchase Agreement, a certain number of shares of the Company's common stock, which will be newly-issued to the Seller at the end of the earn-out period, and under certain circumstances, an amount of cash, which value of such shares, based on the weighted average share price for the 30-days prior to the end of the earn-out period, and cash in aggregate, will not exceed \$50,000 (subject to set-off against certain potential indemnification claims against the Seller). Based on estimates at the time of the acquisition, the Company initially determined it was unlikely Fyber would achieve the earn-out net revenue target and, as a result, no contingent liability was recognized at that time.

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

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

As of March 31, 2022, the Company determined Fyber's net revenue for the measurement period exceeded \$00,000. As a result, the Company recorded a charge of \$50,000 to change in fair value of contingent consideration on the consolidated statement of operations and comprehensive income / (loss) for the fiscal year ended March 31, 2022, which was also recorded in acquisition purchase price liabilities on the consolidated balance sheet as of March 31, 2022. The Company settled the obligation through the issuance of approximately 1,200,000 shares of the Company's common stock subsequent to its fiscal year ended March 31, 2022.

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

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

The fair values of the assets acquired and liabilities assumed at the date of acquisition are presented on a preliminary basis and are as follows<sup>1</sup>:

	May 25, 2021	Measurement Period Adjustments	May 25, 2021 (adjusted)
<b>Assets acquired</b>			
Cash	\$ 71,489	\$ —	\$ 71,489
Accounts receivable	64,877	166	65,043
Other current assets	10,470	—	10,470
Property and equipment	1,561	—	1,561
Right-of-use asset	13,191	—	13,191
Publisher relationships	106,400	(95)	106,305
Developed technology	86,900	—	86,900
Trade names	32,100	474	32,574
Customer relationships	31,400	—	31,400
Favorable lease	1,483	—	1,483
Goodwill	303,015	(4,032)	298,983
Other non-current assets	851	—	851
<b>Total assets acquired</b>	<b>\$ 723,737</b>	<b>\$ (3,487)</b>	<b>\$ 720,250</b>
<b>Liabilities assumed</b>			
Accounts payable	\$ 78,090	\$ (1,501)	\$ 76,589
Accrued license fees and revenue share	5,929	—	5,929
Accrued compensation	52,929	—	52,929
Other current liabilities	12,273	(1,739)	10,534
Short-term debt	25,789	—	25,789
Deferred tax liability, net	25,213	2,167	27,380
Other non-current liabilities	15,386	—	15,386
<b>Total liabilities assumed</b>	<b>\$ 215,609</b>	<b>\$ (1,073)</b>	<b>\$ 214,536</b>
<b>Total purchase price</b>	<b>\$ 508,128</b>	<b>\$ (2,414)</b>	<b>\$ 505,714</b>

During the year ended March 31, 2022, the Company recorded a cumulative net measurement period adjustment that decreased goodwill by \$4,032, as presented in the table above. The Company made these measurement period adjustments to reflect facts and circumstances that existed as of the acquisition date and did not result from intervening events subsequent to such date.

The excess of cost of the Fyber Acquisition over the net amounts assigned to the fair values of the net assets acquired was recorded as goodwill and was assigned to the Company's In App Media - Fyber reporting unit. The goodwill consists largely of the expected cash flows and future growth anticipated for the Company. The goodwill is not deductible for tax purposes.

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

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

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

The Company recognized \$18,698 of costs related to the Fyber Acquisition, which were included in general and administrative expenses on the consolidated statement of operations and comprehensive income / (loss) for the year ended March 31, 2022.

#### **Acquisition of AdColony Holding AS**

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

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

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

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

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

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

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

During the year ended March 31, 2022, the Company recorded a cumulative net measurement period adjustment that decreased goodwill by \$,502, as presented in the table above. The Company made these measurement period adjustments to reflect facts and circumstances that existed as of the acquisition date and did not result from intervening events subsequent to such date.

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

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

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

The Company recognized \$4,214 of costs related to the AdColony Acquisition, which were included in general and administrative expenses on the consolidated statement of operations and comprehensive income / (loss) for the year ended March 31, 2022.

## Acquisition of Appreciate

On March 1, 2021, Digital Turbine, through its subsidiary Digital Turbine (EMEA) Ltd. ("DT EMEA"), an Israeli company and wholly-owned subsidiary of the Company, entered into a Share Purchase Agreement with Triapodi Ltd., an Israeli company (d/b/a Appreciate) ("Appreciate"), the stockholder representative, and the stockholders of Appreciate, pursuant to which DT EMEA acquired, on March 2, 2021, all of the outstanding capital stock of Appreciate in exchange for total consideration of \$20,003 in cash (the "Appreciate Acquisition"). Under the terms of the Purchase Agreement, DT EMEA entered into bonus arrangements to pay up to \$6,000 in retention bonuses and performance bonuses to the founders and certain other employees of Appreciate. None of the goodwill recognized was deductible for tax purposes.

The acquisition of Appreciate delivered valuable deep ad-tech and algorithmic expertise to help Digital Turbine execute on its broader, longer-term vision. Deploying Appreciate's technology expertise across Digital Turbine's global scale and reach should further benefit partners and advertisers that are a part of the combined Company's platform.

## Pro Forma Financial Information (Unaudited)

The pro forma information below gives effect to the Fyber Acquisition, the AdColony Acquisition, and the Appreciate Acquisition (collectively, the "Acquisitions") as if they had been completed on the first day of each period presented. The pro forma results of operations are presented for information purposes only. As such, they are not necessarily indicative of the Company's results had the Acquisitions been completed on the first day of each period presented, nor do they intend to represent the Company's future results. The pro forma information does not reflect any cost savings from operating efficiencies or synergies that could result from the Acquisitions and does not reflect additional revenue opportunities following the Acquisitions. The pro forma information includes adjustments to record the assets and liabilities associated with the Acquisitions at their respective fair values, which are preliminary at this time, based on available information and to give effect to the financing for the Acquisitions.

	Year ended March 31,	
	2022 Unaudited	2021 Unaudited
(in thousands, except per share amounts)		
Net revenue	\$ 769,993	\$ 544,496
Net income attributable to controlling interest	\$ 16,504	\$ 47,096
Basic net income attributable to controlling interest per common share	\$ 0.17	\$ 0.51
Diluted net income attributable to controlling interest per common share	\$ 0.16	\$ 0.47

## 4. Segment Information

Operating segments are identified as components of an enterprise about 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 ("CEO") is the CODM.

Prior to the acquisitions of both AdColony and Fyber disclosed above in Note 3, "Acquisitions," the Company had one operating and reportable segment called Media Distribution. As a result of the acquisitions, the Company reassessed its operating and reportable segments in accordance with ASC 280, *Segment Reporting*. Effective April 1, 2021, the Company operates through the following three segments, each of which is a reportable segment:

- **On Device Media ("ODM")** - This segment is the legacy single operating and reporting segment of Digital Turbine prior to the AdColony and Fyber acquisitions. This segment generates revenue from services that deliver mobile application media or content media to end users. The Company provides ODM solutions to all participants in the mobile application ecosystem that want to connect with end users and consumers who hold the device, including mobile carriers and device original equipment manufacturers ("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.
- **In App Media – AdColony ("IAM-A")** - This segment is inclusive of the acquired AdColony business and generates revenue from services provided as an end-to-end platform for brands, agencies, publishers, and application developers to deliver advertising to consumers on mobile devices around the world. IAM-A customers are primarily advertisers.

- In App Media – Fyber ("IAM-F")** - This segment is inclusive of the acquired Fyber business and generates revenue from services provided to mobile application developers and digital publishers to monetize their content through advanced technologies, innovative advertisement formats, and data-driven decision making. IAM-F customers are primarily publishers.

The Company's CODM evaluates segment performance and makes resource allocation decisions primarily through the metric of net revenue less associated license fees and revenue share, 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.

#### Geographic Area Information

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

	March 31, 2022	March 31, 2021
United States and Canada	\$ 25,946	\$ 12,995
Europe, Middle East, and Africa	5,086	40
Asia Pacific and China	54	15
Mexico, Central America, and South America	—	—
Consolidated property and equipment, net	<u>\$ 31,086</u>	<u>\$ 13,050</u>

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

	Year ended March 31, 2022			
	ODM	IAM-A	IAM-F	Total
United States and Canada	\$ 285,062	\$ 79,303	\$ 52,867	\$ 417,232
Europe, Middle East, and Africa	132,040	75,526	23,887	231,453
Asia Pacific and China	72,245	12,236	15,646	100,127
Mexico, Central America, and South America	13,289	2,660	211	16,160
Elimination	—	—	—	(17,376)
Consolidated net revenue	<u>\$ 502,636</u>	<u>\$ 169,725</u>	<u>\$ 92,611</u>	<u>\$ 747,596</u>

	Year ended March 31, 2022			
	ODM	IAM-A	IAM-F	Total
United States and Canada	\$ 193,804	\$ —	\$ —	\$ 193,8
Europe, Middle East, and Africa	79,752	—	—	79,7
Asia Pacific and China	34,774	—	—	34,7
Mexico, Central America, and South America	5,249	—	—	5,2
Consolidated net revenue	<u>\$ 313,579</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 313,5</u>

	Year ended March 31, 2020			
	ODM	IAM-A	IAM-F	Total
United States and Canada	\$ 90,245	\$ —	\$ —	\$ 90,2
Europe, Middle East, and Africa	34,970	—	—	34,9
Asia Pacific and China	11,865	—	—	11,8
Mexico, Central America, and South America	1,635	—	—	1,6
Consolidated net revenue	<u>\$ 138,715</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 138,7</u>

A summary of segment information follows:

	Year ended March 31, 2022				
	ODM	IAM-A	IAM-F	Elimination	Consolidated
Net revenue	\$ 502,636	\$ 169,725	\$ 92,611	\$ (17,376)	\$ 747,596
License fees and revenue share	304,673	83,351	—	(17,376)	370,648
Segment profit	<u>\$ 197,963</u>	<u>\$ 86,374</u>	<u>\$ 92,611</u>	<u>\$ —</u>	<u>\$ 376,948</u>

	Year ended March 31, 2021				
	ODM	IAM-A	IAM-F	Elimination	Consolidated
Net revenue	\$ 313,579	\$ —	\$ —	\$ —	\$ 313,579
License fees and revenue share	178,649	—	—	—	178,649
Segment profit	<u>\$ 134,930</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 134,930</u>

	Year ended March 31, 2020				
	ODM	IAM-A	IAM-F	Elimination	Consolidated
Net revenue	\$ 138,715	\$ —	\$ —	\$ —	\$ 138,715
License fees and revenue share	83,588	—	—	—	83,588
Segment profit	<u>\$ 55,127</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 55,127</u>

## 5. Goodwill and Intangible Assets

### Goodwill

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

	ODM	IAM-A	IAM-F	Consolidated
Goodwill as of March 31, 2021	\$ 80,176	\$ —	\$ —	\$ 80,176
Purchase of AdColony	—	199,050	—	199,050
Purchase of Fyber	—	—	298,983	298,983
Foreign currency translation and other	—	(15,204)	(3,213)	(18,417)
Goodwill as of March 31, 2022	<u>\$ 80,176</u>	<u>\$ 183,846</u>	<u>\$ 295,770</u>	<u>\$ 559,792</u>

### Intangible Assets

The components of intangible assets as of March 31, 2022, and March 31, 2021, were as follows:

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

	As of March 31, 2021			
	Weighted-Average Remaining Useful Life	Cost	Accumulated Amortization	Net
Customer relationships	16.81 years	\$ 46,400	\$ (4,171)	\$ 42,229
Developed technology	9.12 years	20,526	(11,141)	9,385
Trade names	9.92 years	2,000	(314)	1,686
Total		\$ 68,926	\$ (15,626)	\$ 53,300

During the fiscal years ended March 31, 2022, 2021, and 2020, the Company recorded amortization expense of \$48,420, \$2,782 and \$218, respectively, in general and administrative expenses on the consolidated statements of operations and comprehensive income / (loss).

As of March 31, 2022, the Company changed the useful lives of all its trade names intangible assets to approximately 3.33 years due to the planned rebranding of the Company's recent acquisitions, which will begin during the Company's fiscal year ended March 31, 2023. The estimated amortization expense in future fiscal years disclosed below reflect this change in the useful lives of the Company's trade names intangible assets.

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

Fiscal year 2023		\$ 64,259
Fiscal year 2024		64,259
Fiscal year 2025		54,601
Fiscal year 2026		34,180
Fiscal year 2027		34,180
Thereafter		189,110
Total		\$ 440,589

## 6. Accounts Receivable

	March 31, 2022	March 31, 2021
Billed	\$ 189,208	\$ 28,636
Unbilled	82,324	38,837
Allowance for credit losses	(8,393)	(5,488)
Accounts receivable, net	\$ 263,139	\$ 61,985

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

### Allowance for Credit Losses

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

The Company recorded \$1,583, \$1,032, and \$1,739 of bad debt expense during the years ended March 31, 2022, 2021, and 2020, respectively, in general and administrative expenses on the consolidated statements of operations and comprehensive income / (loss).

## 7. Property and Equipment

	March 31, 2022	March 31, 2021
Computer-related equipment	\$ 2,855	\$ 2,263
Developed software	41,011	18,473
Furniture and fixtures	1,836	714
Leasehold improvements	3,687	2,182
Property and equipment, gross	<u>49,389</u>	<u>23,632</u>
Accumulated depreciation	(18,303)	(10,582)
Property and equipment, net	<u>\$ 31,086</u>	<u>\$ 13,050</u>

Depreciation expense for the years ended March 31, 2022, 2021, and 2020, was \$9,032, \$4,338, and \$2,124, respectively.

During the years ended March 31, 2022, 2021, and 2020, depreciation expense includes \$1,617, \$1,980, and \$670, respectively, related to internal-use assets included in general and administrative expense and \$4,415, \$2,358, and \$1,454, respectively, related to internally-developed software to be sold, leased, or otherwise marketed included in other direct costs of revenue.

## 8. Leases

The Company has entered into various non-cancellable operating lease agreements for certain offices as well as assumed various leases through its recent acquisitions. These leases currently have lease periods expiring between fiscal years 2023 and 2029. The lease agreements may include one or more options to renew. Renewals were not assumed in the Company's determination of the lease term unless the renewals were deemed to be reasonably assured at lease commencement. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The components of lease costs, weighted-average lease term, and discount rates are detailed below.

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

	March 31, 2022
Fiscal year 2023	\$ 4,537
Fiscal year 2024	4,059
Fiscal year 2025	2,974
Fiscal year 2026	2,519
Fiscal year 2027	1,319
Thereafter	1,519
Total undiscounted cash flows	<u>16,927</u>
(Less imputed interest)	(1,393)
Present value of lease liabilities	<u>\$ 15,534</u>

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

Associated with these financial liabilities, the Company has right-of-use assets of \$15,439 as of March 31, 2022, which is calculated using the present value of lease liabilities less any lease incentives received from landlords and any deferred rent liability balances as of the date of implementation. The discount rates used to calculate the imputed interest above range from 2.00% to 6.75% and the weighted-average remaining lease term is 4.57 years.

