

November 14, 2013



Mandalay Digital Reports Record Second Fiscal Quarter 2014 Financial Results

Organic Growth of 37% Quarter-over-Quarter Exceeds Guidance

Management to Provide Customer Updates on Conference Call at 4:30PM EST Today

LOS ANGELES, Nov. 14, 2013 /PRNewswire/ -- Mandalay Digital Group, Inc. (NASDAQ: MNDL) ("Mandalay Digital" or "the Company"), today announced financial results for the three months ended September 30, 2013.

Second Fiscal Quarter 2014 Highlights:

- Revenues were \$7.0 million, up 667% year-over-year due principally to acquisitions and up 37% from \$5.1 million in fiscal Q1 2014 from a comparable asset base
- Revenues exceeded the upper-end of Q2 revenue guidance range of \$6.4 - \$6.8 million
- Gross margin was 36.1%; Non-GAAP gross margin was 43.5% excluding intangibles amortization expenses
- Adjusted EBITDA (a non-GAAP measure) improved \$1.1 million, a 47% increase from Q1
- Company increased cash and cash equivalents to \$7.8 million from its August public offering and related retirement or conversion of all secured and unsecured notes
- Reaffirms FY 2014 revenue guidance of \$27 - 29 million and breakeven Adjusted EBITDA by the end of FY 2014 (March 31 2014)

Peter Adderton, CEO of Mandalay Digital, began "Our strong revenue growth so far this year reflects increasing adoption of our content marketplace and carrier-empowering billing, DT Pay™ which closes the loop on content sales. The strong growth momentum in the first six months of our fiscal 2014 provides financial validation that our acquisition strategy to combine targeted, high-growth, operating companies like MIA and Logia, is working. The ramp in new carrier agreements for DT Ignite™ and DT IQ™ was very encouraging, a signal that global carriers are seeking outsourced solutions – found in our products and services – to manage their global content needs. These wins were a result of our continued focus on the emerging markets, where we see the greatest prospects for growth in the mobile space, and a leading indicator for our future growth. We have made significant progress to date and we see significant opportunities ahead to capture our share of this large and quickly expanding market." Mr. Adderton concluded.

Second Fiscal Quarter 2014 Results

Mandalay Digital's revenues are derived primarily from the provisioning of products, services and software for mobile carriers and their subscribers in the form of: 1) A mobile application

management service that enables mobile operators and OEMs to control, manage and monetize the applications that are installed on smartphone devices through DT Ignite™; 2) Content search, discovery, licensing, and delivery through DT Content™, MarketPlace™ and DT IQ™; and 3) Integrated mobile operator billing through DT Pay™.

Revenue for the three months ended September 30, 2013 increased 667% to \$7.0 million compared to \$0.9 million in the same period a year ago. Substantially all of such increase was due to the acquisitions of Logia and MIA. Quarter-to-quarter, revenues from a comparable asset base increased 37% from \$5.1 million in the first quarter of 2014 driven by primarily by increases in DT Pay™ and DT Content Management™.

Gross profit increased 371% to \$2.5 million compared to \$0.5 million in the corresponding period a year ago. Substantially all of such increase was due to the acquisitions of Logia and MIA. Quarter-to-quarter gross profit from a comparable asset base increased 38.5% from \$1.8 million in the first quarter of 2014, and gross margin for the second quarter was 36.1%, up 30 basis points from the first quarter. Non-GAAP gross margin (which we define as GAAP gross margin excluding amortization of intangibles)*, was 43.5% for the three months ended September 30, 2013 exceeding the Company's target of 40%.

Total operating expenses were \$6.4 million for the three months ended September 30, 2013 compared to \$6.0 million in the prior quarter. \$1.9 million of the expenses were non-cash items such as depreciation and stock based compensation. Excluding such non-cash items, operating expenses were reduced quarter-over-quarter by 5.0%.

Adjusted EBITDA for the quarter was a loss of \$1.2 million versus an Adjusted EBITDA loss of \$2.3 million in the previous quarter, an improvement of 47.3%. Adjusted EBITDA excludes both cash and non-cash expenses and is defined below under "Use of Non-GAAP Financial Measures." The table below reconciles the Company's Adjusted EBITDA to GAAP Net Loss and Non-GAAP Gross Margin to GAAP Gross Margin.

