
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported) November 13, 2014

Mandalay Digital Group, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-35958
(Commission
File Number)

22-2267658
(IRS Employer
Identification No.)

2811 Cahuenga Blvd. West, Los Angeles, CA
(Address of Principal Executive Offices)

90068
(Zip Code)

(323) 472-5461
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.**Merger Agreement**

On November 13, 2014, Mandalay Digital Group, Inc. (the "Company" or "Mandalay Digital") entered into an Agreement and Plan of Merger (the "Merger Agreement") with DTM Merger Sub, Inc., a newly-formed wholly-owned subsidiary of the Company ("Merger Sub"), Appia, Inc. ("Appia"), and Shareholder Representative Services LLC, as the stockholder representative, pursuant to which Merger Sub will merge with and into Appia on the terms and subject to the conditions set forth in the Merger Agreement (the "Merger"), with Appia surviving as a wholly-owned subsidiary of Mandalay Digital and its name being changed to Digital Turbine Media, Inc. The Merger is expected to close in the first quarter of calendar 2015.

At the effective time of the Merger (the "Effective Time"), on the terms and subject to the conditions set forth in the Merger Agreement, all of the equity securities of Appia outstanding immediately prior to the Effective Time (including outstanding stock options, which will be assumed by the Company), other than Dissenting Shares (as defined in the Merger Agreement), will be converted into the right to receive a number of shares (or, in the case of stock options being assumed, stock options) of Mandalay Digital common stock, \$0.01 par value per share, equal to \$100 million less Appia's net debt and transaction expenses at the time of closing (subject to customary working capital adjustments), at a \$4.50 price per share. Based on Appia's estimated net debt and transaction expenses at closing, Mandalay Digital expects to issue approximately 19 million shares of common stock (including shares underlying assumed stock options) (the "Merger Shares"), which would represent approximately 33% of the Company's outstanding shares of common stock as of November 12, 2014 (after giving effect to such issuance). The Merger Agreement does not provide for an adjustment in the aggregate number of shares of Mandalay Digital common stock or options to be issued by Mandalay Digital to Appia's security holders in the acquisition in the event of fluctuations in the market value of Mandalay Digital's common stock up through the closing date. The Company will deposit one million of the Merger Shares into an escrow account to cover indemnification claims by the Company pursuant to the terms of the Merger Agreement, which shares will be released one year after the closing, subject to any then pending claims.

Upon consummation of the Merger, Mandalay Digital will also guarantee Appia's existing indebtedness, which is currently approximately \$10.0 million. Upon consummation, and as a condition to the closing, of the Merger, Appia will enter into an amended loan agreement with its current senior lender, Silicon Valley Bank (the "SVB Debt"), and a securities purchase agreement with the Company and North Atlantic SBIC IV, L.P. ("North Atlantic") pursuant to which Appia will issue to North Atlantic a subordinated debenture in the aggregate principal amount of \$8.0 million ("North Atlantic Debt"). Upon consummation of the Merger, the Company will issue a secured guaranty of each of the SVB Debt and North Atlantic Debt whereby the Company will guaranty all of Appia's obligations in connection with such indebtedness and pledge substantially all of its assets, including its intellectual property. The secured guarantees will contain cross-default provisions and covenants, among others, limiting the Company's ability to undergo a change of control, incur indebtedness, grant liens, make dividends in cash and other customary

covenants. The Company will also issue to North Atlantic 200,000 shares of its common stock and a common stock warrant to purchase 400,000 shares of its common stock at an exercise price of \$0.01 per share exercisable for 10 years; provided that the warrant is not exercisable until the one year anniversary of the closing date of the Merger and will terminate if the Company repays the North Atlantic Debt prior to such one year anniversary.