## 9. Debt

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

	Balance	Interest Rate	Unused Line Fee
	March 31, 2022		
BoA Revolver (subject to variable rate)	\$ 524,134	2.41 %	0.20 %
Fyber - Bank Leumi (subject to variable rate)	<u>\$ 12,500</u>	<u>6.10 %</u>	<u>0.60 %</u>

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

	March 31, 2022	March 31, 2021
Revolver	\$ 524,134	\$ 15,000
Less: Debt issuance costs	(3,349)	(443)
Debt assumed through Fyber Acquisition	12,500	—
Total debt, net	533,285	14,557
Less: Current portion of debt	(12,500)	(14,557)
Non-current debt	<u>\$ 520,785</u>	<u>—</u>

### Revolver

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

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

On December 29, 2021, the Company amended the New Credit Agreement (the "First Amendment"), which provides for an increase in the revolving line of credit by \$125,000, which increased the maximum aggregate principal amount of the revolving line of credit to \$525,000. The First Amendment made no other changes to the term or interest rates of the New Credit Agreement.

The Company incurred debt issuance costs of \$4,064 for the New Credit Agreement, inclusive of costs incurred for the First Amendment. The Company had \$24,134 drawn against the New Credit Agreement, classified as long-term debt on the consolidated balance sheet, with remaining unamortized debt issuance costs of \$3,349 as of March 31, 2022. Deferred debt issuance costs associated with the New Credit Agreement and First Amendment are recorded as a reduction of the carrying value of the debt on the consolidated balance sheets. All deferred debt issuance costs are amortized on a straight-line basis over the term of the loan to interest expense.

Amounts outstanding under the New Credit Agreement accrue interest at an annual rate equal to, at the Company's election, (i) London Inter-Bank Offered Rate ("LIBOR") plus between 1.50% and 2.25%, based on the Company's consolidated leverage ratio, or (ii) a base rate based upon the highest of (a) the federal funds rate plus 0.50%, (b) BoA's prime rate, or (c) LIBOR plus 1.00% plus between 0.50% and 1.25%, based on the Company's consolidated leverage ratio. Additionally, the New Credit Agreement is subject to an unused line of credit fee between 0.15% and 0.35% per annum, based on the Company's consolidated leverage ratio. As of March 31, 2022, the interest rate was 2.41% and the unused line of credit fee was 0.20%.

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

As of March 31, 2022, the Company had \$866 available to withdraw on the revolving line of credit under the New Credit Agreement and was in compliance with all covenants. The carrying value of our debt, exclusive of capitalized debt issuance costs, approximates fair value due to the variable nature of the interest rates.

#### **Debt Assumed Through Fyber Acquisition**

As a part of the Fyber Acquisition, the Company assumed \$25,789 of debt previously held by Fyber. This debt was comprised of amounts drawn against three separate revolving lines of credit. The Company settled two of the three revolving lines of credit, resulting in payments of \$13,289 during the year ended March 31, 2022. Details for the remaining line of credit can be found in the first table of this note. The remaining revolving line of credit from Bank Leumi matures on June 15, 2022. The balance of \$12,500 on this line of credit is classified as short-term debt on the consolidated balance sheet as of March 31, 2022.

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

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

	<b>Year ended March 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Interest income / (expense), net	\$ (7,571)	\$ (1,003)	\$ 35
Amortization of debt issuance costs	(715)	—	6
Unused line of credit fees and other	(209)	—	—
Total interest income / (expense), net	<u>\$ (8,495)</u>	<u>\$ (1,003)</u>	<u>\$ 41</u>

#### **10. Stock-Based Compensation**

##### **Stock-Based Award Plans**

On September 15, 2020, the Company's stockholders approved the 2020 Equity Incentive Plan of Digital Turbine, Inc. (the "2020 Plan"), pursuant to which the Company may grant equity incentive awards to directors, employees and other eligible participants. A total of 12,000,000 shares of common stock are reserved for grant under the 2020 Plan. The types of awards that may be granted under the 2020 Plan include incentive and non-qualified stock options, stock appreciation rights, restricted stock, and restricted stock units. The 2020 Plan became effective on September 15, 2020, and has a term of ten years. Stock options may be either "incentive stock options" ("ISOs"), as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or non-qualified stock options ("NQSOs"). As of March 31, 2022, 11,422,493 shares of common stock were available for issuance as future awards under the Company's 2020 Plan.

The following table summarizes stock option activity:

	Number of Shares	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Options outstanding as of March 31, 2021	8,146,445	\$ 4.01	6.86	\$ 622,249
Granted	691,957	70.67		
Exercised	(1,312,460)	3.28		
Forfeited / Expired	(402,642)	26.55		
Options outstanding as of March 31, 2022	7,123,300	\$ 9.33	6.11	\$ 262,419
Exercisable as of March 31, 2022	5,714,938	\$ 4.93	5.56	\$ 227,050

At March 31, 2022, total unrecognized stock-based compensation expense related to unvested stock options, net of estimated forfeitures, was \$9,423, with an expected remaining weighted-average recognition period of 2.07 years.

#### Restricted Stock

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

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

The following table summarizes restricted stock unit ("RSU") and restricted stock award ("RSA") activity:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested restricted shares outstanding as of March 31, 2021	333,544	\$ 4.55
Granted	388,405	39.71
Vested	(319,356)	4.94
Forfeited	(29,292)	49.68
Unvested restricted shares outstanding as of March 31, 2022	373,301	\$ 35.82

At March 31, 2022, total unrecognized stock-based compensation expense related to RSUs and RSAs was \$7,015, with an expected remaining weighted-average recognition period of 1.78 years.

#### Valuation of Awards

For stock options granted, the Company typically uses the Black-Scholes option pricing model to estimate the fair value of stock options at grant date. The Black-Scholes option pricing model incorporates various assumptions, including volatility, expected term, risk-free interest rates, and dividend yields. The assumptions utilized in this model during fiscal years 2022, 2021, and 2020 are presented below.

	Year ended March 31,		
	2022	2021	2020
Risk-free interest rate	0.63% to 1.77%	0.21% to 0.66%	0.64% to 2.25%
Expected life of the options	4.82 to 5.27 years	4.93 to 5.23 years	5.02 to 9.83 years
Expected volatility	72% to 72%	64% to 72%	64% to 66%
Expected dividend yield	—%	—%	—%

Total fair value of options vested and total intrinsic value of options exercised was as follows for the fiscal years presented:

	Year ended March 31,		
	2022	2021	2020
Total fair value of options vested	\$ 11,495	\$ 4,816	\$ 2,577
Total intrinsic value of options exercised (a)	\$ 68,163	\$ 97,603	\$ 10,890

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

#### Stock-Based Compensation Expense

Stock-based compensation expense for the years ended March 31, 2022, 2021, and 2020, was \$19,304, \$5,877, and \$3,353, respectively, and was recorded within general and administrative expenses on the consolidated statements of operations and comprehensive income / (loss).

#### 11. Earnings per Share

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

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

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

	Year ended March 31,		
	2022	2021	2020
Net income from continuing operations, net of taxes	35,569	54,884	14,2
Less: net income attributable to non-controlling interest	23	—	—
Net income attributable to Digital Turbine, Inc.	\$ 35,546	\$ 54,884	\$ 14,2
Weighted-average common shares outstanding, basic	95,198	88,514	84,5
Basic net income per common share	\$ 0.37	\$ 0.61	\$ 0
Weighted-average common shares outstanding, diluted	102,640	96,151	89,5
Diluted net income per common share	\$ 0.35	\$ 0.57	\$ 0

## 12. Income Taxes

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

	Year ended March 31,		
	2022	2021	2020
Current U.S. federal	\$ 236	\$ —	\$ —
Current state and local	703	204	182
Current non-U.S.	7,439	38	(55)
<b>Total current</b>	<b>8,378</b>	<b>242</b>	<b>127</b>
Deferred U.S. federal	1,485	(13,185)	(7,928)
Deferred state and local	(1,350)	(204)	(2,624)
Deferred non-U.S.	(110)	120	50
<b>Total deferred</b>	<b>25</b>	<b>(13,269)</b>	<b>(10,502)</b>
<b>Total income tax provision / (benefit)</b>	<b>\$ 8,403</b>	<b>\$ (13,027)</b>	<b>\$ (10,375)</b>

Income before income taxes included income from domestic operations of \$6,504, \$44,800, and \$3,800 for the years ended March 31, 2022, 2021, and 2020, respectively, and income / (loss) from foreign operations of \$38,171, \$(2,800), and \$(300) for the years ended March 31, 2022, 2021, and 2020, respectively.

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

	Year ended March 31,		
	2022	2021	2020
Statutory federal income taxes	\$ 9,256	\$ 8,819	\$ 741
State income taxes, net of federal benefit	938	(1,284)	144
Non-deductible expenses	2,891	926	272
Change in warrant liability	—	—	2,012
Change in Mobile Posse earn-out	—	3,238	—
Change in Fyber earn-out	10,500	—	—
Change in AdColony earn-out	(1,872)	—	—
Excess deductions for stock compensation	(9,946)	(16,523)	(1,384)
Change in uncertain tax liability	52	591	32
Change in valuation allowance	(1,503)	(11,223)	(12,262)
Foreign rate differential	(1,554)	—	—
Return-to-provision adjustments	(454)	2,243	—
Other miscellaneous	95	186	70
<b>Income tax provision / (benefit)</b>	<b>\$ 8,403</b>	<b>\$ (13,027)</b>	<b>\$ (10,375)</b>

The Company's effective tax rate differs from the U.S. federal statutory tax rate primarily as a result of nondeductible executive compensation and transaction costs, tax deductions in excess of book for stock compensation, nondeductible changes in stock acquisition earn-outs, and state income taxes.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act ("the U.S. Tax Act"). The Global Intangible Low-Taxed Income ("GILTI") provision of the U.S. Tax Act requires the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. An accounting policy election is available to account for the tax effects of GILTI as either a current period expense when incurred, or to recognize deferred taxes for book and tax basis differences expected to reverse as GILTI in future years. The Company has elected to account for the tax effects of GILTI as a current period expense when incurred.

ASC 740 requires the consideration of a valuation allowance, on a jurisdictional basis, to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining any valuation allowance recorded against deferred tax assets. A net tax benefit of \$1,503 was realized in the fiscal year ended March 31, 2022, as a result of changes in the valuation allowance. An increase in the valuation allowance of \$16,130 was recorded through acquisition accounting related to German deferred tax assets of Fyber that are not considered more likely than not realizable. A valuation allowance of \$19,914 is recorded against deferred tax assets as of March 31, 2022, related to non-U.S. locations with a history of losses.

In the year ended March 31, 2020, the Company recorded a net U.S. deferred tax liability of \$0,552 on the opening balance sheet related to the Mobile Posse acquisition dated February 28, 2020. The deferred tax liability primarily related to intangible assets recorded at fair market value for financial accounting compared to the carryover of historical tax basis. The acquired deferred tax liabilities represent a source of positive evidence with respect to the Company's ability to realize deferred tax assets. In accordance with ASC 805-740-30-3, a change in the acquirer's valuation allowance as a result of a business combination is recorded as a component of income tax expense. As a result of the business combination, the Company released \$10,552 of valuation allowance as a component of income tax expense in the year ended March 31, 2020.

Deferred tax assets and liabilities consist of the following:

	Year ended March 31,		
	2022	2021	2020
<b>Deferred income tax assets</b>			
Net operating loss carry-forward	\$ 76,219	\$ 25,630	\$ 21,913
Stock-based compensation	3,765	1,675	3,775
Accrued compensation	3,724	1,968	1,069
Other	1,700	1,919	1,215
<b>Gross deferred income tax assets</b>	<b>85,408</b>	<b>31,192</b>	<b>27,972</b>
Valuation allowance	(19,914)	(5,287)	(15,977)
<b>Net deferred income tax assets</b>	<b>65,494</b>	<b>25,905</b>	<b>11,995</b>
<b>Deferred income tax liabilities</b>			
Depreciation and amortization	(5,795)	(2,627)	(1,648)
Intangibles and goodwill	(79,675)	(10,315)	(10,356)
<b>Net deferred income tax assets / (liabilities)</b>	<b>\$ (19,976)</b>	<b>\$ 12,963</b>	<b>\$ (9)</b>

Fiscal year 2020 amounts recast for immaterial differences to match reported financial statements.

The following details the scheduled expiration dates of the Company's net operating loss (NOL) carryforwards:

	2023 Through 2032	2033 Through 2042	Indefinite	Total
U.S. federal NOLs	\$ —	\$ 109,905	\$ 71,021	\$ 180,926
State taxing jurisdictions NOLs	5,601	129,890	492	135,983
Non-U.S. NOLs	—	—	108,111	108,111
<b>Total, net</b>	<b>\$ 5,601</b>	<b>\$ 239,795</b>	<b>\$ 179,624</b>	<b>\$ 425,020</b>

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

The Company has not provided for deferred taxes on approximately \$24,600 of undistributed earnings from foreign subsidiaries as of March 31, 2022. The Company has not provided for any additional deferred taxes with respect to items such as foreign withholding taxes, state income tax, or foreign exchange gain or loss that would be due when cash is repatriated to the U.S. because those foreign earnings are considered permanently reinvested in the business or may be remitted substantially free of any additional taxes. Because of the various avenues to repatriate the earnings, the determination of the amount of the unrecognized deferred tax liability related to the undistributed earnings, if eventually remitted, is not practicable.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits for the years ended March 31, 2022, 2021, and 2020, is as follows:

	Year ended March 31,		
	2022	2021	2020
<b>Balance at April 1</b>	\$ 1,372	\$ 787	\$ 788
Additions for tax positions of prior years	52	585	—
Reductions for tax positions of prior years	—	—	(1)
<b>Balance at March 31</b>	<b>\$ 1,424</b>	<b>\$ 1,372</b>	<b>\$ 787</b>

Included in the net deferred income tax assets / (liabilities) balances at March 31, 2022, 2021, and 2020, on our consolidated balance sheets are \$,424, \$1,372, and \$787, respectively, of unrecognized tax benefits, which would affect the annual effective tax rate if recognized. The Company recognized \$59, \$23, and \$33 for interest and penalties on uncertain income tax liabilities in income tax expense for the years ended March 31, 2022, 2021, and 2020, respectively. The Company does not expect the amount of unrecognized tax benefits to change significantly in the next twelve months.

The Company's U.S. federal, state, and foreign income tax returns generally remain subject to examination for the tax years ended 2017 through 2022.

### 13. Commitments and Contingencies

#### Acquisition Purchase Price Liability

As of March 31, 2022, the Company re-evaluated the fair value of the Fyber Acquisition contingent earn-out consideration and recognized an acquisition purchase price liability of \$50,000 on its consolidated balance sheet as of March 31, 2022. The Company settled the obligation through the issuance of approximately 1,200,000 shares of the Company's common stock subsequent to its fiscal year ended March 31, 2022. See Note 3, "Acquisitions," for additional discussion regarding the Fyber earn-out payment.

#### 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 \$212,572 over the next five 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 that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company reviews these accruals at least quarterly and adjusts them to reflect ongoing negotiations, settlements, rulings, advice of legal counsel, and other relevant information. To the extent new information is obtained and the Company's views on the probable outcomes of claims, suits, assessments, investigations, or legal proceedings change, changes in the Company's accrued liabilities would be recorded in the period in which such determination is made. For some matters, the amount of liability is not probable or the amount cannot be reasonably estimated and, therefore, accruals have not been made.

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

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

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

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are controls and other procedures designed to ensure information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer, who is the principal executive officer, and the Company's Chief Financial Officer, who is the principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of March 31, 2022. Based on this evaluation, management concluded, as of such date, the Company's disclosure controls and procedures were not effective due to the existence of the material weakness in its internal control over financial reporting described below.

