

August 14, 2013



Mandalay Digital Reports First Fiscal Quarter 2014 Financial Results

Revenues for Quarter Increase 295%

LOS ANGELES, Aug. 14, 2013 /PRNewswire/ -- Mandalay Digital Group, Inc. and its subsidiaries (NASDAQ: [MNDL](#)) (collectively, "Mandalay Digital" or "the Company"), today announced financial results for the three months ended June 30, 2013.

First Fiscal Quarter 2014 Highlights:

- Revenues were \$5.1 million, up 295% from \$1.3 million in fiscal Q1 2013, reflecting the results of recent acquisitions and improved core performance.
- Completed acquisition of Mirror Image International Holdings, Ltd. ("MIA" Australia) – adding complementary content management and billing integration capabilities across the Asia Pacific region.
- The Company began trading on NASDAQ Capital Market on June 12, 2013.
- Signed contracts for Digital Turbine ("DT") products now provide Mandalay with a total addressable market of 1B subscribers globally.
- DT Pay™ launched in Italy to a potential market of over 90M subscribers providing operator billing capabilities across Vodafone, Telecom Italia, and Wind.
- DT Pay™ revenue growth in Australia increased from nil to \$7.0M annualized run rate year-over-year.
- New DT Ignite™ contracts announced with Avea (Turkey) and Cricket (USA).
- New DT IQ™ contract announced with Telstra (Australia) to complement launches in Israel and Indonesia.

"The substantial revenue growth in the first quarter reflects contributions from our acquisitions of MIA and Logia and performance of our Digital Turbine portfolio of services to carriers and mobile content providers," began Peter Adderton, CEO of Mandalay Digital. "The landscape of the mobile marketplace has become significantly more complex and our software helps carriers better service their subscribers worldwide; the key to this connection is content management and integrated carrier billing. Our expanded Digital Turbine software platform includes DT Ignite™, DT Marketplace™, DT IQ™ and DT Pay™, which collectively offer carriers a complete solution to access important user analytics, enhance the subscribers' experience, reduce churn and improve monetization from advertising and content consumption."

Company Overview

Mandalay Digital is a comprehensive mobile content and service provider. Its technology platform, powered by Digital Turbine, allows media companies, mobile carriers, and their OEM handset partners to take advantage of multiple mobile operating systems across

multiple networks, while maintaining individual branding and personalized one-to-one relationships and billing optionality with each end-user. The Company acquired Logia Group Ltd. ("Logia") in September 2012 to add mobile content development and management solutions capabilities. Additionally, it completed the acquisition of Mirror Image International Holdings Ltd. ("MIA") in April 2013, a leading mobile solutions provider with extensive content licenses with major content partners in Australia. MIA also brought proprietary content management and billing integration capabilities to the Company's suite of products and services to mobile carriers.

Mandalay Digital employs 120 people from its headquarters in Los Angeles, and international offices in Australia, Germany and Israel.

First Fiscal Quarter 2014 Results

Mandalay Digital's revenues are derived primarily from the provisioning of software for mobile carriers and subscribers in the form of: 1) analytic services through Digital Turbine Ignite™, 2) content and interfacing through Digital Turbine Content™, Marketplace™, and IQ™, and 3) integrated billing through Digital Turbine Pay™.

Revenue for the three months ended June 30, 2013 increased 295% to \$5.1 million compared to \$1.3 million in the same period a year ago. Higher sales from DT's services and, principally, revenue contributions from Logia and MIA were the drivers of revenue growth.

Gross profit increased 195% to \$1.8 million compared to \$0.6 million in the corresponding period a year ago, principally due to the contributions of Logia and MIA. Gross margin for the first quarter of 2014 was 35.8%.

Total operating expenses were \$6.0 million for the three months ended June 30, 2013, compared to \$2.9 million in the year ago period. Investments in product development and the additions of general and administrative expenses and costs associated with completion of the aforementioned acquisitions, as well as \$1.2 million in non-cash, stock-based compensation, contributed to the year-over-year increase in operating expenses.

The Company had a net loss of \$5.7 million and a net loss per share of \$0.30 for the three months ended June 30, 2013. The weighted average diluted shares outstanding were 18.9 million, reflecting a 1-for-5 reverse stock split on April 12, 2013.

Mr. Adderton concluded, "During the first quarter, we invested in the roll out of our products and services into the many new carriers we signed. These investments and additions to our team now provide us the operating infrastructure to meaningfully grow our customer base and generate recurring revenues during the remainder of this fiscal year."

Business Updates

- On July 17th, 2013, Digital Turbine ("DT") Ignite, the Company's mobile application management solution, successfully completed testing of its proprietary software platform on Cricket's system. Cricket will have the ability to manage and control its pre and post-mobile app installations using the DT Ignite™ platform.

- Telstra, Australia's largest mobile operator, signed an agreement to launch DT's IQ™ management interface on its Android smartphones beginning in the second half of 2013.
- Mandalay Digital signed a technology agreement with Lancio Entertainment – a leading Italian mobile content aggregator – to launch a mobile content billing aggregation solution for Italian mobile network operators ("MNO"). The Company will leverage the successes it had integrating its Digital Turbine Pay™ technology with Australian mobile operators to create a differentiated offering for more than 90 million subscribers serviced by the Italian MNOs.

Outlook

The Company anticipates providing financial guidance by September 30, 2013. Management will host a conference call at that time and plans to accompany all earnings releases going forward with an earnings conference call.