All of Appia's stockholders will be subject to lock up agreements with respect to the Merger Shares they receive, which lock up will lapse 33% at each of the six, nine and 12 month anniversaries of the closing date. Following the Effective Time of the Merger and subject to the conditions in the Merger Agreement, Mandalay Digital will increase the size of its board of directors and appoint two new members to the board of directors that are designated by Appia and are reasonably acceptable to Mandalay Digital's board of directors.

The Merger Agreement contains customary representations, warranties, covenants, and agreements of the parties thereto, and completion of the transaction is subject to customary closing conditions, including, among others, (i) approval of the issuance of the Merger Shares by the Company stockholders pursuant to rules of The Nasdaq Stock Market, LLC, (ii) approval of the Merger by the Appia stockholders, (iii) not more than 5% of the Appia stockholders have exercised dissenters' rights, (iv) the execution of certain ancillary agreements, (v) all required consents and approvals necessary to consummate the Merger having been obtained, (vi) the effectiveness of the registration statement on Form S-4 to be filed by the Company for purposes of registering the Merger Shares, (v) no injunction or proceeding by a government entity seeking to restrain or prohibit consummation of the Merger, (vi) no material adverse changes of Appia, (vii) the other party's compliance with its covenants and agreements contained in the Merger Agreement (subject to customary materiality qualifiers), and (viii) Appia having entered into restated financing arrangements with its lenders. Furthermore, Appia's net debt (including transaction expenses) may not exceed \$13.75 million, \$14.5 and \$15 million if the closing is on or before January 31, 2015, after January 31, 2015 and before February 28, 2015 or after February 28, 2015, respectively.

The Merger Agreement contains certain provisions giving Mandalay Digital and Appia the right to terminate the Merger Agreement under certain circumstances. Upon termination of the Merger Agreement by Appia based upon an intentional and willful material breach by Mandalay Digital of a representation, warranty, condition or covenant or the failure of Mandalay Digital stockholders to approve the Merger Agreement (if all other conditions to Mandalay Digital's obligation to consummate the merger are satisfied), then Mandalay Digital will be required to pay Appia a termination fee of \$1.0 million and reimburse Appia for expenses of \$500,000 (unless Appia elects to instead pursue other remedies in the case of a termination by Appia based upon an intentional and willful material breach by Mandalay Digital).

The foregoing is a summary only and does not purport to be a complete description of all of the terms, provisions, covenants, and agreements contained in the Merger Agreement, and is subject to and qualified in its entirety by reference to the Merger Agreement which will be filed with the Securities and Exchange Commission ("SEC") in an amendment to this Current Report on Form 8-K.

Support Agreement

On November 13, 2014, in connection with the execution of the Merger Agreement, certain Company stockholders (the “Supporting Stockholders”) have entered into a Support Agreement with the Company and Merger Sub (the “Support Agreement”), pursuant to which they have agreed to execute and return consents with respect to their shares of Appia capital stock adopting and approving the Merger Agreement and the transactions contemplated thereby. In addition, the Supporting Stockholders have agreed, among other things, to vote all of their shares of Appia in favor of the approval of the Merger pursuant to the Merger Agreement and the other transactions contemplated thereby, to vote against any action that would reasonably likely result in a material breach of Appia under the Merger Agreement, and to vote against any alternative transactions. The Support Agreement also generally prohibits the Supporting Stockholders from transferring their shares prior to the consummation of the Merger. The Support Agreement will terminate upon the termination of the Merger Agreement in accordance with its terms. The support agreement provides for a sufficient number of consents to be executed and delivered to adopt the Merger Agreement and approve and the transactions contemplated thereby under Delaware law and Appia’s organizational documents.

The foregoing description of the Support Agreement does not purport to be complete and is qualified in its entirety by the full text of the Support Agreement, which will be filed with the SEC in an amendment to this Current Report on Form 8-K.

Item 2.02 Results of Operations and Financial Condition

On November 13, 2014, the Company issued a press release announcing the results of its operations for the second quarter of our fiscal year 2015. The text of that announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference. On the same date, the Company is holding an earnings conference call, the recording of which will be available on its website.