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

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for the Company. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with accounting principles generally accepted in the United States of America.

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

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

The Company acquired AdColony Holding AS on April 29, 2021, and Fyber N.V. on May 25, 2021 (the "Acquired Companies"). As of March 31, 2022, the Acquired Companies constituted 48.2% of the Company's total assets. For the fiscal year ended March 31, 2022, the Acquired Companies constituted 34.3% of the Company's total revenue. As of March 31, 2022, we are in the process of evaluating internal control over the Acquired Companies and integrating them into our existing operations. The Acquired Companies have, therefore, been excluded from management's assessment of internal control over financial reporting as of March 31, 2022.

Management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of March 31, 2022. In completing this evaluation, management used the criteria set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") (2013). Based on this evaluation and the material weakness discussed below, management concluded the Company did not maintain effective internal control over financial reporting as of March 31, 2022.

Grant Thornton LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting. This report is included in Part II, Item 8 of this Annual Report on Form 10-K.

#### **Description of Material Weakness**

As previously announced by management on May 17, 2022, the Company restated its financial statements and filed Quarterly Reports on Form 10-Q/A for the three-month period ended June 30, 2021, the three and six-month periods ended September 30, 2021, and the three and nine-month periods December 31, 2021.

The restatements of the previously filed financial statements were due to an error in the presentation of revenue for certain product lines, as well as the classification of certain hosting costs for our recently acquired businesses. As part of the post-acquisition integration process, the Company initially assessed the accounting policies of the recently acquired businesses and determined the Company acted as a principal in the revenue arrangements of the recently acquired businesses. As a result, revenue was reported gross, exclusive of license fees and revenue share expense.

During the fourth quarter of the fiscal year ended March 31, 2022, the Company determined it would be necessary to complete a more comprehensive review of revenue accounting for the recently acquired businesses. As a result of that review, management determined the Company acted as an agent, rather than as a principal, in certain product lines of the recently acquired businesses and, as a result, revenue for those product lines should have been reported net of license fees and revenue share expense. In addition, as part of the continued integration of the recently acquired businesses, management determined the presentation and disclosure of certain hosting costs had not been conformed to our corporate accounting policy. As a result, certain hosting costs were classified as product development expenses rather than other direct costs of revenue and general and administrative expenses.

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

#### **Remediation Plans for Material Weakness in Internal Control over Financial Reporting**

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

The Company will also improve its policies and procedures by:

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

Management believes these additional steps will be effective in remediating the material weakness described above and may take additional measures to address the material weakness or modify the remediation plan described above, if deemed necessary.

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

Other than the revenue recognition review process described above, there were no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2022, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **ITEM 9B. OTHER INFORMATION**

None.

#### **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE**

The information required by this item is incorporated by reference to our Proxy Statement for the 2022 Annual Meeting of Stockholders.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item is incorporated by reference to our Proxy Statement for the 2022 Annual Meeting of Stockholders.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this item is incorporated by reference to our Proxy Statement for the 2022 Annual Meeting of Stockholders.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required by this item is incorporated by reference to our Proxy Statement for the 2022 Annual Meeting of Stockholders.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this item is incorporated by reference to our Proxy Statement for the 2022 Annual Meeting of Stockholders.

## PART IV

### **ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

We have filed the following documents as part of this Annual Report on Form 10-K:

#### 1. Consolidated Financial Statements

Refer to "Index to Consolidated Financial Statements" under Part II, Item 8 of this Annual Report on Form 10-K.

#### 2. Financial Statement Schedules

Financial statement schedules are omitted because they are inapplicable or the required information is shown in the consolidated financial statements, or notes thereto, included herein.

#### 3. Exhibits

##### **Exhibit No.**

##### **Description**

<a href="#"><u>2.1</u></a>	<a href="#"><u>Stock Purchase Agreement, dated February 6, 2020, by and among Digital Turbine Media, Inc., ACME Mobile, LLC, Mobile Posse, Inc., and certain equityholders of ACME Mobile, LLC party thereto (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Commission on February 10, 2020).</u></a>
<a href="#"><u>2.2</u></a>	<a href="#"><u>Share Purchase Agreement, dated March 1, 2021, by and among Digital Turbine (EMEA) Ltd., Triapodi Ltd. (d/b/a Appreciate), the stockholder representative, and the stockholders of Triapodi Ltd. (d/b/a Appreciate) (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Commission on March 3, 2021).</u></a>
<a href="#"><u>2.3</u></a>	<a href="#"><u>Share Purchase Agreement, dated February 26, 2021, by and among the Company, DT Media, AdColony Holding AS, and Otello Corporation ASA (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Commission on March 1, 2021).</u></a>
<a href="#"><u>2.4</u></a>	<a href="#"><u>Amendment to Share Purchase Agreement, dated as of August 27, 2021, by and among Digital Turbine, Inc., Digital Turbine Media, Inc., Digital Turbine AdColony AS, AdColony Holding AS, and Otello Corporation ASA (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Commission on August 27, 2021).</u></a>
<a href="#"><u>2.5</u></a>	<a href="#"><u>Sale and Purchase Agreement, dated March 22, 2021, by and among Tennor Holding B.V., Advert Finance B.V., and Lars Windhorst, as sellers, and Digital Turbine and Digital Turbine Luxembourg S.à r.l., a private limited company under the laws of the Grand Duchy of Luxembourg and a subsidiary of Digital Turbine, as purchaser (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Commission on March 23, 2021).</u></a>
<a href="#"><u>2.6</u></a>	<a href="#"><u>First Amendment Agreement to the Sale and Purchase Agreement, dated May 25, 2021, by and among Tennor Holding B.V., Advert Finance B.V., Lars Windhorst, Digital Turbine, Inc., Digital Turbine Media, Inc., and Digital Turbine Luxembourg S.à r.l., (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Commission on May 28, 2021).</u></a>
<a href="#"><u>2.7</u></a>	<a href="#"><u>Second Amendment Agreement to the Sale and Purchase Agreement, dated effective September 23, 2021, by and among Digital Turbine, Inc., Digital Turbine Media, Inc., Digital Turbine Luxembourg S.à r.l., Tennor Holding B.V., Advert Finance B.V. and Lars Windhorst (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Commission on October 5, 2021).</u></a>
<a href="#"><u>3.1</u></a>	<a href="#"><u>Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Annual Report on Form 10-K filed with the Commission on June 10, 2021).</u></a>
<a href="#"><u>3.2</u></a>	<a href="#"><u>Certificate of Merger merging Mediavest, Inc., a New Jersey corporation, with and into NeuMedia Media, Inc., a Delaware corporation, as filed with the Secretary of State of the State of Delaware, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on November 14, 2007.</u></a>
<a href="#"><u>3.3</u></a>	<a href="#"><u>Certificate of Ownership merging Mandalay Digital Group, Inc. into NeuMedia, Inc., dated February 2, 2012, incorporated by reference to our Annual Report on Form 10-K (File No. 000-10039), filed with the Commission on June 29, 2012.</u></a>
<a href="#"><u>3.4</u></a>	<a href="#"><u>Certificate of Amendment of Certificate of Incorporation, dated August 14, 2012, incorporated by reference to Appendix B of the Registrant's Definitive Information Statement on Form 14-C (File No. 000-10039), filed with the Commission on July 10, 2012.</u></a>
<a href="#"><u>3.5</u></a>	<a href="#"><u>Certificate of Amendment of Certificate of Incorporation, dated March 28, 2013, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on April 18, 2013.</u></a>
<a href="#"><u>3.6</u></a>	<a href="#"><u>Certificate of Correction of Certificate of Amendment, dated April 9, 2013, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on April 18, 2013.</u></a>

- 3.7 Certificate of Amendment of Certificate of Incorporation, as amended, filed with the Secretary of State of the State of Delaware on January 13, 2015, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on January 16, 2015.
- 3.8 Bylaws, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on November 14, 2007.
- 3.9 Certificate of Amendment of the Bylaws of NeuMedia, Inc., dated February 2, 2012, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on February 7, 2012.
- 3.10 Certificate of Amendment of the Bylaws dated March 6, 2015 (incorporated by reference to our Current Report on Form 8-K (File No. 001-10039) filed with the Commission on March 11, 2015).
- 3.11 Amendment of Bylaws of Digital Turbine, Inc., adopted March 17, 2015, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on March 20, 2015.
- 3.12 Fourth Amendment to Bylaws of Digital Turbine, Inc. (incorporated by reference to Exhibit 3.1 of the Quarterly Report on Form 10-Q filed with the Commission on February 3, 2021).
- 4.1 Registration Rights Agreement, dated as of September 28, 2016, by the Company and certain guarantors entities, incorporated by reference to Exhibit 4.3 of our Current Report on Form 8-K (File No. 001-35958), filed with the Commission on September 29, 2016.
- 4.2 Form of Common Stock Certificate, incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-1/A (File No. 333-214321) filed with the Commission on December 23, 2016.
- 4.3 Description of our Capital Stock (incorporated by reference to Exhibit 4.3 of the Annual Report on Form 10-K filed with the Commission on June 10, 2021).
- 10.1 Form of Indemnification with Directors and Executive Officers, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 10, 2012. †
- 10.2 Amended and Restated 2011 Equity Incentive Plan of Mandalay Digital Group, Inc., incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 30, 2012.
- 10.2.1 Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Restricted Stock Agreement of Mandalay Digital Group, Inc, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 30, 2012.
- 10.2.2 Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Stock Option Agreement of Mandalay Digital Group, Inc., incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 30, 2012.
- 10.3 Employment Agreement, effective September 9, 2014, between the Company and Bill Stone, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958), filed with the Commission on September 15, 2014. †
- 10.3.1 Amendment, effective May 26, 2016, to Employment Agreement between the Company and William Stone, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on June 1, 2016. †
- 10.3.2 Second Amendment, dated March 16, 2018, to Employment Agreement between the Company and William Stone, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on March 21, 2018. †
- 10.4 Board Equity Ownership Policy, as amended, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on June 25, 2014. †
- 10.5 Software as a Service Agreement between Celco Partnership d/b/a Verizon Wireless and the Company, incorporated by reference to Exhibit 10.28 to our Registration Statement on Form S-1/A (File No. 333-214321), filed January 6, 2017. ††
- 10.5.1 Software as a Service Renewal Agreement between Celco Partnership d/b/a Verizon Wireless and the Company, dated as of August 14, 2018, incorporated by reference to Exhibit 10.24 to our Current Report on Form 10-Q (File No. 001-35958), filed with the Commission on November 5, 2018. ††
- 10.6 Employment Agreement between the Company and Barrett Garrison, dated September 12, 2016, incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K (File No. 001-35958), filed with the Commission on August 31, 2016. †
- 10.6.1 Amendment, effective September 7, 2018, to Employment Agreement between the Company and Barrett Garrison, incorporated by reference to our current report on Form 8-K (File No. 001-35958), filed with the Commission on September 10, 2018. †
- 10.7 License and Software Agreement between AT&T Mobility LLC and the Company, dated as of November 2, 2015, incorporated by reference to Exhibit 10.25 of our Current Report on Form 10-Q (File No. 001-35958), filed with the Commission on November 5, 2018. ††
- 10.7.1 Amendment No. 1 to the License and Software Agreement between AT&T Mobility and the Company, dated as of October 17, 2018, incorporated by reference to Exhibit 10.25.1 of our Current Report on Form 10-Q (File No. 001-35958), filed with the Commission on November 5, 2018.
- 10.8 Amendment No. 1 to the Supplement No. 1 to the License and Software Agreement between AT&T Mobility and the Company, dated as of October 17, 2018, incorporated by reference to Exhibit 10.25.2 of our Current Report on Form 10-Q (File No. 001-35958), filed with the Commission on February 5, 2019. ††

<u>10.9</u>	<a href="#">2020 Equity Incentive Plan of Digital Turbine, Inc., and First Amendment and Israeli Appendix thereto(incorporated by reference to Exhibit 10.9 of the Annual Report on Form 10-K filed with the Commission on June 10, 2021).</a>
<u>10.10</u>	<a href="#">Form of Option Agreement (incorporated by reference to Exhibit 10.10 of the Annual Report on Form 10-K filed with the Commission on June 10, 2021).</a>
<u>10.11</u>	<a href="#">Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.3 of our Current Report on Form 8-K filed with the Commission on September 21, 2020).</a>
<u>10.12</u>	<a href="#">Form of Restricted Stock Unit Agreement (Time-Vesting) (incorporated by reference to Exhibit 10.12 of the Annual Report on Form 10-K filed with the Commission on June 10, 2021).</a>
<u>10.13</u>	<a href="#">Form of Restricted Stock Unit Agreement (Performance-Vesting) (incorporated by reference to Exhibit 10.13 of the Annual Report on Form 10-K filed with the Commission on June 10, 2021).</a>
<u>10.14</u>	<a href="#">Credit Agreement, dated April 29, 2021, by and among Digital Turbine, Inc., Digital Turbine Media, Inc., Digital Turbine USA, Inc., Mobile Posse Inc., and Bank of America, N.A. as administrative agent and a lender, the lenders party thereto, BofA Securities, Inc., Wells Fargo Securities, LLC and PNC Bank, NA as Lead Arranger, Bookrunners and Syndication Agents, and CapitalOne and JPMorgan Chase Bank, N.A. as Co-Docummentation Agents (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Commission on May 4, 2021).</a>
<u>10.15</u>	<a href="#">First Amendment, dated as of December 29, 2021, by and among Digital Turbine, Inc., Digital Turbine Media, Inc., Digital Turbine USA, Inc., Mobile Posse, Inc., AdColony, Inc., AdColony Holdings US, Inc., and Bank of America, N.A., as administrative agent and a lender, and the lenders party thereto (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Commission on January 3, 2022).</a>
<u>10.16</u>	<a href="#">Employment Agreement, dated as of June 8, 2020, by and among Digital Turbine, Inc. and Michael Ng, and related promotion letter agreement, dated November 23, 2021.*</a>
<u>10.17</u>	<a href="#">Employment Agreement, dated as of December 3, 2021, by and among Digital Turbine, Inc. and Matthew Gillis.*</a>
<u>21.1</u>	<a href="#">List of Subsidiaries.*</a>
<u>23.1</u>	<a href="#">Consent of Independent Registered Public Accounting Firm.*</a>
<u>23.2</u>	<a href="#">Consent of Independent Registered Public Accounting Firm.*</a>
<u>31.1</u>	<a href="#">Certification of William Stone, Principal Executive Officer.*</a>
<u>31.2</u>	<a href="#">Certification of Barrett Garrison, Principal Financial Officer.*</a>
<u>32.1</u>	<a href="#">Certification of William Stone, Principal Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**</a>
<u>32.2</u>	<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

\*\* The certifications attached as Exhibit 32.1 and 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Digital Turbine, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-K, irrespective of any general incorporation language contained in such filing.

† Management contract or compensatory plan or arrangement

†† Confidential treatment requested and received as to certain portions

#### ITEM 16. FORM 10-K SUMMARY

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Digital Turbine, Inc.

