

August 7, 2024



Digital Turbine Reports Fiscal 2025 First Quarter Financial Results

First Quarter Revenue Totaled \$118.0 Million

First Quarter GAAP Net Loss of \$25.2 Million, or GAAP EPS of (\$0.25); First Quarter Non-GAAP Adjusted Net Income¹ of \$7.3 Million and Non-GAAP Adjusted EPS¹ of \$0.07

First Quarter Non-GAAP Adjusted EBITDA² Totaled \$14.5 Million

AUSTIN, Texas, Aug. 7, 2024 /PRNewswire/ -- Digital Turbine, Inc. (Nasdaq: APPS) announced financial results for the fiscal first quarter ended June 30, 2024.

Recent Financial Highlights:

- Fiscal first quarter of 2025 revenue totaled \$118.0 million, representing an increase of 5% quarter-over-quarter as compared to the fiscal fourth quarter of 2024, and a decline of 19% year-over-year as compared to the fiscal first quarter of 2024.
- GAAP net loss for the fiscal first quarter of 2025 was \$25.2 million, or (\$0.25) per share, as compared to GAAP net loss for the fiscal first quarter of 2024 of \$8.4 million, or (\$0.08) per share. Non-GAAP adjusted net income¹ for the fiscal first quarter of 2025 was \$7.3 million, or \$0.07 per share, as compared to Non-GAAP adjusted net income¹ of \$18.2 million, or \$0.18 per share, in the fiscal first quarter of 2024.
- Non-GAAP adjusted EBITDA² for the fiscal first quarter of 2025 was \$14.5 million, representing an increase of 18% quarter-over-quarter as compared to the fiscal fourth quarter of 2024, and a decline of 46% year-over-year as compared to Non-GAAP adjusted EBITDA² of \$27.0 million in the fiscal first quarter of 2024.

"The first quarter marked an encouraging start to the new fiscal year, returning the Company to quarterly sequential growth in revenue and EBITDA," said CEO Bill Stone. "Despite continuing sluggish handset upgrade rates in the U.S., we grew our On Device Solutions revenue 3% sequentially largely on the strength of newly added international devices and higher average revenue-per-device. Our App Growth Platform revenue increased 11% sequentially, attributable to stronger demand for our higher-performance Brand and Exchange offerings. Top-line growth and continued expense discipline drove expansion in our profit margins, as evidenced by a 135-basis point sequential increase in our EBITDA margin during the quarter. We expect this top-line growth and margin expansion to continue in the second half of the calendar year, as we continue to see growing interest in, and real demand for, our uniquely-designed platform features amid the global market shift favoring

more profitable alternative direct app distribution models. Having invested heavily in our people, processes and systems to optimize execution and future operating leverage, we believe that we are now well-positioned to help facilitate this market shift, and to more effectively capitalize on this promising opportunity for the Company in the coming years."

Fiscal 2025 First Quarter Financial Results

Total revenue for the first quarter of fiscal 2025 was \$118.0 million. Total On Device Solutions revenue before intercompany eliminations was \$80.7 million. Total App Growth Platform revenue before intercompany eliminations was \$38.4 million.

GAAP net loss for the first quarter of fiscal 2025 was \$25.2 million, or (\$0.25) per share, as compared to GAAP net loss for the first quarter of fiscal 2024 of \$8.4 million, or (\$0.08) per share.

Non-GAAP adjusted net income¹ for the first quarter of fiscal 2025 was \$7.3 million, or \$0.07 per share, as compared to Non-GAAP adjusted net income¹ of \$18.2 million, or \$0.18 per share, in the first quarter of fiscal 2024.

Non-GAAP adjusted EBITDA² for the first quarter of fiscal 2025 was \$14.5 million, as compared to Non-GAAP adjusted EBITDA² for the first quarter of fiscal 2024 of 27.0 million.