This Form 8-K contains statements that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations, estimates and projections about our business based, in part, on assumptions made by management. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous factors and risks discussed from time to time in our SEC filings and reports. In addition, such statements could be affected by general industry and market conditions and growth rates, and general domestic and international economic conditions. Such forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this release.

Item 5.02 Departure of Directors of Certain Officers; Election of Directors; Appointment of Certain Officers; Arrangements of Certain Officers

As discussed in page 8 of the investor presentation referred to in Item 7.01 of this Current Report on form 8-K, the Company anticipates changes to its Board of Directors upon the consummation of the Merger. Such information is incorporated herein by this reference.

Item 7.01 Regulation FD Disclosure.

On November 13, 2014, the Company issued a press release announcing the entry into the Merger Agreement. In addition, the Company prepared an investor presentation with respect to the Merger. A copy of the press release and investor presentation is furnished as Exhibit 99.2 and Exhibit 99.3, respectively, to this Current Report on Form 8-K and is incorporated herein by reference.

The information reported in Items 2.02 and 7.01 shall not be deemed “filed” for any purpose, including for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section. The information in Items 2.02 and 7.01, including Exhibits 99.1, 99.2 and 99.3 attached hereto, shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act regardless of any general incorporation language in such filing.

Forward-Looking Statements

This communication includes “forward-looking statements” within the meaning of the U.S. federal securities laws. 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, revenue and product synergies, cost savings, product or competitive enhancements and any other statement that may be construed as a prediction of future performance or events, including that Appia’s technology will enhance Mandalay Digital’s existing products or foster new technology innovation, perceived benefits from the business combination to the surviving company, or that the acquisition will result in increased revenue, cost savings and better competitive position, or that Mandalay Digital will successfully integrate Appia’s technology, 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 include the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; the inability to complete the merger within the expected time period or at all, including due to the failure to obtain stockholder approval, or the failure to satisfy other conditions to completion of the merger; risks related to disruption of management’s attention from the ongoing business operations due to the proposed merger; the effect of the announcement of the proposed merger on the Mandalay’s or Appia’s relationships with their respective customers, lenders, operating results and businesses generally; material adverse changes in Mandalay Digital’s or Appia’s operations or financial results prior to closing; the ability to expand the combined company’s global reach, accelerate growth and create a scalable, low-capex business model that drives EBITDA; failure to realize anticipated operational efficiencies, revenue (including projected revenue) and cost synergies and resulting revenue growth, EBITDA and free cash flow conversion if the merger is consummated; the ability to achieve internal strategic forecasts; inability to refinance the assumed Appia debt subsequent to the closing or to refinance the debt on favorable terms; unforeseen challenges related to relationships with operators, publishers and advertisers and expanding and maintaining those relationships; the ability to execute upon, and realize any benefits from, potential value creation opportunities through strategic relationships in the future or at all, including the ability to leverage advertising opportunities effectively and increase revenue

streams for carriers; unforeseen difficulties preventing rapid integration of Appia's app-install infrastructure into Digital Turbine's existing platform; the inherent and deal specific challenges in converting discussions with carriers into actual contractual relationships; the Company's ability as a smaller company to manage international, and as a result of the proposed merger, larger operations, varying and often unpredictable levels of orders, the challenges inherent in technology development necessary to maintain the Company's competitive advantage; the potential for unforeseen or underestimated cash requirements necessary to enable the transaction synergies to be realized, 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 SEC, press releases and other communications. 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.