Dated: June 6, 2022

By:

/s/ William Stone

William Stone  
Chief Executive Officer  
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Robert Deutschman Robert Deutschman	Chairman of the Board	June 6, 2022
/s/ William Stone William Stone	Chief Executive Officer (Principal Executive Officer) and Director	June 6, 2022
/s/ Barrett Garrison Barrett Garrison	Chief Financial Officer (Principal Financial Officer)	June 6, 2022
/s/ Michael Miller Michael Miller	Chief Accounting Officer (Principal Accounting Officer)	June 6, 2022
/s/ Roy Chestnutt Roy Chestnutt	Director	June 6, 2022
/s/ Holly Hess Groos Holly Hess Groos	Director	June 6, 2022
/s/ Mohan Gyani Mohan Gyani	Director	June 6, 2022
/s/ Jeffrey Karish Jeffrey Karish	Director	June 6, 2022
/s/ Mollie V. Spilman Mollie V. Spilman	Director	June 6, 2022
/s/ Michelle Sterling Michelle Sterling	Director	June 6, 2022

## EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the “**Agreement**”) is made effective as of June 8, 2020 (the “**Effective Date**”), by and among Digital Turbine, Inc., a Delaware corporation (the “**Company**”), and Michael Ng with address at 1220 Payne Drive, Los Altos, CA 94024 (the “**Executive**”). Executive’s employment shall commence on July 6, 2020 (the “**Start Date**”). In consideration of the mutual covenants contained in this Agreement, the Company and the Executive agree as follows:

1. **Employment.** The Company agrees to employ the Executive, and the Executive agrees to be employed by the Company on the terms and conditions set forth in this Agreement.
2. **Capacity.** The Executive shall serve the Company as its Chief Revenue Officer and shall report directly to the Chief Executive Officer. As Chief Revenue Officer, the Executive shall be responsible for those duties normally associated with being the principal revenue officer as shall be assigned to him by the Chief Executive Officer. At the reasonable request of the Chief Executive Officer, the Executive shall provide services to subsidiaries and affiliates of the Company, without additional compensation becoming payable. Executive represents he is and at all times during the Term (as defined below) will be legally present and entitled to work in the United States.
3. **Term.** Subject to the provisions of Section 6, the term of employment pursuant to this Agreement commenced on the Start Date and shall continue on an at-will basis, subject to termination by the Company or Executive at any time (the period of time commencing on the Start Date through the termination of this Agreement being the “**Term**”)
4. **Compensation and Benefits.** The regular compensation and benefits payable to the Executive under this Agreement shall be as follows:
  - a. **Salary.** For all services rendered by the Executive under this Agreement, the Company shall pay the Executive an annual salary at the annual rate of Three Hundred and twenty-five thousand dollars (\$325,000) (the “**Salary**”). The Salary shall be payable in periodic installments in accordance with the Company’s usual practice for its employees, but in no event less than monthly over the year in which the Salary is earned.
  - b. **Annual Bonus.** Executive is eligible to participate in the Company’s incentive bonus plan at up to sixty-six percent (66%) of Executive’s annual Salary, upon achievement of Company goals and performance related milestones (“**Annual Bonus**”). The amount and timing of any bonus amount is subject to the sole discretion of Company’s management and is subject to the final approval by the Board of Directors.
  - c. **Regular Benefits.** The Executive shall be entitled to participate in any qualified plans outlined below:
    - i. BCBS Health
    - ii. EyeMed Vision
    - iii. MetLife Dental
    - iv. Company-matched HSA
    - v. \$100,000.00 employee life insurance
    - vi. Short-term and long-term disability
    - vii. 401K plan

(collectively “**Company Benefit Plans**”)

Executive’s participation in the Company Benefit Plans shall be subject to the terms of

applicable plan documents, generally applicable policies of the Company, applicable law and the discretion of the Board of Directors, the Compensation Committee or any administrative or other committee provided for in or contemplated by any such plan. Nothing contained in this Agreement shall be construed to create any obligation on the part of the Company to establish any such plans or to maintain the effectiveness of any such plans which may be in effect from time to time.

- d. **Stock Options**. Subject to the sole discretion and determination of the Board of Directors and/or the compensation and options committee thereof and subject to the terms of any stock option plan and option agreement which shall be approved and adopted by the Board of Directors (and which shall include, inter alia, the grant date and exercise price of the options, the vesting periods and all the other terms and conditions with respect to the options) (“**Stock Option Agreement**”), Executive will be granted an option to purchase Ordinary Shares of the Company (the “**Options**”) in the total value of nine hundred thousand dollars (\$900,000), divided into a Sign-On Grant and Retention Grant (as outlined below), each such Option entitling Executive to purchase one (1) Ordinary Share of the Company at its respective exercise price as determined by the Board, subject to any dilution. Executive undertakes to take all actions and to sign all documents required, at the discretion of the Board, in order to give effect to and enforce the above terms and conditions. Any tax liability in connection with the Options (including with respect to the grant, exercise, sale of the Options or the shares receivable upon their exercise) shall be borne solely by the Executive. The number of shares underlying which stock options will equal \$450,000 (for each of the foregoing Sign-On and Retention Grants) divided by the value per share determined under the Black-Scholes pricing model (using for such model purposes a share price equal to the closing price per share on the Grant Date)

The Options shall vest over a period of three years (“**Stock Option Agreement Term**”) as follows: (i) Sign-On Grant: Options in the total value of four hundred and fifty thousand dollars (\$450,000) shall begin vesting on the one year anniversary of the Start Date (provided Executive is employed by the Company on such date), and shall vest at a rate of 18,750 per month from months 13 to month 36 of the Stock Option Agreement Term; (ii) Retention Grant: the remaining Options in the total value of four hundred and fifty thousand dollars (\$450,000) shall begin vesting on the second year anniversary of the Start Date (provided Executive is employed by the Company on such date), and shall vest at a rate of 37,500 per month from months 25 to month 36 of the Stock Option Agreement Term; (iii) during the Stock Option Agreement Term, any and all unvested Options shall vest immediately upon the sale of all or substantially all of the assets of the Company, upon the merger or reorganization of the Company following which the equity holders of the Company immediately prior to the consummation of such merger or reorganization collectively own less than 50% of the voting power of the resulting entity, or upon the sale of equity securities of the Company representing 50% or more of the voting power of the Company or 50% or more of the economic interest in the Company in a single transaction or in a series of related transactions (i.e., a “**Change of Control**”).

- e. **Reimbursement of Business Expenses**. The Company shall reimburse the Executive for all reasonable expenses incurred by the Executive in performing services during the Term, in accordance with the Company’s policies and procedures.
- f. **Relocation Reimbursement**: The Company shall also reimburse the Executive for the reasonable and documented pre-approved expenses that the Executive incurs in

substantially completing the relocation of his principal personal residence to Austin, Texas not later than September 1, 2020, not to exceed \$25,000 (“**Relocation Reimbursement**”). If Executive voluntarily terminates his employment before the completion of one year of continuous employment from the Start Date, Executive will be required to return to the Company the total amount of such Relocation Reimbursement. Executive acknowledges and agrees that that some or all of the relocation expenses may be considered a taxable income. Company is not in the position to offer an opinion about the taxability of such sums, there Executive is advised to you contact his accountant or other financial advisor for a definitive advice on this matter.

- g. Vacation: Executive shall be entitled to Company’s unlimited paid vacation program (commensurate with Company’s policy).
  - h. Exclusivity of Salary and Benefits. The Executive shall not be entitled to any payments or benefits other than those provided under this Agreement for services rendered by the Executive to the Company during the Term or any Extended Term.
5. **Extent of Service.** During the Executive’s employment under this Agreement, the Executive shall, subject to the direction and supervision of the Chief Executive Officer, devote the Executive’s full business time, best efforts and business judgment, skill and knowledge to the advancement of the Company’s interests and to the discharge of the Executive’s duties and responsibilities under this Agreement. The Executive shall not engage in any other business activity, except as may be approved by the Board of Directors; provided, however, that nothing in this Agreement shall be construed as preventing the Executive from:
- a. investing the Executive’s personal assets in any non-competitive business enterprise, company or other entity in such form or manner as shall not require any material personal time commitment on the Executive’s part in connection with the operations or affairs of such other enterprise, company or other entity in which such investments are made; or
  - b. engaging in religious, charitable or other community or non-profit activities that do not impair the Executive’s ability to fulfill the Executive’s duties and responsibilities under this Agreement.
6. **Termination.** Notwithstanding the provisions of Section 3, the Executive’s employment under this Agreement shall terminate under the following circumstances set forth in this Section 6. For purposes of this Agreement, the date of the Executive’s termination (the “**Termination Date**”) shall mean the date of the Executive’s “separation from service” as such term is defined under Section 409A of the Internal Revenue Code of 1986, as amended (“**Section 409A**”)
- a. Termination by the Company for Cause. The Executive’s employment under this Agreement may be terminated for Cause without liability on the part of the Company (except only to pay those specific amounts set forth in Section 7(c)) effective immediately upon approval of the Board of Directors and written notice to the Executive. The following shall constitute “**Cause**” for such termination:
    - i. any act committed by the Executive against the Company or any of its affiliates which involves fraud, willful misconduct, gross negligence or refusal to comply with the reasonable, legal and clear written instructions given to him by the Board through Board action that do not violate this Agreement; provided, however, that Executive shall have a period of 15 days to cure such conduct after written reasonably specific notice thereof, unless such conduct is not (as in the case of fraud or willful misconduct) reasonably curable. For purposes of the

foregoing sentence, no act, or failure to act, on Executive's part shall be considered "willful" unless the Executive acted, or failed to act, in bad faith or without reasonable belief that his act or failure to act was in the best interest of the Company or any subsidiary; or

- ii. the conviction of the Executive of, or indictment (or procedural equivalent, or guilty plea or plea of nolo contendere) of the Executive for (A) a felony or (B) any misdemeanor involving moral turpitude where the circumstances reasonably would have a negative impact on the Company, deceit, dishonesty or fraud; provided, however, that Executive shall have a period of 15 days to cure such conduct after written reasonably specific notice thereof, unless such conduct (as in the case of dishonesty or fraud) is not reasonably curable; or
  - iii. material breach of this Agreement; provided, however, that Executive shall have a period of 15 days to cure such conduct after written reasonably specific notice thereof, unless such conduct is not reasonably curable.
- b. Termination by the Company Without Cause. Subject to the payment of Termination Benefits pursuant to Section 7(b), the Executive's employment under this Agreement may be terminated by the Company, without Cause, upon not less than fifteen (15) days' prior written notice to the Executive.
- c. Death. The Executive's employment with the Company shall terminate automatically upon his death.
- d. Disability. Disability. If the Executive shall become Disabled so as to be unable to perform the essential functions of the Executive's then existing position or positions under this Agreement with or without reasonable accommodation, the Board of Directors may remove the Executive from any responsibilities and/or reassign the Executive to another position with the Employer during the period of such Disability. Notwithstanding any such removal or reassignment, the Executive shall continue to receive the Executive's full Salary (less any disability pay or sick pay benefits to which the Executive may be entitled under the Employer's policies) and benefits under Section 4 of this Agreement (except to the extent that the Executive may be ineligible for one or more such benefits under applicable plan terms) for a period of time equal to twelve (12) months payable at the same time as such amounts would otherwise have been paid to the Executive had he continued in his current capacity. If the Executive is unable to perform substantial services of any kind for the Employer during this period, such period shall be considered a paid leave of absence and the Executive shall have the contractual right to return to employment at any time during such period. If the Executive's Disability continues beyond such twelve (12) month period, the Executive's employment may be terminated by the Employer by reason of Disability at any time thereafter. For purposes hereof, the term "**Disabled**" or "**Disability**" shall mean a written determination that the Executive, as certified by at least two (2) duly licensed and qualified physicians, one (1) approved by the Board of Directors of the Employer and one (1) physician approved by the Executive (the "**Examining Physicians**"), or, in the event of the Executive's total physical or mental disability, the Executive's legal representative, that the Executive suffers from a physical or mental impairment that renders the Executive unable to perform the Executive's regular personal duties under this Agreement and that such impairment can reasonably be expected to continue for a period of three (3) consecutive months or for shorter periods aggregating ninety (90) in any twelve (12) month period; provided, however, that the Executive's primary care physician may not serve as one of

the Examining Physicians without the consent of the Employer and the Executive (or the Executive's legal representation). The Executive shall cooperate with any reasonable request of a physician to submit to a physical examination for purposes of such certification. Nothing in this Section 6(d) shall be construed to waive the Executive's rights, if any, under existing law including, without limitation, the Family and Medical Leave Act of 1993, 29 U.S.C. §2601 et seq. and the Americans with Disabilities Act, 42 U.S.C. §12101 et seq.

- e. **Termination by the Executive for Good Reason.** Subject to the payment of Termination Benefits pursuant to Section 7(b), the Executive's employment under this Agreement may be terminated by the Executive for Good Reason. For purposes of this Agreement, "**Good Reason**" shall be present where Executive gives notice to the Board of Directors of his voluntary resignation within thirty (30) days after the occurrence of any of the following, without Executive's written consent: (i) failure of the Company to pay or cause to be paid or delivered any amounts or options due Executive when due under the terms and conditions hereunder, in each case subject to a fifteen (15) day cure period by the Company following reasonably specific written notice by the Executive; (ii) the Executive's not reporting directly to the Chief Executive Officer of the Company, subject to a thirty (30) day cure period by the Company following reasonably specific written notice by the Executive, unless the sole reason for such failure to report to the Chief Executive Officer is that a Change of Control occurred and as a result the Executive's reporting structure in the buyer's organization puts Executive at effectively the same or higher level of overall responsibility and authority (comparing the positions in each organization) as was the case immediately prior to such Change of Control, as reasonably determined by the Board prior to such Change of Control; or (iii) material diminution in Executive's position, duties, authority or responsibility, without Cause, subject to a thirty (30) day cure period by the Company following reasonably specific written notice by the Executive. If the Executive fails to resign within sixty (60) days after the expiration of the applicable cure period, then such event will not be a basis to resign for Good Reason.

## **7. Compensation Upon Termination.**

- a. **Termination Generally.** If the Executive's employment with the Company is terminated for any reason during or upon expiration of the Term, the Company shall pay or provide to the Executive (or to his authorized representative or estate) (i) any earned but unpaid Salary payable on the Termination Date, (ii) accrued bonuses for a previously completed yearly or stub measurement period (for avoidance of doubt, no pro-rata bonus is payable under this clause, but only a bonus for a previously completed yearly or stub measurement period) earned but not yet paid, payable at the same time such amounts would otherwise have been paid to the Executive, (iii) any unpaid expense reimbursements, payable in accordance with the Company's reimbursement policies, and (iv) any vested benefits the Executive may have under any of the Company Benefit Plans, payable as specified in the applicable plan documents (collectively, the "**Accrued Compensation**").
- b. **Termination by the Company Without Cause or by the Executive for Good Reason.** In the event of termination of the Executive's employment with the Company pursuant to Section 6(b) or 6(e) above, and subject to the Executive's execution and delivery of a release of any and all legal claims in a form satisfactory to the Company, and expiration of any revocation period without the release being revoked, within forty-five (45) days following the Termination Date (the "**Release Period**"), the Company shall provide to

the Executive, in addition to the Accrued Compensation, the following termination benefits (“**Termination Benefits**”):

- i. continuation of the Executive’s Salary for a period of twelve (12) months in accordance with the Company’s payroll practices then in effect pursuant to Section 4(a); and
- ii. in the event Executive’s termination is due to Change of Control, continuation of the Executive’s Salary for a period of eighteen (18) months in accordance with the Company’s payroll practices then in effect pursuant to Section 4(a); and
- iii. continuation of any executive health and group health plan benefits to the extent authorized by and consistent with 29 U.S.C. § 1161 et seq. (commonly known as “**COBRA**”), subject to payment of premiums by the Company to the extent that the Company was covering such premiums as of the Termination Date (if permitted by law without violation of applicable discrimination rules, or, if not, the equivalent after-tax value payable as additional severance at the same time such premiums are otherwise payable);
- iv. a pro-rata Annual Bonus through the Termination Date, as reasonably determined by the Compensation Committee applying the applicable standards in Schedule A and paid at the same time as the bonus would otherwise be payable under Section 4(b); and
- v. acceleration of vesting of the options granted under this Agreement on a pro-rata basis as if the vesting schedule, advanced to the next month.