Business Outlook

Based on information available as of August 7, 2024, the Company currently reaffirms its expectations for the following for fiscal year 2025:

- Revenue of between \$540 million and \$560 million
- Non-GAAP adjusted EBITDA² of between \$85 million and \$95 million

It is not reasonably practicable to provide a business outlook for GAAP net income because the Company cannot reasonably estimate the changes in stock-based compensation expense, which is directly impacted by changes in the Company's stock price, or other items that are difficult to predict with precision.

About Digital Turbine, Inc.

Digital Turbine empowers superior mobile consumer experiences and results for the world's leading telcos, advertisers, and publishers. Its end-to-end platform uniquely simplifies its partners' abilities to supercharge awareness, acquisition, and monetization – connecting them with more consumers, in more ways, across more devices. Digital Turbine is headquartered in North America, with offices around the world. For additional information visit www.digitalturbine.com.

Conference Call

Management will host a conference call and webcast today at 4:30 p.m. ET to discuss its fiscal 2025 first quarter financial results and provide operational updates on the business. The conference call will discuss forward guidance and other material information. The call can be accessed online via the webcast link: <https://app.webinar.net/ze2pJnEO7wo>. The

call can also be accessed by dialing 888-317-6003 in the United States (or 412-317-6061 from international locations) and entering access code 3764675.

A playback will be available through August 14, 2024. The replay can be accessed by dialing 877-344-7529 in the United States or 412-317-0088 from international locations, passcode 5789476. An online webcast will be archived for a period of one year, and is available via the Investor Relations section of Digital Turbine's website.

Use of Non-GAAP Financial Measures

To supplement the Company's consolidated financial statements presented in accordance with GAAP, Digital Turbine uses non-GAAP measures of certain components of financial performance. These non-GAAP measures include non-GAAP adjusted net income and earnings per share ("EPS"), non-GAAP adjusted EBITDA, non-GAAP free cash flow and non-GAAP gross profit. Reconciliations to the nearest GAAP measures of all non-GAAP measures included in this press release can be found in the tables below.

Non-GAAP measures are provided to enhance investors' overall understanding of the Company's current financial performance, prospects for the future and as a means to evaluate period-to-period comparisons. The Company believes that these non-GAAP measures provide meaningful supplemental information regarding financial performance by excluding certain expenses and benefits that may not be indicative of recurring core business operating results. The Company believes the non-GAAP measures that exclude such items when viewed in conjunction with GAAP results and the accompanying reconciliations enhance the comparability of results against prior periods and allow for greater transparency of financial results. The Company believes non-GAAP measures facilitate management's internal comparison of its financial performance to that of prior periods as well as trend analysis for budgeting and planning purposes. The presentation of non-GAAP measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

¹Non-GAAP adjusted net income and EPS are defined as GAAP net income and EPS adjusted to exclude the effect of stock-based compensation expense, amortization of intangibles, business transformation costs, transaction-related expenses, severance costs, and tax adjustments. Readers are cautioned that non-GAAP adjusted net income and EPS should not be construed as an alternative to comparable GAAP net income figures determined in accordance with U.S. GAAP as an indicator of profitability or performance, which is the most comparable measure under GAAP.

²Non-GAAP adjusted EBITDA is calculated as GAAP net income excluding the following cash and non-cash expenses: stock-based compensation expense, depreciation and amortization, net interest income (expense), net other income (expense), business transformation costs, foreign exchange transaction gains (losses), income tax (benefit) provision, transaction-related expenses, and severance costs. Non-GAAP adjusted EBITDA margin is calculated as non-GAAP adjusted EBITDA as a percentage of total revenue. Readers are cautioned that non-GAAP adjusted EBITDA should not be construed as an alternative to net income determined in accordance with U.S. GAAP as an indicator of performance, which is the most comparable measure under GAAP.

³Non-GAAP free cash flow, which is a non-GAAP financial measure, is defined as net cash provided by operating activities (as stated in our Consolidated Statements of Cash Flows), excluding transaction-related expenses, severance costs and business transformation costs, reduced by capital expenditures. Readers are cautioned that free cash flow should not be construed as an alternative to net cash provided by operating activities determined in accordance with U.S. GAAP as an indicator of profitability, performance or liquidity, which is the most comparable measure under GAAP.