Additional Information and Where to Find It

In connection with the proposed transaction, Mandalay Digital intends to file with the SEC a registration statement on Form S-4 that will include a proxy statement and a prospectus. The definitive proxy statement/prospectus will contain important information about the proposed transaction and related matters. **INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ THE PROXY STATEMENT/PROSPECTUS WHEN IT BECOMES AVAILABLE, BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION.** Investors and security holders may obtain a free copy of the registration statement (when available) and other documents filed by Mandalay Digital with the SEC at the SEC's web site at www.sec.gov. These documents may be accessed and downloaded for free at Mandalay Digital's website at www.mandalaydigital.com, or requested from Mandalay Digital by mail at 2811 Cahuenga Boulevard West, Los Angeles, CA 90068, or by directing a request to MacKenzie Partners, Inc., 105, Madison Avenue, New York, New York, 10016; (212) 929-5500; proxy@mackenziepartners.com.

Participants in the Solicitation

This communication is not a solicitation of a proxy from any security holder of Mandalay Digital. However, Mandalay Digital and its directors and executive officers and certain members of management and employees may be deemed to be participants in the solicitation of proxies from Mandalay Digital's stockholders in respect of the proposed transaction. Information regarding the directors and executive officers of Mandalay Digital may be found in its Form 10-K/A for the fiscal period ended March 31, 2014, which was filed with the SEC on July 29, 2014. Other information regarding the interests of those persons and other persons in the proxy solicitation and a description of their direct and indirect interest, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available. You may obtain free copies of this document as described in the preceding paragraph.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated November 13, 2014 as issued by Mandalay Digital Group, Inc. announcing results of operations for the second quarter of its fiscal year 2015.
99.2	Press Release issued November 13, 2014 announcing execution of Agreement and Plan to Merger with Appia, Inc.
99.3	Investor Presentation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Mandalay Digital Group, Inc.

Dated: November 13, 2014

By: /s/ Andrew Schleimer
Andrew Schleimer
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

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Mandalay Digital Reports Fiscal 2015 Second Quarter Financial Results

Announced Definitive Agreement to Acquire Appia

*— Management to Discuss Transaction, Customer Updates and Current Quarter Results
During Conference Call at 4:30 p.m. ET Today —*

Los Angeles, CA – November 13, 2014 – Mandalay Digital Group, Inc. (Nasdaq: MNDL; the “Company” or “Mandalay Digital”), a leading provider of mobile technology solutions through its wholly owned subsidiary Digital Turbine, today announced financial results for the fiscal 2015 second quarter ended September 30, 2014.

Recent Highlights:

- Announces Definitive Agreement to acquire Appia;
- Acquired app search engine, contextual advertising technologies, customers and staff from Xyo;
- Signed multi-year agreement with Verizon for Ignite and IQ;
- Launched DT Ignite with Verizon on Samsung Galaxy Note 4, LG G3, LG G-Pad, and HTC Desire;
- DT Ignite currently installed on over 2 million devices;
- Launched Ignite with SingTel subsidiary, Globe Philippines;
- Launched expanded Content Management and DT Pay services in Singapore and the Philippines;
- Launched DT IQ on ZTE ZMax and Sony Xperia Z3;
- Reiterated expected IQ installations to reach 1 million devices by the end of fiscal 2015;
- Significant growth in advertising revenue in October and November;
- Cash, cash equivalents and restricted cash balance solid at \$16.9 million.

Revenue¹ for the fiscal 2015 second quarter, comprised principally of sales of DT Content and DT Pay, was \$5.5 million, compared with \$5.6 million for the fiscal 2015 first quarter. The revenue results do not yet include a meaningful contribution from the Company’s DT Ignite and DT IQ products, which began ramping toward the end of the fiscal second quarter.

“DT Ignite launched in the United States late this summer, and thus far in the third quarter we are seeing great traction and ongoing strong demand. November monthly DT Ignite revenue-to-date is greater than for all of July and August combined, and total Company unaudited revenues, excluding one-time items, for October were nearly 20% higher than for September,” said Bill

¹ Mandalay Digital’s divestiture of Twistbox Entertainment in the fiscal 2014 fourth quarter is reflected as discontinued operations. All periods presented have been revised to reflect this presentation. Unless otherwise noted, all discussions in this press release relate to continuing operations.