The Termination Benefits set forth in subsections 7(b)(i)-(ii) and 7(b)(iii) above shall continue effective for a period starting on the Termination Date for the respective periods specified therein (each, the “**Termination Benefits Period**”); provided, however, that in the event that the Executive commences any employment during the Termination Benefits Period, the benefits provided under Section 7(b) (iii) shall cease effective as of the date Executive qualifies for group health plan benefits in his new employment. The Company’s liability for Salary continuation pursuant to subsections 7(b)(i)-(ii) shall not be reduced by the amount of any severance pay paid to the Executive pursuant to any severance pay plan or stay bonus plan of the Company. Notwithstanding the foregoing, nothing in this Section 7(b) shall be construed to affect the Executive’s right to receive COBRA continuation entirely at the Executive’s own cost to the extent that the Executive may continue to be entitled to COBRA continuation after Company-paid premiums cease. The Executive shall be obligated to give prompt notice of the date of commencement of any employment during the Termination Benefits Period and shall respond promptly to any reasonable inquiries concerning any employment in which the Executive engages during the Termination Benefits Period.

The Company acknowledges and agrees that under certain circumstances involving the termination of the Executive’s employment and/or a Change of Control transaction involving the Company, the Executive shall be entitled to accelerated vesting on his options to purchase shares of capital stock of the Company, all to the extent provided in that certain Stock Option Agreements referred to in Section 4(d) hereof.

Any Termination Benefits (subject to Executive’s timely execution, delivery and nonrevocation of the required release) that otherwise would become due and payable prior to the end of the Release Period (including Salary continuation payments and

COBRA premium payments otherwise due during the Release Period) shall be paid on Company's first regular payroll date following the end of the Release Period.

- c. Termination by Reason of Cause, Death, Disability, Voluntary Termination by the Executive, Failure to Relocate or Expiration of Term. If the Executive's employment is terminated for any reason other than (i) by the Company without Cause under Section 6(b) or (ii) by the Executive for Good Reason under Section 6(e), the Company shall have no further obligation to the Executive other than payment of his Accrued Compensation.

#### 8. Confidential Information, Non-Solicitation and Cooperation.

- a. Confidential Information. As used in this Agreement, “**Confidential Information**” means proprietary information of the Company which is of value to the Company in the course of conducting its business and the disclosure of which could result in a competitive or other disadvantage to the Company. Confidential Information includes, without limitation, financial information, reports, and forecasts; inventions, improvements and other intellectual property; trade secrets; know-how; designs, processes or formulae; software; market or sales information or plans; customer lists; and business plans, prospects and opportunities (such as possible acquisitions or dispositions of businesses or facilities) which have been discussed or considered by the management of the Company. Confidential Information includes information developed by the Executive in the course of the Executive’s employment by the Company, as well as other information to which the Executive may have access in connection with the Executive’s employment. Confidential Information also includes the confidential information of others with which the Company has a business relationship. Notwithstanding the foregoing, Confidential Information does not include (i) information in the public domain, unless due to breach of the Executive’s duties under Section 8(b), or (ii) information obtained in good faith by the Executive from a third party who was lawfully in possession of such information and not subject to an obligation of confidentiality owed to the Company.
- b. Duty of Confidentiality. The Executive understands and agrees that the Executive’s employment creates a relationship of confidence and trust between the Executive and the Company with respect to all Confidential Information. At all times, both during the Executive’s employment with the Company and after termination, the Executive will keep in strict confidence and trust all such Confidential Information, and will not use or disclose any such Confidential Information without the written consent of the Company, except (i) as may be necessary in the ordinary course of performing the Executive’s duties to the Company or (ii) as may be required in response to a valid order by a court or other governmental body or as otherwise required by law (provided that if the Executive is so required to disclose the Confidential Information, the Executive shall (i) immediately notify the Company of such required disclosure sufficiently in advance of the intended disclosure to permit the Company to seek a protective order or take other appropriate action, and (ii) cooperate in any effort by the Company to obtain a protective order or other reasonable assurance that confidential treatment will be afforded the Confidential Information).
- c. Documents, Records, etc. All documents, records, data, apparatus, equipment and other physical property, whether or not pertaining to Confidential Information, which are furnished to the Executive by the Company (except for documents provided to the Executive (i) concerning his compensation or his participation in Company Benefit Plans

or (ii) in connection with his ownership of Company stock), or are produced by the Executive in connection with the Executive's employment, will be and remain the sole property of the Company. The Executive will return to the Company all such materials and property as and when requested by the Company. In any event, the Executive will return all such materials and property immediately upon termination of the Executive's employment for any reason. The Executive will not retain with the Executive any such material or property or any copies thereof after such termination.

- d. Nonsolicitation. During the Term and for one (1) year thereafter, the Executive (i) will refrain from directly or indirectly employing, attempting to employ, recruiting or otherwise soliciting, inducing or influencing any person to leave employment with the Company (other than subordinate employees whose employment was terminated in the course of the Executive's employment with the Company); and (ii) will refrain from soliciting or encouraging any customer or supplier to terminate or otherwise modify adversely its business relationship with the Company. The Executive understands that the restrictions set forth in this Section 8(d) are intended to protect the Company's interest in its Confidential Information and established employee, customer and supplier relationships and goodwill, and agrees that such restrictions are reasonable and appropriate for this purpose.
- e. Third-Party Agreements and Rights. The Executive hereby confirms that the Executive is not bound by the terms of any agreement with any previous employer or other party which restricts in any way the Executive's use or disclosure of information or the Executive's engagement in any business. The Executive represents to the Company that the Executive's execution of this Agreement, the Executive's employment with the Company and the performance of the Executive's proposed duties for the Company will not violate any obligations the Executive may have to any such previous employer or other party, including under any non-competition agreement, invention or confidentiality agreement, with a former employer, client or any other person or entity. In the Executive's work for the Company, the Executive will not disclose or make use of any information in violation of any agreements with or rights of any such previous employer or other party, and the Executive will not bring to the premises of the Company any copies or other tangible embodiments of non-public information belonging to or obtained from any such previous employment or other party. Further, the Executive agrees to indemnify the Company for any loss, including, but not limited to, reasonable attorneys' fees and expenses, that the Company may incur based upon or arising out of the Executive's breach of this subsection.
- f. Litigation and Regulatory Cooperation. During and after the Executive's employment, the Executive shall cooperate reasonably with requests from the Company, or the Company's legal counsel, in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company which relate to events or occurrences that transpired while the Executive was employed by the Company, provided, however, this obligation does not apply after the Executive ceases employment with the Company to any claim or action by the Company against the Executive, or any claim or action by the Executive against the Company. Such cooperation shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company at mutually convenient times. During and after the Executive's employment, the Executive also shall cooperate fully with the Company in connection with any investigation or

review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while the Executive was employed by the Company. The Company shall reimburse the Executive for any reasonable out-of-pocket expenses incurred in connection with the Executive's performance of obligations pursuant to this Section 8(f), and if the Executive spends more than four (4) hours in any calendar month in performance of these obligations, the Company shall pay the Executive \$500 per hour for each part of an hour over four (4) hours in such calendar month.

- g. **Intellectual Property.** The Company shall be the sole owner of all the products and proceeds of Executive's services hereunder, including, without limitation, all materials, ideas, concepts, formats, suggestions, developments, and other intellectual properties that Executive may acquire, obtain, develop or create in connection with his services hereunder and during the Term (and if applicable, Extended Term), free and clear of any claims by Executive (or anyone claiming under Executive) of any kind or character whatsoever (other than Executive's rights and benefits hereunder). Executive shall, at the request of the Company, execute as of the Start Date, an Employee Confidential Information, Non-Solicitation and Invention Assignment Agreement and any other such assignments, certificates or other instruments as the Company may from time to time deem necessary or desirable to evidence, establish, maintain, perfect, protect, enforce or defend the Company's right, title and interest in and to any such products and proceeds of Executive's services hereunder.
  - h. **Injunction.** The Executive agrees that it would be difficult to measure any damages caused to the Company which might result from any breach by the Executive of the promises set forth in this Section 8, and that in any event money damages may be an inadequate remedy for any such breach. Accordingly, as further set forth in Section 9 of this Agreement, the Executive agrees that if the Executive breaches, or proposes to breach, any portion of this Agreement, the Company shall be entitled, in addition to all other remedies that it may have, to an injunction or other appropriate equitable relief to restrain any such breach without showing or proving any actual damage to the Company and without the need to post a bond or other security.
9. **Arbitration of Disputes.** Executive (hereinafter in this Section 9 "You") agrees that to the fullest extent permitted by law, any and all controversies, claims, or disputes between you and the Company (or between you and any present or former employee, officer, director, agent, or benefit plan of the Company in their capacity as such or otherwise) arising out of, relating to, or resulting from your employment with the Company or the termination of your employment with the Company will be resolved by final and binding arbitration. Claims subject to arbitration include, without limitation, any claims under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Family and Medical Leave Act, the Fair Labor Standards Act, the Employee Retirement Income Security Act, the Health Insurance Portability and Accountability Act of 1996, the Federal Occupational Safety and Health Act, the Texas Civil Rights Statutes and any other statutory or common-law claims. However, claims for unemployment benefits, workers' compensation claims, and claims under the National Labor Relations Act will not be subject to arbitration. In addition, either party may seek provisional remedies pursuant to applicable State laws and regulations. There will be no right or authority for any claim subject to arbitration to be heard or arbitrated on a class or collective basis, as a private attorney general, or in a representative capacity on behalf of any other person or entity.

You agree that any arbitration will be administered by JAMS (or other mutually agreeable alternative dispute resolution service) in accordance with its Employment Arbitration Rules & Procedures and subject to JAMS Policy on Employment Arbitration Minimum Standards of Procedural Fairness (the “**JAMS Rules**”), a copy of which Rules can be found at [www.jamsadr.com](http://www.jamsadr.com) or obtained from Human Resources. A neutral arbitrator with experience in arbitrating employment disputes will be chosen by mutual agreement of the parties; however, if the parties are unable to agree upon an arbitrator within a reasonable period of time, then a neutral arbitrator will be appointed in accordance with the arbitrator nomination and selection procedure set forth in the JAMS Rules. The arbitrator will have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this agreement to arbitrate. The arbitrator may not consolidate more than one person’s claim, and may not otherwise preside over any form of a representative, collective or class proceeding. The parties will be permitted to conduct discovery as provided by applicable laws and regulations. The arbitrator will prepare a written decision containing the essential findings and conclusions on which the award is based, and will apply the same substantive law with the same statutes of limitation that would apply if the claims were brought in a court of law. The arbitrator’s decision must be issued no later than thirty (30) days after a dispositive motion is heard and/or an arbitration hearing has been completed. The arbitrator’s decision will be final and binding upon the parties and will be enforceable in any court having jurisdiction thereof. The arbitrator will have the authority to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication and motions to dismiss and demurrers, prior to any arbitration hearing. The arbitrator will have the authority to award any remedies, including attorneys’ fees and costs, available under applicable law.

All arbitration hearings under this arbitration agreement will be conducted in Austin, Texas unless otherwise agreed by the parties. The arbitration provisions of this agreement will be governed by the Federal Arbitration Act. In all other respects, this arbitration agreement will be construed in accordance with the laws of the State of Texas, without reference to conflicts of law principles.

You will be required to pay an arbitration fee to initiate any arbitration equal to what you would be charged as a court filing fee for a first appearance. Where you are asserting a claim under a state or federal statute prohibiting discrimination in employment, a public policy claim arising under a statute, or where as otherwise required by applicable law to achieve the enforceability of this Agreement, the Company will pay the costs and fees charged by the arbitrator and JAMS (or other mutually selected alternative dispute resolution service) to the extent such costs would not otherwise be incurred in a court proceeding. In all other circumstances, you and the Company agree to split equally the fees and administrative costs charged by the arbitrator and the alternative dispute resolution service being utilized. Each party will bear its own costs and attorneys’ fees, unless a party prevails on a statutory claim and the statute provides that the prevailing party is entitled to payment of its attorneys’ fees. In that case, the arbitrator may award reasonable attorneys’ fees and costs to the prevailing party as provided by law.

Either you or the Company may bring an action in court to compel arbitration under this arbitration agreement and to enforce an arbitration award or for a provisional remedy pursuant to applicable laws and regulations. Nothing in this agreement should be construed to prevent either party’s ability to seek a provisional remedy, including a preliminary injunction, as permitted by JAMS Employment Arbitration Rules (including but not limited to Rule 34) or applicable laws and regulations. Otherwise, neither party will initiate or prosecute any lawsuit or claim in any way related to any arbitrable claim including, without limitation, any claim as to the making,

existence, validity, or enforceability of this arbitration agreement.

If one or more of the provisions in this arbitration agreement are deemed unenforceable, such provision, or provisions, will be enforced to the greatest extent permitted by law and the remaining provisions will continue in full force and effect. The parties' obligations under this arbitration agreement will survive the termination of your employment relationship with the Company.

YOU UNDERSTAND AND AGREE THAT THIS ARBITRATION AGREEMENT CONSTITUTES A WAIVER OF THE RIGHT TO A TRIAL BY JURY OF ANY CLAIMS OR CONTROVERSIES COVERED BY THIS ARBITRATION AGREEMENT. YOU AGREE THAT NONE OF THOSE CLAIMS OR CONTROVERSIES WILL BE RESOLVED BY A JURY TRIAL. YOU FURTHER ACKNOWLEDGE THAT YOU HAVE BEEN GIVEN THE OPPORTUNITY TO DISCUSS THIS ARBITRATION AGREEMENT WITH YOUR LEGAL COUNSEL AND HAVE AVAILED YOURSELF OF THAT OPPORTUNITY TO THE EXTENT YOU WISH TO DO SO.

10. **Integration.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and discussions between the parties with respect to any related subject matter.
11. **Assignment; Successors and Assigns, etc.** Neither the Company nor the Executive may make any assignment of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party; but the Company may assign its rights under this Agreement without the consent of the Executive, in the event that the Company shall effect a reorganization, consolidate with or merge into any other corporation, partnership, organization or other entity, or transfer all or substantially all of its properties or assets to any other corporation, partnership, organization or other entity, in which event the Company will obtain a written confirmation of the assumption of the Company's obligation hereunder for the benefit of the Executive. This Agreement shall inure to the benefit of and be binding upon the Company and the Executive, their respective successors, executors, administrators, heirs and permitted assigns.
12. **Enforceability.** If any portion or provision of this Agreement (including, without limitation, any portion or provision of any section of this Agreement) shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
13. **Waiver.** No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.
14. **Notices.** Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by a nationally recognized overnight courier service or by registered or certified mail, postage prepaid, return receipt requested, to the Executive at the Executive's last residential address the Executive has filed in writing with the Company or, in the case of the Company, at its main offices, attention of the Chairman of the Board, and shall be effective on the date of delivery in person or by courier or three (3) days after the date mailed.