⁴Non-GAAP gross profit is defined as GAAP income from operations adjusted to exclude the effect of product development costs, sales and marketing costs, general and administrative costs, and depreciation of software. Readers are cautioned that non-GAAP gross profit should not be construed as an alternative to income from operations determined in accordance with U.S. GAAP as an indicator of profitability or performance, which is the most comparable measure under GAAP.

Non-GAAP adjusted EBITDA, non-GAAP adjusted net income and EPS, non-GAAP free cash flow and non-GAAP gross profit are used by management as internal measures of profitability and performance. They have been included because the Company believes that the measures are used by certain investors to assess the Company's financial performance before non-cash charges and certain costs that the Company does not believe are reflective of its underlying business.

Forward-Looking Statements

This news release includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements in this news release that are not statements of historical fact and that concern future results from operations, financial position, economic conditions, product releases and any other statement that may be construed as a prediction of future performance or events, including financial projections and growth in various products are forward-looking statements that speak only as of the date made and which involve known and unknown risks, uncertainties and other factors which may, should one or more of these risks uncertainties or other factors materialize, cause actual results to differ materially from those expressed or implied by such statements. These factors and risks include:

Risks Specific to our Business

- We have a history of net losses
- We have a limited operating history for our current portfolio of assets.
- 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.
- The risk of impairment of our goodwill.
- The effects of the current and any future general downturns in the U.S. and the global

economy, including financial market disruptions.

- 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 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.
- Our business and reputation could be impacted by information technology system failures and network disruptions
- System security risks and cyber-attacks could disrupt our internal operations or information technology services provided to customers.
- 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.
- If we make future acquisitions, this could require significant management attention and disrupt our business.
- Adverse effects of negative developments affecting the financial services industry, including events or concerns involving liquidity, defaults, or non-performance by financial institutions.
- Entry into new lines of business, and our offering of new products and services, resulting from our investments may result in exposure to new risks.
- Litigation may harm our business.

Risks Related to the Mobile Advertising Industry

- The mobile advertising business is an intensely competitive industry, and we may not be able to compete successfully.
- The markets for our products and services are rapidly evolving and may decline or experience limited growth.
- Our business is dependent on the continued growth in usage of smartphones and other mobile connected devices.
- 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.
- 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.
- Risks of public health issues, such as a major epidemic or pandemic.
- Risk related to geopolitical conditions and the global economy, including conflicts, financial markets, and inflation.
- Risk related to the geopolitical relationship between the U.S. and China or changes in China's economic and regulatory landscape.

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.
- Regulatory requirements pertaining to the marketing, advertising, and promotion of our products and services.
- Governmental regulation of our marketing methods.

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

Risks Relating to Our Common Stock and Capital Structure

- We have 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.
- Risk of not being able to raise capital to grow our business.
- Risk to trading volume of lack of securities or industry analysts research coverage.
- A material weakness in our internal control over financial reporting and disclosure controls and procedures could, if not remediated, result in material misstatements in our financial statements.
- Maintaining and improvising financial controls and being a public company may strain resources.
- Anti-takeover provisions in our charter documents could make an acquisition of our company more difficult.
- Our bylaws designate Delaware as the exclusive forum for certain disputes.
- Other risks described in the risk factors in Item 1A of our latest Annual Report on Form 10-K under the heading "Risk Factors" and subsequent Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission.

You should not place undue reliance on these forward-looking statements. The Company does not undertake to update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Investor Relations Contact:

Brian Bartholomew

Digital Turbine, Inc.