Stone, CEO of Mandalay Digital. “While our revenue results fluctuate as a result of the timing and sell-through of devices on which our software resides, we remain confident in our ability to produce positive long-term results. As we head into the holiday shopping season, as our carrier partners introduce new devices, and as DT IQ gets set to launch in the U.S. at the end of this calendar year, we are anticipating accelerating growth through the second half of fiscal 2015.”

Gross profit grew to \$1.8 million for the second quarter of fiscal 2015, versus \$1.4 million for the first quarter of fiscal 2015. The increase was primarily related to sales mix. Adjusted gross profit and adjusted gross margin, excluding the amortization of intangibles (which the Company refers to as non-GAAP adjusted gross profit and non-GAAP adjusted gross margin), improved to \$2.1 million and approximately 39%, respectively, for the fiscal 2015 second quarter, compared with \$1.8 million and approximately 32%, respectively, for the first quarter of fiscal 2015. The increase in non-GAAP adjusted gross profit and non-GAAP adjusted gross margin was primarily related to sales mix. A table reconciling non-GAAP adjusted gross profit and non-GAAP adjusted gross margin to GAAP gross profit and gross margin can be found in the tables at the end of this press release.

Total operating expenses for the fiscal 2015 second quarter were \$6.4 million, compared with \$6.1 million, for the first quarter of fiscal 2015. The increase was primarily related to costs to support the Company’s launches for current and expected future customers. Total operating expenses for the fiscal 2015 second quarter included \$1.6 million of non-cash items, comprised of depreciation and stock based compensation. Total operating expenses for the fiscal 2015 first quarter included \$1.5 million in non-cash items, comprised of depreciation and stock based compensation.

Net loss from continuing operations, net of incomes taxes, for the fiscal 2015 second quarter was \$5.2 million, or (\$0.14) per share, based on 37.5 million weighted average shares outstanding. Net loss from continuing operations, net of income taxes, for the fiscal 2015 first quarter was \$4.6 million, or (\$0.12) per share, based on 37.4 million weighted average common shares outstanding.

Non-GAAP adjusted EBITDA loss (which excludes certain cash and non-cash expenses; see full definition below) for the second quarter of fiscal 2015 improved to \$2.7 million, from \$2.9 million for the first quarter of fiscal 2015. A table reconciling non-GAAP adjusted EBITDA loss to GAAP net loss can be found at the end of this press release.

Cash, cash equivalents and restricted cash totaled \$16.9 million at September 30, 2014, compared with \$22.0 million at March 31, 2014. Mandalay Digital is debt-free, with a working capital position of \$11.6 million at the end of the second quarter of fiscal 2015.

Business Outlook

The Company plans to update its fiscal 2015 business outlook during its conference call today at 4:30 p.m. ET. This discussion may contain material non-public information.

Appia Transaction

In a separate press release issued today, the Company announced it has entered into a definitive merger agreement to acquire Appia, the leading independent mobile user acquisition network.

About Mandalay Digital Group

Mandalay Digital Group, Inc., through its wholly owned subsidiary, Digital Turbine, provides mobile solutions for wireless carriers globally to enable them to better monetize mobile content. The Company's products include mobile application management through DT Ignite, user experience and discovery through DT IQ, application stores and content through DT Marketplace, and content management and mobile payments through DT Pay. With global headquarters in Los Angeles, and offices in the U.S., Asia Pacific and EMEA, Mandalay Digital's solutions are used by more than 31 million consumers each month across more than 20 global operators. For additional information, visit www.mandalaydigital.com.

Conference Call

Management will host a conference call, today at 4:30 p.m. ET to discuss its fiscal 2015 second quarter financial results and the Appia transaction. To participate, interested parties should dial 866-652-5200 in the United States or 412-317-6060 from international locations, conference ID 10055432. A webcast of the conference call will be available at ir.mandalaydigital.com with an accompanying slide presentation that may be accessed on that page and through the webcast link.