15. **Third Party Beneficiary; Amendment.** The Executive and the Company acknowledge and agree that no third party shall have any rights or benefits under this Agreement. This Agreement may be amended or modified only by a written instrument signed by the Executive and the Company.
16. **Governing Law.** This contract has been entered into in the State of Texas and shall be construed under and be governed in all respects by the laws of the State of Texas, without giving effect to the conflict of laws principles of such state; provided, however, that the indemnification agreement referred to in Section 18 shall be governed by the laws of the State of Delaware.
17. **Counterparts.** This Agreement may be executed in any number of original, facsimile or other electronic counterparts, each of which when so executed and delivered shall be taken to be an original; but such counterparts shall together constitute one and the same document.
18. **Directors' and Officers' Insurance.** As soon as reasonably practicable following the Effective Date, the Company shall obtain (if it does not already have) and continually maintain (including by obtaining renewals or replacement policies from the same or other insurers) during the Term directors' and officers' insurance from a reputable insurance company with such coverage amounts and policy terms as is customary for public companies with market valuations similar to the Company, as determined by the Company's Board of Directors.
19. **Withholding Obligations.** The Company, or any other entity making a payment, may withhold and make such deductions from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld or deducted from time to time pursuant to any applicable law, governmental regulation and/or order.
20. **Section 954 of the Dodd Frank Act.** This Agreement and all other compensation of Executive are intended to comply with the "clawback obligations" of Section 954 of the Dodd Frank Act (including the related regulations, "**Section 954**"). If the Company's financial statements must be restated, to the extent and only to the extent required by Section 954 (if applicable), the Company shall be entitled to recover from Executive, and Executive agrees to promptly repay, any incentive- based compensation which would not have been earned under the restated financial statements.
21. **Section 409A Compliance.** Unless otherwise expressly provided, any payment of compensation by the Company to the Executive, whether pursuant to this Agreement or otherwise, shall be made no later than the fifteenth (15th) day of the third (3rd) month (i.e., 2½ months) after the later of the end of the calendar year or the Company's fiscal year in which the Executive's right to such payment vests (i.e., is not subject to a "substantial risk of forfeiture" for purposes of Section 409A). Each payment and each installment of any bonus or severance payments provided for under this Agreement shall be treated as a separate payment for purposes of application of Section 409A. To the extent any amounts payable by the Company to the Executive constitute "nonqualified deferred compensation" (within the meaning of Section 409A) such payments are intended to comply with the requirements of Section 409A, and shall be interpreted in accordance therewith. Neither party individually or in combination may accelerate, offset or assign any such deferred payment, except in compliance with Section 409A. No amount shall be paid prior to the earliest date on which it is permitted to be paid under Section 409A and the Executive shall have no discretion with respect to the timing of payments except as permitted under Section 409A. In the event that the Executive is determined to be a "key employee" (as defined and determined under Section 409A) of the Company at a time when its stock is deemed to be publicly traded on an established securities market, payments determined to be "nonqualified deferred compensation" payable upon separation from service shall be made no earlier than (a) the first

(1st) day of the seventh (7th) complete calendar month following such termination of employment, or (b) the Executive's death, consistent with the provisions of Section 409A. Any payment delayed by reason of the prior sentence shall be paid out in a single lump sum at the end of such required delay period in order to catch up to the original payment schedule. All expense reimbursement or in-kind benefits subject to Section 409A provided under this Agreement or, unless otherwise specified in writing, under any Company program or policy, shall be subject to the following rules: (i) the amount of expenses eligible for reimbursement or in-kind benefits provided during one calendar year may not affect the benefits provided during any other year; (ii) reimbursements shall be paid no later than the end of the calendar year following the year in which the Executive incurs such expenses, and the Executive shall take all actions necessary to claim all such reimbursements on a timely basis to permit the Company to make all such reimbursement payments prior to the end of said period, (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iv) the expenses must be incurred, or in-kind benefits provided, during the lifetime of the Executive, unless this Agreement or a Company program or policy provides a shorter period. The Executive shall be responsible for the payment of all taxes applicable to payments or benefits received from the Company. It is the intent of the Company that the provisions of this Agreement and all other plans and programs sponsored by the Company be interpreted to comply in all respects with Section 409A; provided, however, the Company shall have no liability to the Executive, or any successor or beneficiary thereof, in the event taxes, penalties or excise taxes may ultimately be determined to be applicable to any payment or benefit received by the Executive or any successor or beneficiary thereof.

IN WITNESS WHEREOF, this Agreement has been executed by the Company and by the Executive as of the Effective Date.

**EMPLOYER**

Digital Turbine, Inc., a Delaware corp.



By: Bill Stone

Its: CEO

**EXECUTIVE**

DocuSigned by:



A2F1C7E6CAB043F...

Name: Michael Ng

November 22, 2021

Dear Michael Ng,

We are pleased to offer you an internal promotion from the position of Chief Revenue Officer to President, DT Marketing Cloud with Digital Turbine, Inc. ("Company"). Without exception, everyone is thrilled to have you as part of our team!

Upon acceptance of the promotion, this change will be effective Monday, January 3rd, 2022, your change in compensation is outlined below. Please note that the information contained in this offer is confidential.

**Annual Base Salary:** \$400,000

- **Annual Variable:** Variable compensation will be based on attainment of growth and margin targets. Targets will be determined in conjunction with the BOD. You will be eligible for \$400,000 (yearly 100% of Base) at target achievement; The amount and timing of any payout is subject to the sole discretion of management and is subject to the final approval by the Board of Directors;

**Long-Term Incentive Compensation:**

- **Promotion Grant**– Restricted Stock Units: \$500,000
- **RSU Strike Price and Vesting:** Price based on the closing price Monday January 3<sup>rd</sup>, 2022. The RSU's will have a three-year vesting schedule, with the first third to be vested on your one-year employment anniversary. Following your one-year anniversary the remaining award will vest in equal proportion monthly. Equity grant subject to BOD approval.

All other employment terms will remain the same as under your CRO role. We hope you find this news exciting as we are proud to offer this change to you. We greatly appreciate and value your contributions and look forward to celebrating future successes with you!

Sincerely,  
Digital Turbine, Inc. AGREED AND ACCEPTED

By:

Barrett Garrison- CFO Michael Ng  
Its Authorized Signatory

## EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the “**Agreement**”) is made effective as of December 3, 2021 (the “**Effective Date**”), by and among Digital Turbine, Inc., a Delaware corporation (the “**Company**”), and Matthew Gillis with address at 6516 Montrose Avenue, Baltimore, Maryland, 21212 (the “**Executive**”). Executive’s employment shall commence on January 3, 2022 (the “**Start Date**”). In consideration of the mutual covenants contained in this Agreement, the Company and the Executive agree as follows:

1. **Employment.** The Company agrees to employ the Executive, and the Executive agrees to be employed by the Company on the terms and conditions set forth in this Agreement.
2. **Capacity.** The Executive shall serve the Company as its President of On Device Media and shall report directly to the Chief Executive Officer. As President of On Device Media, the Executive shall be responsible for those duties normally associated with being the principal officer of the foregoing activity as shall be assigned to him by the Chief Executive Officer. At the reasonable request of the Chief Executive Officer, the Executive shall provide services to subsidiaries and affiliates of the Company, without additional compensation becoming payable. Executive represents he is and at all times during the Term (as defined below) will be legally present and entitled to work in the United States.
3. **Term.** Subject to the provisions of Section 6, the term of employment pursuant to this Agreement commenced on the Start Date and shall continue on an at-will basis, subject to termination by the Company or Executive at any time (the period of time commencing on the Start Date through the termination of this Agreement being the “**Term**”).
4. **Compensation and Benefits.** The regular compensation and benefits payable to the Executive under this Agreement shall be as follows:
  - a) **Salary.** For all services rendered by the Executive under this Agreement, the Company shall pay the Executive an annual salary at the annual rate of four hundred thousand dollars (\$400,000) (the “**Salary**”). The Salary shall be payable in periodic installments in accordance with the Company’s usual practice for its employees, but in no event less than monthly over the year in which the Salary is earned.
  - b) **Annual Bonus.** Executive shall be eligible to participate in the Company’s incentive bonus plan with a target bonus equal to one hundred percent (100%) of Executive’s Salary, upon achievement of Company goals and performance related milestones (“**Target Annual Bonus**”). The amount and timing of any bonus amount is subject to the sole discretion of Company’s management and is subject to the final approval by the Board of Directors. For the fiscal year 2022, Executive shall be paid the Target Annual Bonus at 100% (subject to Company’s achievement of its goals and performance related milestones), prorated for the number of days the Executive is employed by the Company in fiscal year 2022.
  - c) **Regular Benefits.** The Executive shall be entitled to participate in any qualified plans outlined below:
    - (i) BCBS Health
    - (ii) EyeMed Vision
    - (iii) MetLife Dental
    - (iv) Company-matched HSA

- (v) \$300,000.00 employee life insurance
- (vi) Short-term and long-term disability
- (vii) 401K plan

(collectively “**Company Benefit Plans**”)

Executive’s participation in the Company Benefit Plans shall be subject to the terms of applicable plan documents, generally applicable policies of the Company, applicable law and the discretion of the Board of Directors, the Compensation Committee or any administrative or other committee provided for in or contemplated by any such plan. Nothing contained in this Agreement shall be construed to create any obligation on the part of the Company to establish any such plans or to maintain the effectiveness of any such plans which may be in effect from time to time.

- d ) Stock Options. Subject to the sole discretion and determination of the Board of Directors and/or the compensation and options committee thereof and subject to the terms of any stock option plan and option agreement which shall be approved and adopted by the Board of Directors (and which shall include, inter alia, the grant date and exercise price of the options, the vesting periods and all the other terms and conditions with respect to the options) (“**Stock Option Agreement**”), Executive will be granted an option to purchase Ordinary Shares of the Company (the “**Options**”) in the total value of two hundred and fifty thousand dollars (\$250,000), each such Option entitling Executive to purchase one (1) Ordinary Share of the Company at its respective exercise price as determined by the Board, subject to any dilution. Executive undertakes to take all actions and to sign all documents required, at the discretion of the Board, in order to give effect to and enforce the above terms and conditions. Any tax liability in connection with the Options (including with respect to the grant, exercise, sale of the Options or the shares receivable upon their exercise) shall be borne solely by the Executive. The number of shares underlying which stock options will equal \$250,000 divided by the value per share determined under the Black-Scholes pricing model (using for such model purposes a share price equal to the closing price per share on the first day of employment).

The Options shall vest over a period of three years (“**Stock Option Agreement Term**”), provided Executive is employed by the Company for the duration of such term, with one-third of the Stock Options vesting on the first anniversary of the Start Date, and the balance vesting proportionately each month during the remaining two years beginning the anniversary of the Start Date. During the Stock Option Agreement Term, any and all unvested Options shall vest immediately upon the sale of all or substantially all of the assets of the Company, upon the merger or reorganization of the Company following which the equity holders of the Company immediately prior to the consummation of such merger or reorganization collectively own less than 50% of the voting power of the resulting entity, or upon the sale of equity securities of the Company representing 50% or more of the voting power of the Company or 50% or more of the economic interest in the Company in a single transaction or in a series of related transactions (i.e., a “**Change of Control**”).

- e ) New Hire Award - Restricted Stock Units (“RSU”). Subject to the sole discretion and determination of the Board of Directors and/or the compensation and options committee thereof and subject to the terms of any Restricted Stock Units Agreement which shall be approved and adopted by the Board of Directors (and which shall include, inter alia, the grant date and number of RSUs, the vesting periods and all the other terms and conditions with respect to the Restricted Stock Units (“**New Hire RSU Agreement**”), the Executive will be

awarded with the right to receive Ordinary Shares of the Company as specified in the New Hire RSU Agreement, in a value equal to one million dollars (\$1,000,000). The RSUs shall vest over a period of three years (“**New Hire RSU Agreement Term**”), provided Executive is employed by the Company for the duration of such Term, with one-third of the RSUs vesting on the first anniversary of the Start Date, and the balance vesting proportionately each month during the remaining two years beginning the anniversary of the Start Date. During the New Hire RSU Agreement Term, any and all unvested RSUs shall vest immediately upon the sale of all or substantially all of the assets of the Company, upon a Change of Control event (as defined above).

- f) **Equity RSU Award.** Subject to the sole discretion and determination of the Board of Directors and/or the compensation and options committee thereof and subject to the terms of any Restricted Stock Unit Agreement which shall be approved and adopted by the Board of Directors (and which shall include, inter alia, the grant date and number of RSUs, the vesting periods and all the other terms and conditions with respect to the Restricted Stock Units (“**Equity RSU Agreement**”)), Executive will be granted an award with the right to receive Ordinary Shares of the Company as specified in the Equity RSU Agreement, in a value equal to two-hundred and fifty thousand dollars (\$250,000). The RSUs will vest over a period of three years (“**Equity RSU Agreement Term**”), provided Executive is employed by the Company for the duration of such Term, with one-third of the RSUs vesting on the first anniversary of the Start Date, and the balance vesting proportionately each month during the remaining two years beginning the anniversary of the Start Date. During the Equity RSU Agreement Term, any and all unvested RSUs shall vest immediately upon the sale of all or substantially all of the assets of the Company, upon a Change of Control event (as defined above).
  - g) **Reimbursement of Business Expenses.** The Company shall reimburse the Executive for all reasonable expenses incurred by the Executive in performing services during the Term, in accordance with the Company’s policies and procedures.
  - h) **Vacation:** Executive shall be entitled to Company’s unlimited paid vacation program (commensurate with Company’s policy).
  - i ) **Exclusivity of Salary and Benefits.** The Executive shall not be entitled to any payments or benefits other than those provided under this Agreement for services rendered by the Executive to the Company during the Term or any Extended Term.
5. **Extent of Service.** During the Executive’s employment under this Agreement, the Executive shall, subject to the direction and supervision of the Chief Executive Officer, devote the Executive’s full business time, best efforts and business judgment, skill and knowledge to the advancement of the Company’s interests and to the discharge of the Executive’s duties and responsibilities under this Agreement. The Executive shall not engage in any other business activity, except as may be approved by the Board of Directors; provided, however, that nothing in this Agreement shall be construed as preventing the Executive from:
- a) investing the Executive’s personal assets in any non-competitive business enterprise, company or other entity in such form or manner as shall not require any material personal time commitment on the Executive’s part in connection with the operations or affairs of such other enterprise, company or other entity in which such investments are made; or
  - b) engaging in religious, charitable or other community or non-profit activities that do not impair the Executive’s ability to fulfill the Executive’s duties and responsibilities under this Agreement.