Second Fiscal Quarter Non-GAAP Reconciliation Tables

*See "Use of Non-GAAP Financial Measures"

NET LOSS TO ADJUSTED EBITDA

	Q2 2014 (in thousands)	Q1 2014 (in thousands)
NET LOSS	(6,222)	(5,686)
ADD BACK: OTHER EXPENSE, NET OF INCOME	2,240	1,609
ADD BACK: DEPRECIATION AND AMORTIZATION	546	492
ADD BACK: STOCK COMPENSATION	1,909	1,241
ADD BACK: BONUSES	207	85
ADD BACK: INCOME TAX PROVISION	90	(76)

ADJUSTED EBITDA	(1,230)	(2,335)
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GROSS MARGIN TO NON-GAAP GROSS MARGIN

	Q2 2014 (in thousands)
REVENUE	6,996
GROSS PROFIT	2,527
GROSS MARGIN (%)	36.1
ADD BACK: AMORTIZATION OF INTANGIBLES	514
NON-GAAP GROSS PROFIT	3,041
NON-GAAP GROSS MARGIN (%)	43.5

The Company had a net loss of \$6.2 million and a net loss per share of (\$0.25) for the three months ended September 30, 2013. The net loss includes non-cash, non-recurring charges accounted for in interest and other income (expense) of approximately \$2.7 million related to the extinguishment, conversion and repayment of the Company's debt and long-term obligations that occurred in August and September in connection with its public offering offset by a gain relating to a change in the valuation of its long-term contingent liability of \$0.6 million. The Company's weighted average diluted shares outstanding during the quarter ended September 30, 2013 were 25.2 million, reflecting a 1-for-5 reverse stock split on April 12, 2013, as well as the August public stock offering.

Mandalay Digital's stock commenced trading on the NASDAQ Capital Market on June 12, 2013 under the ticker symbol, "MNDL".

Cash and cash equivalents totaled \$7.8 million at September 30, 2013 compared to \$1.1 million at March 31, 2013 (and compared to \$1.6 million at June 30, 2013). The Company received \$13.3 million in gross proceeds, inclusive of the overallotment underwriter option, from its August public offering of common stock.

Outlook

The Company is reiterating its financial guidance for the fiscal year ending March 31, 2014 as follows:

Revenues:	\$27.0 to \$29.0 million
Adjusted EBITDA:	Breakeven by the end of fiscal year

Conference Call

Management will host a conference call, today, Thursday, November 14th.

Date: Thursday, November 14, 2013

Time: 4:30 pm ET

US Dial-In: 1-877-941-1428

International Dial-In: 1-480-629-9665

Conference ID: 4647925

Webcast: <http://public.viavid.com/index.php?id=106635>

A playback of the call will be available until 11:59 pm ET on November 21, 2013. To listen, call +1-877-870-5176 within the United States or +1-858-384-5517 when calling internationally. Please use the replay PIN number 4647925.

About Mandalay Digital Group

Mandalay Digital Group (Nasdaq: MNDL) is at the convergence of media content and mobile communications. It delivers a mobile services platform that works with mobile operators and third-party publishers to provide portal management, user interface, content development and billing technology that enables the responsible distribution of mobile entertainment. Mandalay Digital is headquartered in Los Angeles and has offices in Australia, Germany and Israel. For additional information, visit www.mandalaydigital.com.

Use of Non-GAAP Financial Measures

To supplement the Company's condensed financial statements presented in accordance with GAAP, Mandalay Digital uses non-GAAP measures of certain components of financial performance. These non-GAAP measures include Adjusted EBITDA and non-GAAP gross margin. Reconciliation to the nearest GAAP measures of all non-GAAP measures included in this press release can be found above.

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 with GAAP results and the accompanying reconciliation, 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 the Company's financial performance to that of prior periods as well as trend analysis for budgeting and planning purposes. The presentation of non-GAAP measures are 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.

Adjusted EBITDA is calculated as GAAP net income (loss) excluding the following cash and non-cash expenses: interest expense, foreign transaction gains (losses), debt financing and non-cash related expenses, debt discount and non-cash debt settlement expense, gain or loss on extinguishment of debt, income taxes, asset impairment charges, depreciation and amortization, stock-based compensation expense, change in fair value of derivatives, and accruals for one-time and discretionary bonuses. Since Adjusted EBITDA is a non-GAAP

measure that does not have a standardized meaning, it may not be comparable to similar measures presented by other companies. Readers are cautioned that Adjusted EBITDA should not be construed as an alternative to net income (loss) determined in accordance with U.S. GAAP as an indicator of performance, which is the most comparable measure under GAAP. Adjusted EBITDA is used by management as an internal measure of profitability. We have included Adjusted EBITDA because we believe that this measure is used by certain investors to assess our financial performance before non-cash charges and certain costs that we do not believe are reflective of our underlying business.

Non-GAAP gross margin is defined as GAAP gross margin adjusted to exclude the effect of intangible amortization expense. Readers are cautioned that non-GAAP gross margin should not be construed as an alternative to gross margin determined in accordance with U.S. GAAP as an indicator of profitability or performance, which are the most comparable measures under GAAP. These measures used by management as an internal measure of profitability or performance. We have included them because we believe that these measures are used by certain investors to assess our financial performance before non-cash charges and certain costs that we do not believe are reflective of our underlying business.