A playback of the call will be available until November 20, 2014 by dialing 877-344-7529 within the United States or 412-317-0088 from international locations, passcode 10055432.

Use of Non-GAAP Financial Measures

To supplement the Company's condensed financial statements presented in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), Mandalay Digital uses non-GAAP measures of certain components of financial performance. These non-GAAP measures include non-GAAP gross profit and gross margin and non-GAAP adjusted EBITDA. 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.

Non-GAAP gross profit and gross margin are defined as GAAP gross profit and gross margin adjusted to exclude the effect of intangible amortization expense. Readers are cautioned that non-GAAP gross profit and 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 is the most comparable measure under GAAP.

Non-GAAP adjusted EBITDA is calculated as GAAP net 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. Because 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 Non-GAAP 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.

Non-GAAP gross profit and gross margin and adjusted EBITDA 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.

No Offer or Solicitation

This communication is for informational purposes only and is neither an offer to purchase, nor a solicitation of an offer to sell, subscribe for or buy any securities or the solicitation of any vote in any jurisdiction pursuant to the proposed transactions or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Additional Information and Where to Find It

In connection with the proposed transaction, Mandalay Digital intends to file with the Securities and Exchange Commission (SEC) a registration statement on Form S-4 that will include a proxy statement and a prospectus. The definitive proxy statement/prospectus will contain important information about the proposed transaction and related matters. **INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ THE PROXY STATEMENT/PROSPECTUS WHEN IT BECOMES AVAILABLE, BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION.** Investors and security holders may obtain a free copy of the registration statement (when available) and other documents filed by Mandalay Digital with the SEC at the SEC's web site at www.sec.gov. These documents may be accessed and downloaded for free at Mandalay Digital's website at www.mandalaydigital.com, or requested from Mandalay Digital by mail at 2811 Cahuenga Boulevard West, Los Angeles, CA 90068, or by directing a request to MacKenzie Partners, Inc., 105, Madison Avenue, New York, New York, 10016, (212) 929-5500, proxy@mackenziepartners.com.

Participants in the Solicitation

This communication is not a solicitation of a proxy from any security holder of Mandalay Digital. However, Mandalay Digital and its directors and executive officers and certain members of management and employees may be deemed to be participants in the solicitation of proxies from Mandalay Digital's stockholders in respect of the proposed transaction. Information regarding the directors and executive officers of Mandalay Digital may be found in its Form 10-K/A for the fiscal period ended March 31, 2014, which was filed with the SEC on July 29, 2014. Other information regarding the interests of those persons and other persons in the proxy solicitation and a description of their direct and indirect interest, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available. You may obtain free copies of this document as described in the preceding paragraph.

Forward-Looking Statements

This news release includes "forward-looking statements" within the meaning of the U.S. federal securities laws. 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 that Mandalay Digital's products will experience momentum and continued or substantial growth, that Mandalay Digital will experience success with its business plan, projected installation levels of our products, expansion of Tier 1 carrier relationships, and product availability in the current and future calendar years 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 include the inherent and deal specific challenges in converting discussions with carriers into actual contractual relationships, product acceptance of a new product such as DT Ignite or DT IQ in a competitive marketplace, device sell through for any specific device or series of devices, the potential for unforeseen or underestimated cash requirements or liabilities, the impact of currency exchange rate fluctuations on our reported GAAP financial statements, the Company's ability as a smaller company to manage international operations, its ability given the Company's limited resources to identify and consummate acquisitions, varying and often unpredictable levels of orders, the challenges inherent in technology development necessary to maintain the Company's competitive advantage such as adherence to release schedules and the costs and time required for finalization and gaining market acceptance of new products, changes in economic conditions and market demand, rapid and complex changes occurring in the mobile marketplace, 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. 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.