About Mandalay Digital Group

Mandalay Digital Group, Inc. (NASDAQ: [MNDL](#)) is at the convergence of Internet 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.

Forward Looking Statements

Statements in this news 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 raise new capital on acceptable terms or at all, 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.

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Mandalay Digital Group, Inc. and Subsidiaries
Consolidated Balance Sheets (Unaudited)
(In thousands, except share and per share amounts)

	June 30, 2013	March 31, 2013
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,553	1,149
Accounts receivable, net of allowances of \$142 and \$130, respectively	4,748	1,995
Deposits	616	563
Prepaid expenses and other current assets	561	285
Total current assets	7,478	3,992
Property and equipment, net	430	148
Deferred tax assets	429	-
Intangible assets, net	11,122	4,757
Goodwill	4,840	3,588
TOTAL ASSETS	\$ 24,299	\$ 12,485
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 5,723	\$ 3,783
Accrued license fees	2,806	669
Accrued compensation	1,346	692
Current portion of long term debt, net of discounts of \$523 and \$726, respectively	6,481	3,777

Deferred tax liabilities	47	134
Other current liabilities	935	600
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Total current liabilities	17,338	9,655
Long term debt and convertible debt, net of discounts of \$0 and \$980, respectively	1,282	1,252
Long term contingent liability, less discount of \$159 and \$159, respectively	841	841
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Total liabilities	\$ 19,461	\$ 11,748
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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 \$1,000,000)	100	100
Common stock, \$0.0001 par value: 200,000,000 shares authorized; 21,222,967 issued and 20,468,368 outstanding at June 30, 2013; 19,222,493 issued and 18,467,894 outstanding at March 31, 2013;	7	7
Additional paid-in capital	152,253	142,571
Treasury Stock (754,600 shares at June 30, 2013 and March 31, 2013)	(71)	(71)
Accumulated other comprehensive loss	(161)	(266)
Accumulated deficit	(147,290)	(141,604)
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Total stockholders' equity	4,838	737
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 24,299	\$ 12,485
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Mandalay Digital Group, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive (Loss) Income (unaudited)
(In thousands, except per share amounts)

3 Months Ended 3 Months Ended

	June 30, 2013	June 30, 2012
Net revenues	\$ 5,092	\$ 1,290
Cost of revenues		
License fees	2,945	614
Other direct cost of revenues	323	58
Total cost of revenues	3,268	672
Gross profit	1,824	618
Operating expenses		
Product development	1,666	366
Sales and marketing	433	103
General and administrative	3,878	2,401
Total operating expenses	5,977	2,870
Loss from operations	(4,153)	(2,252)
Interest and other income / (expense)		
Interest income / (expense)	(1,626)	(459)
Foreign exchange transaction gain / (loss)	25	(7)
Change in fair value of accrued derivative liabilities gain / (loss)	-	(21)
Gain / (loss) on disposal of fixed assets	(5)	-
Gain / (loss) on settlement of debt	(3)	-
	(1,609)	(487)

Interest and other expense	<hr/>	
Loss from operations before income taxes	(5,762)	(2,739)
Income tax provision	76	(14)
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Net loss	\$ (5,686)	\$ (2,753)
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Other comprehensive (loss) / income:		
Foreign currency translation adjustment	\$ 104	\$ 31
Comprehensive (loss) / income	\$ (5,582)	\$ (2,722)
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Basic and diluted net income / (loss) per common share	\$ (0.30)	\$ (0.16)
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Weighted average common shares outstanding, basic and diluted	18,861	16,901
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Mandalay Digital Group, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (unaudited)
(In thousands)

	3 Months Ended June 30 2013	3 Months Ended June 30 2012
Cash flows from operating activities	<hr/>	
Net (loss) / income	\$ (5,686)	\$ (2,753)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	493	87
Amortization of debt discount	1,267	354
Interest accrued	73	106

PIK Interest	68	—
Allowance for doubtful accounts	—	—
Stock-based compensation	52	—
Stock issued for services	1,189	929
Finance costs	228	—
Loss on disposal of leasehold improvements	5	—
Increase / (decrease) in fair value of derivative liabilities	—	21
(Increase) / decrease in assets, net of effect of disposal of subsidiary:		
Accounts receivable	56	171
Prepaid expenses and other current assets	311	(16)
Increase / (decrease) in liabilities, net of effect of disposal of subsidiary:		
Accounts payable	545	(19)
Accrued license fees	2,139	(106)
Accrued compensation	309	(212)
Other liabilities and other items	(2,643)	(152)
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Net cash used in operating activities	(1,594)	(1,590)
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Cash flows from investing activities

Purchase of property and equipment	(18)	—
Cash used in acquisition of subsidiary	(1,287)	—
Cash acquired with acquisition of subsidiary	513	—
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Net cash used in investing activities	(792)	—
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Cash flows from financing activities

Issuance of shares for cash	2,700	1,000
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Net cash provided by financing activities	2,700	1,000
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Effect of exchange rate changes on cash and cash equivalents	90	31
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Net change in cash and cash equivalents	404	(559)
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Cash and cash equivalents, beginning of period	1,149	8,799
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Cash and cash equivalents, end of period	\$ 1,553	\$ 8,240
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Supplemental disclosure of cash flow information:

Taxes paid	\$ 34	\$ —
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Interest paid	\$ —	\$ —
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Noncash investing and financing activities:

Contingency earn out on acquisition of subsidiary, net of discount	\$ 841	\$ —
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Common stock of the Company issued for acquisition of subsidiary	\$ 4,449	\$ —
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SOURCE Mandalay Digital