brian.bartholomew@digitalturbine.com

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

	Three months ended June 30,	
	2024	2023
Net revenue	\$ 117,989	\$ 146,366
Costs of revenue and operating expenses		
Revenue share	55,809	69,592
Other direct costs of revenue	7,790	9,613
Product development	10,714	15,800
Sales and marketing	16,247	15,577
General and administrative	43,517	40,499
Total costs of revenue and operating expenses	134,077	151,081
Loss from operations	(16,088)	(4,715)
Interest and other income (expense), net		
Interest expense, net	(8,250)	(7,390)
Foreign exchange transaction gain (loss)	818	1,923
Other income, net	114	244
Total interest and other expense, net	(7,318)	(5,223)
Loss before income taxes	(23,406)	(9,938)
Income tax provision (benefit)	1,750	(1,539)
Net loss	(25,156)	(8,399)
Less: net income (loss) attributable to non-controlling interest	—	(220)
Net loss attributable to Digital Turbine, Inc.	(25,156)	(8,179)
Other comprehensive loss		
Foreign currency translation adjustment	(1,213)	(6,107)
Comprehensive loss	(26,369)	(14,506)
Less: comprehensive income (loss) attributable to non-controlling interest	—	519
Comprehensive loss attributable to Digital Turbine, Inc.	\$ (26,369)	\$ (15,025)
Net loss per common share		
Basic	\$ (0.25)	\$ (0.08)
Diluted	\$ (0.25)	\$ (0.08)
Weighted-average common shares outstanding		
Basic	102,396	99,877
Diluted	102,396	99,877

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

	June 30, 2024	March 31, 2024
	(Unaudited)	
ASSETS		
Current assets		
Cash	\$ 35,729	\$ 33,605
Accounts receivable, net	198,035	191,015
Prepaid expenses	6,879	7,704
Other current assets	12,045	10,017
Total current assets	252,688	242,341
Property and equipment, net	46,375	45,782
Right-of-use assets	8,669	9,127
Intangible assets, net	298,064	313,505
Goodwill	219,882	220,072
Other non-current assets	34,519	34,713
	\$ 860,197	\$ 865,540
TOTAL ASSETS		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 170,910	\$ 159,200
Accrued revenue share	26,322	33,934
Accrued compensation	6,897	7,209
Other current liabilities	36,246	35,681
Total current liabilities	240,375	236,024
Long-term debt, net of debt issuance costs	393,791	383,490
Deferred tax liabilities, net	18,316	20,424
Other non-current liabilities	11,762	11,670
Total liabilities	664,244	651,608
Commitments and contingencies		
Stockholders' equity		
Preferred stock		
Series A convertible preferred stock at \$0.0001 par value; 2,000,000 shares authorized, 100,000 issued and outstanding (liquidation preference of \$1)	100	100
Common stock		
\$0.0001 par value: 200,000,000 shares authorized; 103,276,408 issued and 102,518,283 outstanding at June 30, 2024; 102,877,057 issued and 102,118,932 outstanding at March 31, 2024	10	10
Additional paid-in capital	866,581	858,191
Treasury stock (758,125 shares at June 30, 2024 and March 31, 2024)	(71)	(71)
Accumulated other comprehensive loss	(50,168)	(48,955)
Accumulated deficit	(620,499)	(595,343)
Total stockholders' equity	195,953	213,932
	\$ 860,197	\$ 865,540
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		

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

	Three months ended June 30, 2024	2023
Cash flows from operating activities:		
Net (loss) income	\$ (25,156)	\$ (8,399)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	20,819	21,258
Non-cash interest expense	301	571
Allowance for credit losses	214	752
Stock-based compensation expense	8,168	10,017

Right-of-use asset	421	644
Deferred income taxes	(2,074)	1,619
Foreign exchange transaction gain	(818)	(1,923)
(Increase) decrease in assets:		
Accounts receivable, gross	(5,116)	(24,739)
Prepaid expenses	813	587
Other current assets	(1,400)	(3,388)
Other non-current assets	514	(1,233)
Increase (decrease) in liabilities:		
Accounts payable	9,058	18,620
Accrued revenue share	(7,556)	(19,723)
Accrued compensation	(299)	(792)
Other current liabilities	619	7,943
Other non-current liabilities	140	(496)
Net cash provided by (used in) operating activities	(1,352)	1,318
Cash flows from investing activities		
Capital expenditures	(5,931)	(7,276)
Net cash used in investing activities	(5,931)	(7,276)
Cash flows from financing activities		
Proceeds from borrowings	17,000	5,000
Repayment of debt obligations	(7,000)	(10,000)
Acquisition of non-controlling interest in consolidated subsidiaries	—	(3,751)
Payment of withholding taxes for net share settlement of equity awards	(48)	(931)
Options exercised	14	731
Net cash provided by (used in) financing activities	9,966	(8,951)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(559)	(1,580)
Net change in cash and cash equivalents and restricted cash	2,124	(16,489)
Cash and cash equivalents and restricted cash, beginning of period	33,605	75,558
Cash and cash equivalents and restricted cash, end of period	<u>\$ 35,729</u>	<u>\$ 59,069</u>