For more information, contact:

Laurie Berman/Matt Sheldon
PondelWilkinson Inc.
(310) 279-5980
pwinvestor@pondel.com

(Financial Tables Follow)

MANDALAY DIGITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)
(unaudited)

	3 Months Ended September 30, 2014	3 Months Ended September 30, 2013	6 Months Ended September 30, 2014	6 Months Ended September 30, 2013
Net revenues	\$ 5,462	\$ 6,759	\$ 11,016	\$ 11,543
Cost of revenues				
License fees	3,316	3,919	7,112	6,633
Other direct cost of revenues	345	456	689	859
Total cost of revenues	3,661	4,375	7,801	7,492
Gross profit	1,801	2,384	3,215	4,051
Operating expenses				
Product development	2,155	2,407	4,114	3,995
Sales and marketing	743	536	1,504	909
General and administrative	3,548	3,293	6,922	7,092
Total operating expenses	6,446	6,236	12,540	11,996
Loss from operations	(4,645)	(3,852)	(9,325)	(7,945)
Interest and other income / (expense)				
Interest income / (expense)	(131)	(194)	(128)	(1,633)
Foreign exchange transaction gain / (loss)	(1)	27	(7)	56
Change in fair value of warrant derivative liabilities gain / (loss)	—	(811)	—	(811)
Loss on extinguishment of debt	—	(442)	—	(442)
Gain / (loss) on settlement of debt	—	33	(10)	33
Gain/ (loss) on disposal of fixed assets	—	4	2	2
Gain on change on valuation of long term contingent liability	—	603	—	603
Other income	3	—	12	—
Interest and other expense	(129)	(780)	(131)	(2,192)
Loss from operations before income taxes	(4,774)	(4,632)	(9,456)	(10,137)
Income tax provision / (benefit)	427	85	355	2
Net loss from continuing operations, net of taxes	(5,201)	(4,717)	(9,811)	(10,139)
Loss from operations of discontinued component (including gain on disposal of \$0 and \$3,217)	—	(1,505)	—	(1,768)
Net (loss)/profit	\$ (5,201)	\$ (6,222)	\$ (9,811)	\$ (11,907)
Other comprehensive income:				
Foreign currency translation adjustment	\$ 32	\$ 333	\$ 70	\$ 438
Comprehensive loss:	\$ (5,169)	\$ (5,889)	\$ (9,741)	\$ (11,469)
Basic and diluted net loss per common share	\$ (0.14)	\$ (0.25)	\$ (0.26)	\$ (0.53)
Continuing operations	\$ (0.14)	\$ (0.19)	\$ (0.26)	\$ (0.45)
Discontinued operations	\$ —	\$ (0.06)	\$ —	\$ (0.08)
Net loss	\$ (0.14)	\$ (0.25)	\$ (0.26)	\$ (0.53)
Weighted average common shares outstanding, basic and diluted	37,504	25,232	37,464	22,636

MANDALAY DIGITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>(unaudited)</u> September 30,	March 31,
	2014	2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,715	\$ 21,805
Restricted cash	200	200
Accounts receivable, net of allowances of \$0 and \$0, respectively	4,337	5,102
Deposits	86	24
Prepaid expenses and other current assets	349	350
Total current assets	21,687	27,481
Property and equipment, net	422	465
Deferred tax assets	541	3,238
Intangible assets, net	6,913	9,074
Goodwill	6,309	4,837
TOTAL ASSETS	\$ 35,872	\$ 45,095
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 3,817	\$ 2,943
Accrued license fees	2,373	3,395
Accrued compensation	2,122	1,681
Deferred tax liabilities	1,024	2,987
Other current liabilities	708	900
Total current liabilities	10,044	11,906
Long term contingent liability, less discount of \$0 and \$762, respectively	—	238
Total liabilities	\$ 10,044	\$ 12,144
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	100
Common stock, \$0.0001 par value; 200,000,000 shares authorized; 38,538,403 issued and 37,783,804 outstanding at September 30, 2014; 38,143,028 issued and 37,388,429 outstanding at March 31, 2014;	7	7
Additional paid-in capital	196,040	193,422
Treasury Stock (754,600 shares at September 30, 2014 and March 31, 2014)	(71)	(71)
Accumulated other comprehensive loss	(129)	(199)
Accumulated deficit	(170,119)	(160,308)
Total stockholders' equity	25,828	32,951
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 35,872	\$ 45,095