6. **Termination.** Notwithstanding the provisions of Section 3, the Executive's employment under this Agreement shall terminate under the following circumstances set forth in this Section 6. For purposes of this Agreement, the date of the Executive's termination (the "Termination Date") shall mean the date of the Executive's "separation from service" as such term is defined under Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A")
- a) **Termination by the Company for Cause.** The Executive's employment under this Agreement may be terminated for Cause without liability on the part of the Company (except only to pay those specific amounts set forth in Section 7(c)) effective immediately upon approval of the Board of Directors and written notice to the Executive. The following shall constitute "Cause" for such termination:
- (i) any act committed by the Executive against the Company or any of its affiliates which involves fraud, willful misconduct, gross negligence or refusal to comply with the reasonable, legal and clear written instructions given to him by the Board through Board action that do not violate this Agreement; provided, however, that Executive shall have a period of 15 days to cure such conduct after written reasonably specific notice thereof, unless such conduct is not (as in the case of fraud or willful misconduct) reasonably curable. For purposes of the foregoing sentence, no act, or failure to act, on Executive's part shall be considered "willful" unless the Executive acted, or failed to act, in bad faith or without reasonable belief that his act or failure to act was in the best interest of the Company or any subsidiary; or
  - (ii) the conviction of the Executive of, or indictment (or procedural equivalent, or guilty plea or plea of nolo contendere) of the Executive for (A) a felony or (B) any misdemeanor involving moral turpitude where the circumstances reasonably would have a negative impact on the Company, deceit, dishonesty or fraud; provided, however, that Executive shall have a period of 15 days to cure such conduct after written reasonably specific notice thereof, unless such conduct (as in the case of dishonesty or fraud) is not reasonably curable; or
  - (iii) material breach of this Agreement; provided, however, that Executive shall have a period of 15 days to cure such conduct after written reasonably specific notice thereof, unless such conduct is not reasonably curable.
- b ) **Termination by the Company Without Cause.** Subject to the payment of Termination Benefits pursuant to Section 7(b), the Executive's employment under this Agreement may be terminated by the Company, without Cause, upon not less than fifteen (15) days' prior written notice to the Executive.
- c) **Death.** The Executive's employment with the Company shall terminate automatically upon his death.
- d ) **Disability.** Disability. If the Executive shall become Disabled so as to be unable to perform the essential functions of the Executive's then existing position or positions under this Agreement with or without reasonable accommodation, the Board of Directors may remove the Executive from any responsibilities and/or reassign the Executive to another position with the Employer during the period of such Disability. Notwithstanding any such removal or reassignment, the Executive shall continue to receive the Executive's full Salary (less any disability pay or sick pay benefits to which the Executive may be entitled under the Employer's policies) and benefits under Section 4 of this Agreement (except to the extent that the Executive may be ineligible for one or more such benefits under applicable plan terms) for a period of time equal

to twelve (12) months payable at the same time as such amounts would otherwise have been paid to the Executive had he continued in his current capacity. If the Executive is unable to perform substantial services of any kind for the Employer during this period, such period shall be considered a paid leave of absence and the Executive shall have the contractual right to return to employment at any time during such period. If the Executive's Disability continues beyond such twelve (12) month period, the Executive's employment may be terminated by the Employer by reason of Disability at any time thereafter. For purposes hereof, the term "**Disabled**" or "**Disability**" shall mean a written determination that the Executive, as certified by at least two (2) duly licensed and qualified physicians, one (1) approved by the Board of Directors of the Employer and one (1) physician approved by the Executive (the "**Examining Physicians**"), or, in the event of the Executive's total physical or mental disability, the Executive's legal representative, that the Executive suffers from a physical or mental impairment that renders the Executive unable to perform the Executive's regular personal duties under this Agreement and that such impairment can reasonably be expected to continue for a period of three (3) consecutive months or for shorter periods aggregating ninety (90) in any twelve (12) month period; provided, however, that the Executive's primary care physician may not serve as one of the Examining Physicians without the consent of the Employer and the Executive (or the Executive's legal representation). The Executive shall cooperate with any reasonable request of a physician to submit to a physical examination for purposes of such certification. Nothing in this Section 6(d) shall be construed to waive the Executive's rights, if any, under existing law including, without limitation, the Family and Medical Leave Act of

1993, 29 U.S.C. §2601 et seq. and the Americans with Disabilities Act, 42 U.S.C. §12101 et seq.

- e) Termination by the Executive for Good Reason. Subject to the payment of Termination Benefits pursuant to Section 7(b), the Executive's employment under this Agreement may be terminated by the Executive for Good Reason. For purposes of this Agreement, "**Good Reason**" shall be present where Executive gives notice to the Board of Directors of his voluntary resignation within thirty (30) days after the occurrence of any of the following, without Executive's written consent: (i) failure of the Company to pay or cause to be paid or delivered any amounts or options due Executive when due under the terms and conditions hereunder, in each case subject to a fifteen (15) day cure period by the Company following reasonably specific written notice by the Executive; (ii) the Executive's not reporting directly to the Chief Executive Officer of the Company, subject to a thirty (30) day cure period by the Company following reasonably specific written notice by the Executive, unless the sole reason for such failure to report to the Chief Executive Officer is that a Change of Control occurred and as a result the Executive's reporting structure in the buyer's organization puts Executive at effectively the same or higher level of overall responsibility and authority (comparing the positions in each organization) as was the case immediately prior to such Change of Control, as reasonably determined by the Board prior to such Change of Control; or (iii) material diminution in Executive's position, duties, authority or responsibility, without Cause, subject to a thirty (30) day cure period by the Company following reasonably specific written notice by the Executive. If the Executive fails to resign within sixty (60) days after the expiration of the applicable cure period, then such event will not be a basis to resign for Good Reason.

## 7. Compensation Upon Termination.

- a) Termination Generally. If the Executive's employment with the Company is terminated for any reason during or upon expiration of the Term, the Company shall pay or provide to the Executive (or to his authorized representative or estate) (i) any earned but unpaid Salary

payable on the Termination Date, (ii) accrued bonuses for a previously completed yearly or stub measurement period (for avoidance of doubt, no pro-rata bonus is payable under this clause, but only a bonus for a previously completed yearly or stub measurement period) earned but not yet paid, payable at the same time such amounts would otherwise have been paid to the Executive, (iii) any unpaid expense reimbursements, payable in accordance with the Company's reimbursement policies, and (iv) any vested benefits the Executive may have under any of the Company Benefit Plans, payable as specified in the applicable plan documents (collectively, the "**Accrued Compensation**").

- b) Termination by the Company Without Cause or by the Executive for Good Reason. In the event of termination of the Executive's employment with the Company pursuant to Section 6(b) or 6(e) above, and subject to the Executive's execution and delivery of a release of any and all legal claims in a form satisfactory to the Company, and expiration of any revocation period without the release being revoked, within forty-five (45) days following the Termination Date (the "**Release Period**"), the Company shall provide to the Executive, in addition to the Accrued Compensation, the following termination benefits ("**Termination Benefits**"):
  - (i) continuation of the Executive's Salary for a period of twelve (12) months in accordance with the Company's payroll practices then in effect pursuant to Section 4(a), or in lieu of the foregoing, Company may in its absolute discretion terminate Executive's employment with immediate effect and pay Executive a sum equal to twelve (12) months' Salary, less applicable taxes and withholdings ("**Severance Payment**"); and
  - (ii) in the event Executive's termination is due to Change of Control, continuation of the Executive's Salary for a period of eighteen (18) months in accordance with the Company's payroll practices then in effect pursuant to Section 4(a); and
  - (iii) continuation of any executive health and group health plan benefits to the extent authorized by and consistent with 29 U.S.C. § 1161 et seq. (commonly known as "**COBRA**"), subject to payment of premiums by the Company to the extent that the Company was covering such premiums as of the Termination Date (if permitted by law without violation of applicable discrimination rules, or, if not, the equivalent after-tax value payable as additional severance at the same time such premiums are otherwise payable);
  - (iv) a pro-rata Annual Bonus through the Termination Date, as reasonably determined by the Compensation Committee applying the applicable standards in Schedule A and paid at the same time as the bonus would otherwise be payable under Section 4(b); and
  - (v) acceleration of vesting of the options and RSUs granted under this Agreement on a pro-rata basis as if the vesting schedule, advanced to the next month.

The Termination Benefits set forth in subsections 7(b)(i)-(ii) and 7(b)(iii) above shall continue effective for a period starting on the Termination Date for the respective periods specified therein (each, the "**Termination Benefits Period**"); provided, however, that in the event that the Executive commences any employment during the Termination Benefits Period, the benefits provided under Section 7(b)(iii) shall cease effective as of the date Executive qualifies for group health plan benefits in his new employment. The Company's liability for Salary continuation pursuant to subsections 7(b)(i)-(ii) shall not be reduced by the amount of any severance pay paid to the Executive pursuant to any severance pay plan or stay bonus plan of the Company. Notwithstanding the foregoing, nothing in this Section 7(b) shall be construed to affect the Executive's right to receive COBRA continuation entirely at the Executive's own cost to the extent that the Executive may continue to be entitled to COBRA continuation after

Company-paid premiums cease. The Executive shall be obligated to give prompt notice of the date of commencement of any employment during the Termination Benefits Period and shall respond promptly to any reasonable inquiries concerning any employment in which the Executive engages during the Termination Benefits Period.

The Company acknowledges and agrees that under certain circumstances involving the termination of the Executive's employment and/or a Change of Control transaction involving the Company, the Executive shall be entitled to accelerated vesting on his options to purchase shares of capital stock of the Company, all to the extent provided in that certain Stock Option Agreements referred to in Section 4(d) hereof.

Any Termination Benefits (subject to Executive's timely execution, delivery and nonrevocation of the required release) that otherwise would become due and payable prior to the end of the Release Period (including Salary continuation payments and COBRA premium payments otherwise due during the Release Period) shall be paid on Company's first regular payroll date following the end of the Release Period.

- c) Termination by Reason of Cause, Death, Disability, Voluntary Termination by the Executive, Failure to Relocate or Expiration of Term. If the Executive's employment is terminated for any reason other than (i) by the Company without Cause under Section 6(b) or (ii) by the Executive for Good Reason under Section 6(e), the Company shall have no further obligation to the Executive other than payment of his Accrued Compensation.

#### **8. Confidential Information, Non-Solicitation and Cooperation.**

- a) Confidential Information. As used in this Agreement, “**Confidential Information**” means proprietary information of the Company which is of value to the Company in the course of conducting its business and the disclosure of which could result in a competitive or other disadvantage to the Company. Confidential Information includes, without limitation, financial information, reports, and forecasts; inventions, improvements and other intellectual property; trade secrets; know-how; designs, processes or formulae; software; market or sales information or plans; customer lists; and business plans, prospects and opportunities (such as possible acquisitions or dispositions of businesses or facilities) which have been discussed or considered by the management of the Company. Confidential Information includes information developed by the Executive in the course of the Executive's employment by the Company, as well as other information to which the Executive may have access in connection with the Executive's employment. Confidential Information also includes the confidential information of others with which the Company has a business relationship. Notwithstanding the foregoing, Confidential Information does not include (i) information in the public domain, unless due to breach of the Executive's duties under Section 8(b), or (ii) information obtained in good faith by the Executive from a third party who was lawfully in possession of such information and not subject to an obligation of confidentiality owed to the Company.
- b) Duty of Confidentiality. The Executive understands and agrees that the Executive's employment creates a relationship of confidence and trust between the Executive and the Company with respect to all Confidential Information. At all times, both during the Executive's employment with the Company and after termination, the Executive will keep in strict confidence and trust all such Confidential Information, and will not use or disclose any such Confidential Information without the written consent of the Company, except (i) as may be necessary in the ordinary course of performing the Executive's duties to the Company or (ii) as may be required in response to a valid order by a court or other governmental body or as otherwise required by law (provided that if the Executive is so required to disclose the

Confidential Information, the Executive shall (i) immediately notify the Company of such required disclosure sufficiently in advance of the intended disclosure to permit the Company to seek a protective order or take other appropriate action, and (ii) cooperate in any effort by the Company to obtain a protective order or other reasonable assurance that confidential treatment will be afforded the Confidential Information).

- c) Documents, Records, etc. All documents, records, data, apparatus, equipment and other physical property, whether or not pertaining to Confidential Information, which are furnished to the Executive by the Company (except for documents provided to the Executive (i) concerning his compensation or his participation in Company Benefit Plans or (ii) in connection with his ownership of Company stock), or are produced by the Executive in connection with the Executive's employment, will be and remain the sole property of the Company. The Executive will return to the Company all such materials and property as and when requested by the Company. In any event, the Executive will return all such materials and property immediately upon termination of the Executive's employment for any reason. The Executive will not retain with the Executive any such material or property or any copies thereof after such termination.
- d) Nonsolicitation. During the Term and for one (1) year thereafter, the Executive (i) will refrain from directly or indirectly employing, attempting to employ, recruiting or otherwise soliciting, inducing or influencing any person to leave employment with the Company (other than subordinate employees whose employment was terminated in the course of the Executive's employment with the Company); and (ii) will refrain from soliciting or encouraging any customer or supplier to terminate or otherwise modify adversely its business relationship with the Company. The Executive understands that the restrictions set forth in this Section 8(d) are intended to protect the Company's interest in its Confidential Information and established employee, customer and supplier relationships and goodwill, and agrees that such restrictions are reasonable and appropriate for this purpose.
- e) Non-Competition. During the Term, and for a period of one (1) year thereafter, the Executive shall not engage in any business activity, either directly or indirectly, either as an employee, owner, partner, agent, shareholder, director, consultant or otherwise, which is reasonably likely to involve or require the use or disclosure of any Confidential Information or of a nature which directly competes with the Company in its field of business.
- f) Third-Party Agreements and Rights. The Executive hereby confirms that the Executive is not bound by the terms of any agreement with any previous employer or other party which restricts in any way the Executive's use or disclosure of information or the Executive's engagement in any business. The Executive represents to the Company that the Executive's execution of this Agreement, the Executive's employment with the Company and the performance of the Executive's proposed duties for the Company will not violate any obligations the Executive may have to any such previous employer or other party, including under any non-competition agreement, invention or confidentiality agreement, with a former employer, client or any other person or entity. In the Executive's work for the Company, the Executive will not disclose or make use of any information in violation of any agreements with or rights of any such previous employer or other party, and the Executive will not bring to the premises of the Company any copies or other tangible embodiments of non-public information belonging to or obtained from any such previous employment or other party. Further, the Executive agrees to indemnify the Company for any loss, including, but not limited to, reasonable attorneys' fees and expenses, that the Company may incur based upon or arising out of the Executive's breach of this subsection.