REVENUE BY SEGMENT

(in thousands)

(Unaudited)

Three months ended June 30,

	2024	2023	% Change
On Device Solutions	\$ 80,650	\$ 98,250	(18) %
App Growth Platform	38,392	48,959	(22) %
Elimination	(1,053)	(843)	25 %
Consolidated	<u>\$ 117,989</u>	<u>\$ 146,366</u>	<u>(19) %</u>

GAAP (LOSS) INCOME FROM OPERATIONS TO NON-GAAP GROSS PROFIT

(in thousands)

(Unaudited)

	Three months ended June 30,	
	2024	2023
Net revenue	\$ 117,989	\$ 146,366
(Loss) income from operations	(16,088)	(4,715)
Add-back items:		
Product development	10,714	15,800
Sales and marketing	16,247	15,577
General and administrative	43,517	40,499
Depreciation of software included in other direct costs of revenue	134	1,756
Non-GAAP gross profit	<u>\$ 54,524</u>	<u>\$ 68,917</u>
Non-GAAP gross profit percentage	<u>46 %</u>	<u>47 %</u>

GAAP NET (LOSS) INCOME TO NON-GAAP ADJUSTED NET INCOME

(in thousands)

(Unaudited)

	Three months ended June 30,	
	2024	2023
Net (loss) income	\$ (25,156)	(8,399)
Add-back items:		
Stock-based compensation expense	8,168	10,017
Amortization of intangibles	15,204	16,189
Tax adjustment (1)	7,501	—
Business transformation costs	1,072	—
Transaction-related expenses	—	36
Severance costs	557	367
Non-GAAP adjusted net income	\$ 7,346	\$ 18,210
Non-GAAP adjusted net income per common share	\$ 0.07	\$ 0.18
Weighted-average common shares outstanding, diluted	103,143	103,509
(1) Valuation allowance		

GAAP NET (LOSS) INCOME TO NON-GAAP ADJUSTED EBITDA

(in thousands)

(Unaudited)

	Three months ended June 30,	
	2024	2023
Net (loss) income	\$ (25,156)	\$ (8,399)
Add-back items:		
Stock-based compensation expense	8,168	10,017
Depreciation and amortization	20,819	21,258
Interest expense, net	8,250	7,390
Other income, net	(114)	(244)
Business transformation costs	1,072	—
Foreign exchange transaction (gain) loss	(818)	(1,923)
Income tax provision (benefit)	1,750	(1,539)
Transaction-related expenses	—	36
Severance costs	557	367
Non-GAAP adjusted EBITDA	\$ 14,528	\$ 26,963

GAAP CASH FLOW FROM OPERATING ACTIVITIES TO NON-GAAP FREE CASH FLOW

(in thousands)

(Unaudited)

	Three months ended June 30,	
	2024	2023
Net cash provided by (used in) operating activities	\$ (1,352)	\$ 1,318
Capital expenditures	(5,931)	(7,276)
Transaction-related expenses	—	36
Severance costs	557	367
Business transformation costs	1,072	—
Non-GAAP free cash flow provided (used) by operations	\$ (5,654)	\$ (5,555)



Digital Turbine

View original content to download multimedia <https://www.prnewswire.com/news-releases/digital-turbine-reports-fiscal-2025-first-quarter-financial-results-302217006.html>

SOURCE Digital Turbine, Inc.