Forward Looking Statements

This press release contains statements that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this press release concerning 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 are forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause actual results to differ materially from those expressed or implied by such statements. These factors include uncertainties as to ability to manage international operations, ability to identify and consummate roll-up acquisitions targets, levels of orders, ability to record revenues, release schedules, finalization and market acceptance of new products, changes in economic conditions and market demand, pricing and other activities by competitors, and other risks including those described from time to time in Mandalay Digital Group's filings on Forms 10-K and 10-Q with the Securities and Exchange Commission (SEC), press releases and other communications. Such forward-looking statements speak only as of the date on which they are made and the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this press release

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MANDALAY DIGITAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30,

March 31,

	<u>2013</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,806	\$ 1,1
Accounts receivable, net of allowances of \$130 and \$130, respectively	5,815	1,5
Deposits	48	5
Prepaid expenses and other current assets	625	2
Total current assets	<u>14,294</u>	<u>3,5</u>
Property and equipment, net	427	1
Deferred tax assets	415	
Intangible assets, net	10,609	4,7
Goodwill	4,770	3,5
TOTAL ASSETS	<u>\$ 30,515</u>	<u>\$ 12,4</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities		
Accounts payable	\$ 5,596	\$ 3,7
Accrued license fees	3,276	6
Accrued compensation	1,188	6
Current portion of long term debt, net of discounts of \$0 and \$726, respectively	10	3,7
Deferred tax liabilities	306	1
Other current liabilities	660	6
Total current liabilities	<u>11,036</u>	<u>9,6</u>
Long term secured note, less discount of \$0 and \$980, respectively	-	1,2
Long term contingent liability, less discount of \$762 and \$159, respectively	238	8
Total liabilities	<u>\$ 11,274</u>	<u>\$ 11,7</u>

Stockholders' equity

Preferred stock

Series A convertible preferred stock

at \$0.0001 par value; 200,000 shares authorized, 100,000 issued and outstanding

(liquidation preference of \$1,000,000)

100

Common stock, \$0.0001 par value: 200,000,000 shares authorized;

32,027,046 issued and 31,272,447 outstanding at September 30, 2013;

19,222,493 issued and 18,467,894 outstanding at March 31, 2013;

7

Additional paid-in capital

172,545

142,5

Treasury Stock (754,600 shares at March 31, 2013 and March 31, 2012)

(71)

(

Accumulated other comprehensive loss

172

(2

Accumulated deficit

(153,512)

(141,6

Total stockholders' equity

19,241

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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$ 30,515

\$ 12,4

MANDALAY DIGITAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	3 Months Ended September 30 2013	3 Months Ended September 30 2012	6 Months Ended September 30 2013
Net revenues	\$ 6,996	\$ 912	\$ 12,08
Cost of revenues			
License fees	3,817	299	6,76
Other direct cost of revenues	652	77	97
Total cost of revenues	4,469	376	7,73
Gross profit	2,527	536	4,35

PIK Interest	68	-
Finance costs	1,427	-
Fair value of financing costs related to conversion options	1,479	-
Stock-based compensation	410	66
Warrants issued for services	406	555
Stock issued for services	1,803	-
Revaluation of contingent liability	(603)	-
Increase / (decrease) in fair value of derivative liabilities	811	21
Loss on disposal of leasehold improvements	8	-
(Increase) / decrease in assets, net of effect of disposal of subsidiary:		
Accounts receivable	(1,011)	(311)
Deposits	515	(3)
Prepaid expenses and other current assets	142	(43)
Increase / (decrease) in liabilities, net of effect of disposal of subsidiary:		
Accounts payable	418	(175)
Accrued license fees	2,607	(144)
Accrued compensation	151	156
Other liabilities and other items	(2,415)	229
Net cash used in operating activities	<u>(3,893)</u>	<u>(3,294)</u>
Cash flows from investing activities		
Purchase of property and equipment	(32)	(8)
Cash used in acquisition of subsidiary	(1,287)	(3,416)
Cash acquired with acquisition of subsidiary	513	59
Net cash used in investing activities	<u>(805)</u>	<u>(3,365)</u>
Cash flows from financing activities		
Repayment of debt obligations	(3,657)	-
Issuance of shares for cash	14,924	1,000
Net cash provided by financing activities	<u>11,267</u>	<u>1,000</u>

Effect of exchange rate changes on cash and cash equivalents	88	(3)
	<hr/>	<hr/>
Net change in cash and cash equivalents	6,657	(5,662)
Cash and cash equivalents, beginning of period	1,149	8,799
	<hr/>	<hr/>
Cash and cash equivalents, end of period	<u>\$ 7,806</u>	<u>\$ 3,137</u>
 Supplemental disclosure of cash flow information:		
 Taxes paid	 \$ -	 \$ 34
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SOURCE Mandalay Digital Group, Inc.