- g) **Litigation and Regulatory Cooperation.** During and after the Executive's employment, the Executive shall cooperate reasonably with requests from the Company, or the Company's legal counsel, in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Company which relate to events or occurrences that transpired while the Executive was employed by the Company, provided, however, this obligation does not apply after the Executive ceases employment with the Company to any claim or action by the Company against the Executive, or any claim or action by the Executive against the Company. Such cooperation shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company at mutually convenient times. During and after the Executive's employment, the Executive also shall cooperate fully with the Company in connection with any investigation or review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while the Executive was employed by the Company. The Company shall reimburse the Executive for any reasonable out-of-pocket expenses incurred in connection with the Executive's performance of obligations pursuant to this Section 8(f), and if the Executive spends more than four (4) hours in any calendar month in performance of these obligations, the Company shall pay the Executive \$500 per hour for each part of an hour over four (4) hours in such calendar month.
- h) **Intellectual Property.** The Company shall be the sole owner of all the products and proceeds of Executive's services hereunder, including, without limitation, all materials, ideas, concepts, formats, suggestions, developments, and other intellectual properties that Executive may acquire, obtain, develop or create in connection with his services hereunder and during the Term (and if applicable, Extended Term), free and clear of any claims by Executive (or anyone claiming under Executive) of any kind or character whatsoever (other than Executive's rights and benefits hereunder). Executive shall, at the request of the Company, execute as of the Start Date, an Employee Confidential Information, Non-Solicitation and Invention Assignment Agreement and any other such assignments, certificates or other instruments as the Company may from time to time deem necessary or desirable to evidence, establish, maintain, perfect, protect, enforce or defend the Company's right, title and interest in and to any such products and proceeds of Executive's services hereunder.
- i) **Injunction.** The Executive agrees that it would be difficult to measure any damages caused to the Company which might result from any breach by the Executive of the promises set forth in this Section 8, and that in any event money damages may be an inadequate remedy for any such breach. Accordingly, as further set forth in Section 9 of this Agreement, the Executive agrees that if the Executive breaches, or proposes to breach, any portion of this Agreement, the Company shall be entitled, in addition to all other remedies that it may have, to an injunction or other appropriate equitable relief to restrain any such breach without showing or proving any actual damage to the Company and without the need to post a bond or other security.
9. **Arbitration of Disputes.** Executive (hereinafter in this Section 9 "You") agrees that to the fullest extent permitted by law, any and all controversies, claims, or disputes between you and the Company (or between you and any present or former employee, officer, director, agent, or benefit plan of the Company in their capacity as such or otherwise) arising out of, relating to, or resulting from your employment with the Company or the termination of your employment with the Company will be resolved by final and binding arbitration. Claims subject to arbitration include, without limitation, any claims under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Family and Medical Leave Act, the Fair Labor Standards Act, the

Employee Retirement Income Security Act, the Health Insurance Portability and Accountability Act of 1996, the Federal Occupational Safety and Health Act, the Texas Civil Rights Statutes and any other statutory or common-law claims. However, claims for unemployment benefits, workers' compensation claims, and claims under the National Labor Relations Act will not be subject to arbitration. In addition, either party may seek provisional remedies pursuant to applicable State laws and regulations. There will be no right or authority for any claim subject to arbitration to be heard or arbitrated on a class or collective basis, as a private attorney general, or in a representative capacity on behalf of any other person or entity.

You agree that any arbitration will be administered by JAMS (or other mutually agreeable alternative dispute resolution service) in accordance with its Employment Arbitration Rules & Procedures and subject to JAMS Policy on Employment Arbitration Minimum Standards of Procedural Fairness (the "**JAMS Rules**"), a copy of which Rules can be found at [www.jamsadr.com](http://www.jamsadr.com) or obtained from Human Resources. A neutral arbitrator with experience in arbitrating employment disputes will be chosen by mutual agreement of the parties; however, if the parties are unable to agree upon an arbitrator within a reasonable period of time, then a neutral arbitrator will be appointed in accordance with the arbitrator nomination and selection procedure set forth in the JAMS Rules. The arbitrator will have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this agreement to arbitrate. The arbitrator may not consolidate more than one person's claim, and may not otherwise preside over any form of a representative, collective or class proceeding. The parties will be permitted to conduct discovery as provided by applicable laws and regulations. The arbitrator will prepare a written decision containing the essential findings and conclusions on which the award is based, and will apply the same substantive law with the same statutes of limitation that would apply if the claims were brought in a court of law. The arbitrator's decision must be issued no later than thirty (30) days after a dispositive motion is heard and/or an arbitration hearing has been completed. The arbitrator's decision will be final and binding upon the parties and will be enforceable in any court having jurisdiction thereof. The arbitrator will have the authority to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication and motions to dismiss and demurrers, prior to any arbitration hearing. The arbitrator will have the authority to award any remedies, including attorneys' fees and costs, available under applicable law.

All arbitration hearings under this arbitration agreement will be conducted in Austin, Texas unless otherwise agreed by the parties. The arbitration provisions of this agreement will be governed by the Federal Arbitration Act. In all other respects, this arbitration agreement will be construed in accordance with the laws of the State of Texas, without reference to conflicts of law principles.

You will be required to pay an arbitration fee to initiate any arbitration equal to what you would be charged as a court filing fee for a first appearance. Where you are asserting a claim under a state or federal statute prohibiting discrimination in employment, a public policy claim arising under a statute, or where as otherwise required by applicable law to achieve the enforceability of this Agreement, the Company will pay the costs and fees charged by the arbitrator and JAMS (or other mutually selected alternative dispute resolution service) to the extent such costs would not otherwise be incurred in a court proceeding. In all other circumstances, you and the Company agree to split equally the fees and administrative costs charged by the arbitrator and the alternative dispute resolution service being utilized. Each party will bear its own costs and attorneys' fees, unless a party prevails on a statutory claim and the statute provides that the prevailing party is entitled to payment of its attorneys' fees. In that case, the arbitrator may award reasonable attorneys' fees and costs to the prevailing party as provided by law.

Either you or the Company may bring an action in court to compel arbitration under this arbitration agreement and to enforce an arbitration award or for a provisional remedy pursuant to applicable laws and regulations. Nothing in this agreement should be construed to prevent either party's ability to seek a provisional remedy, including a preliminary injunction, as permitted by JAMS Employment Arbitration Rules (including but not limited to Rule 34) or applicable laws and regulations. Otherwise, neither party will initiate or prosecute any lawsuit or claim in any way related to any arbitrable claim including, without limitation, any claim as to the making, existence, validity, or enforceability of this arbitration agreement.

If one or more of the provisions in this arbitration agreement are deemed unenforceable, such provision, or provisions, will be enforced to the greatest extent permitted by law and the remaining provisions will continue in full force and effect. The parties' obligations under this arbitration agreement will survive the termination of your employment relationship with the Company.

YOU UNDERSTAND AND AGREE THAT THIS ARBITRATION AGREEMENT CONSTITUTES A WAIVER OF THE RIGHT TO A TRIAL BY JURY OF ANY CLAIMS OR CONTROVERSIES COVERED BY THIS ARBITRATION AGREEMENT. YOU AGREE THAT NONE OF THOSE CLAIMS OR CONTROVERSIES WILL BE RESOLVED BY A JURY TRIAL. YOU FURTHER ACKNOWLEDGE THAT YOU HAVE BEEN GIVEN THE OPPORTUNITY TO DISCUSS THIS ARBITRATION AGREEMENT WITH YOUR LEGAL COUNSEL AND HAVE AVAILED YOURSELF OF THAT OPPORTUNITY TO THE EXTENT YOU WISH TO DO SO.

10. **Integration.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and discussions between the parties with respect to any related subject matter.
11. **Assignment; Successors and Assigns, etc.** Neither the Company nor the Executive may make any assignment of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other party; but the Company may assign its rights under this Agreement without the consent of the Executive, in the event that the Company shall effect a reorganization, consolidate with or merge into any other corporation, partnership, organization or other entity, or transfer all or substantially all of its properties or assets to any other corporation, partnership, organization or other entity, in which event the Company will obtain a written confirmation of the assumption of the Company's obligation hereunder for the benefit of the Executive. This Agreement shall inure to the benefit of and be binding upon the Company and the Executive, their respective successors, executors, administrators, heirs and permitted assigns.
12. **Enforceability.** If any portion or provision of this Agreement (including, without limitation, any portion or provision of any section of this Agreement) shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
13. **Waiver.** No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

14. **Notices.** Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by a nationally recognized overnight courier service or by registered or certified mail, postage prepaid, return receipt requested, to the Executive at the Executive's last residential address the Executive has filed in writing with the Company or, in the case of the Company, at its main offices, attention of the Chairman of the Board, and shall be effective on the date of delivery in person or by courier or three (3) days after the date mailed.
15. **Third Party Beneficiary; Amendment.** The Executive and the Company acknowledge and agree that no third party shall have any rights or benefits under this Agreement. This Agreement may be amended or modified only by a written instrument signed by the Executive and the Company.
16. **Governing Law.** This contract has been entered into in the State of Texas and shall be construed under and be governed in all respects by the laws of the State of Texas, without giving effect to the conflict of laws principles of such state; provided, however, that the indemnification agreement referred to in Section 18 shall be governed by the laws of the State of Delaware.
17. **Counterparts.** This Agreement may be executed in any number of original, facsimile or other electronic counterparts, each of which when so executed and delivered shall be taken to be an original; but such counterparts shall together constitute one and the same document.
18. **Directors' and Officers' Insurance.** As soon as reasonably practicable following the Effective Date, the Company shall obtain (if it does not already have) and continually maintain (including by obtaining renewals or replacement policies from the same or other insurers) during the Term directors' and officers' insurance from a reputable insurance company with such coverage amounts and policy terms as is customary for public companies with market valuations similar to the Company, as determined by the Company's Board of Directors.
19. **Withholding Obligations.** The Company, or any other entity making a payment, may withhold and make such deductions from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld or deducted from time to time pursuant to any applicable law, governmental regulation and/or order.
20. **Section 954 of the Dodd Frank Act.** This Agreement and all other compensation of Executive are intended to comply with the "clawback obligations" of Section 954 of the Dodd Frank Act (including the related regulations, "**Section 954**"). If the Company's financial statements must be restated, to the extent and only to the extent required by Section 954 (if applicable), the Company shall be entitled to recover from Executive, and Executive agrees to promptly repay, any incentive- based compensation which would not have been earned under the restated financial statements.
21. **Section 409A Compliance.** Unless otherwise expressly provided, any payment of compensation by the Company to the Executive, whether pursuant to this Agreement or otherwise, shall be made no later than the fifteenth (15th) day of the third (3rd) month (i.e., 2½ months) after the later of the end of the calendar year or the Company's fiscal year in which the Executive's right to such payment vests (i.e., is not subject to a "substantial risk of forfeiture" for purposes of Section 409A). Each payment and each installment of any bonus or severance payments provided for under this Agreement shall be treated as a separate payment for purposes of application of Section 409A. To the extent any amounts payable by the Company to the Executive constitute "nonqualified deferred compensation" (within the meaning of Section 409A) such payments are intended to comply with the requirements of Section 409A, and shall be interpreted in accordance therewith. Neither party individually or in combination may accelerate, offset or assign any such deferred payment, except in compliance with Section 409A. No amount shall be paid prior to the

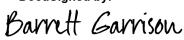
earliest date on which it is permitted to be paid under Section 409A and the Executive shall have no discretion with respect to the timing of payments except as permitted under Section 409A. In the event that the Executive is determined to be a “key employee” (as defined and determined under Section 409A) of the Company at a time when its stock is deemed to be publicly traded on an established securities market, payments determined to be “nonqualified deferred compensation” payable upon separation from service shall be made no earlier than (a) the first (1st) day of the seventh (7th) complete calendar month following such termination of employment, or (b) the Executive’s death, consistent with the provisions of Section 409A. Any payment delayed by reason of the prior sentence shall be paid out in a single lump sum at the end of such required delay period in order to catch up to the original payment schedule. All expense reimbursement or in-kind benefits subject to Section 409A provided under this Agreement or, unless otherwise specified in writing, under any Company program or policy, shall be subject to the following rules: (i) the amount of expenses eligible for reimbursement or in-kind benefits provided during one calendar year may not affect the benefits provided during any other year; (ii) reimbursements shall be paid no later than the end of the calendar year following the year in which the Executive incurs such expenses, and the Executive shall take all actions necessary to claim all such reimbursements on a timely basis to permit the Company to make all such reimbursement payments prior to the end of said period, (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iv) the expenses must be incurred, or in-kind benefits provided, during the lifetime of the Executive, unless this Agreement or a Company program or policy provides a shorter period. The Executive shall be responsible for the payment of all taxes applicable to payments or benefits received from the Company. It is the intent of the Company that the provisions of this Agreement and all other plans and programs sponsored by the Company be interpreted to comply in all respects with Section 409A; provided, however, the Company shall have no liability to the Executive, or any successor or beneficiary thereof, in the event taxes, penalties or excise taxes may ultimately be determined to be applicable to any payment or benefit received by the Executive or any successor or beneficiary thereof.

IN WITNESS WHEREOF, this Agreement has been executed by the Company and by the Executive as of the Effective Date.

#### **EMPLOYER**

Digital Turbine, Inc., a Delaware corporation

DocuSigned by:

Barrett Garrison

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Barrett Garrison By:

Its: CFO

#### **EXECUTIVE**

DocuSigned by:



5D1C3A8DDBB2428...

Name: Matthew Gillis

**List of Subsidiaries**

<b>Entity</b>	<b>Jurisdiction of Organization</b>
Digital Turbine, Inc.	Delaware, USA
Digital Turbine USA, Inc.	Delaware, USA
Digital Turbine (EMEA) Ltd.	Israel
Digital Turbine Luxembourg S.a.r.l.	Luxembourg
Digital Turbine Media, Inc.	Delaware, USA
Digital Turbine Singapore Pte Ltd.	Singapore
Mobile Posse, Inc.	Delaware, USA
Digital Turbine LATAM Servicos de Intermediacao de Midia LTDA.	Brazil
Triapodi Ltd. (d/b/a Appreciate)	Israel
AdColony Holdings US, Inc.	Delaware, USA
AdColony, Inc.	Delaware, USA
Digital Turbine AdColony AS	Norway
AdColony Holding AS	Norway
AdColony GmbH	Germany
AdColony Japan LLC	Japan
AdColony AB	Sweden
AdColony Singapore Pte Ltd	Singapore
AdColony Korea Ltd	South Korea
AdColony ApS	Denmark
AdColony AS	Norway
Mobilike Mobil Reklam Pazarlama ve Ticaret A.S.	Turkey
AdColony Poland sp.z.o.o	Poland
AdColony India Pte Ltd	India
Fyber N.V.	The Netherlands
Fyber GmbH	Germany
Fyber Inc.	California, USA
Fyber Media GmbH	Germany
Falk Realtime Ltd.	United Kingdom
Fyber RTB GmbH	Germany
Fyber Monetization Ltd.	Israel
Inneractive USA Inc.	Delaware, USA
Fyber Digital UK Ltd.	United Kingdom

**Consent of Independent Registered Public Accounting Firm**

We have issued our reports dated June 6, 2022, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Digital Turbine, Inc. on Form 10-K for the year ended March 31, 2022. We consent to the incorporation by reference of said reports in the Registration Statements of Digital Turbine, Inc. on Forms S-8 (File No. 333-193022, File No. 333-202863, and File No. 333-250111).

/s/ GRANT THORNTON LLP

Dallas, Texas  
June 6, 2022

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statement (Nos. 333-193022, 333-202863, and 333-250111) on Form S-8 of Digital Turbine, Inc. (the "Company") of our report dated June 2, 2020, relating to the consolidated financial statements of Digital Turbine, Inc. and Subsidiaries, appearing in this Annual Report on Form 10-K of the Company for the year ended March 31, 2022.

/s/ SingerLewak LLP

Los Angeles, California  
June 6, 2022

**Certification of Principal Executive Officer**

I, William Stone, certify that:

1. I have reviewed this Annual Report on Form 10-K of Digital Turbine, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 6, 2022

By: /s/ William Stone

William Stone  
Chief Executive Officer  
(Principal Executive Officer)

**Certification of Principal Financial Officer**

I, Barrett Garrison, certify that:

1. I have reviewed this Annual Report on Form 10-K of Digital Turbine, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 6, 2022

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

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

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

The Annual Report on Form 10-K for the period ending March 31, 2022, of the Company (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 6, 2022

By: /s/ William Stone

William Stone  
Chief Executive Officer  
(Principal Executive Officer)

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

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

The Annual Report on Form 10-K for the period ending March 31, 2022, of the Company (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 6, 2022

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