MANDALAY DIGITAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(unaudited)

	6 Months Ended September 30, 2014	6 Months Ended September 30, 2013
Cash flows from operating activities		
Net (loss)/income	\$ (9,811)	\$ (11,908)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on disposal of discontinued operations, net of taxes		1,653
Depreciation and amortization	737	1,037
Amortization of debt discount	—	186
Interest and PIK interest accrued	—	36
Finance costs	—	1,869
Stock and Stock option compensation	1,807	410
Stock issued for services	248	1,803
Warrants issued for services	—	406
Revaluation of contingent liability	—	(603)
Increase / (decrease) in fair value of derivative liabilities	—	811
(Increase) / decrease in assets, net of effect of disposal of subsidiary:		
Accounts receivable	764	(1,011)
Deposits	(62)	515
Deferred tax assets	2,697	—
Prepaid expenses and other current assets	1	142
Increase / (decrease) in liabilities, net of effect of disposal of subsidiary:		
Accounts payable	875	418
Accrued license fees	(1,022)	2,607
Accrued compensation	442	151
Other liabilities and other items	(2,154)	(2,415)
Net cash used in operating activities	<u>(5,478)</u>	<u>(3,893)</u>
Cash flows from investing activities		
Purchase of property and equipment	(6)	(31)
Settlement of contingent liability	9	—
Cash used in acquisition of subsidiary	—	(1,287)
Cash acquired with acquisition of subsidiary	—	513
Net cash used in investing activities	<u>3</u>	<u>(805)</u>
Cash flows from financing activities		
Repayment of debt obligations	—	(3,657)
Issuance of shares for cash	—	14,924
Warrant exercised	375	—
Net cash provided by financing activities	<u>375</u>	<u>11,267</u>
Effect of exchange rate changes on cash and cash equivalents	10	88
Net change in cash and cash equivalents	(5,090)	6,657
Cash and cash equivalents, beginning of period	21,805	1,149
Cash and cash equivalents, end of period	\$ 16,715	\$ 7,806
Supplemental disclosure of cash flow information:		
Taxes paid	<u>\$ —</u>	<u>\$ —</u>
Noncash investing and financing activities:		
Supplemental disclosure of non-cash investing and financing activities:		
Contingency earn out on acquisition of subsidiary, net of discount	<u>\$ —</u>	<u>\$ 238</u>
Common stock of the Company issued for acquisition of subsidiary	<u>\$ —</u>	<u>\$ 4,449</u>

MANDALAY DIGITAL GROUP, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP and NON-GAAP FINANCIAL MEASURES

(In thousands and unaudited)

GROSS MARGIN TO NON-GAAP GROSS MARGIN

	3 Months Ended September 30, 2014	3 Months Ended June 30, 2014
Revenue	\$ 5,462	\$ 5,554
Gross profit	\$ 1,801	\$ 1,414
Gross margin percentage	33.0%	25.5%
Add back: Amortization of intangibles	\$ 345	\$ 344
Non-GAAP gross profit	\$ 2,146	\$ 1,758
Non-GAAP gross margin percentage	39.3%	31.7%

NET LOSS TO ADJUSTED EBITDA

	3 Months Ended September 30, 2014	3 Months Ended June 30, 2014
Net Loss	\$ (5,201)	\$ (4,610)
Add back items:		
Other (income) / expense	(3)	2
Interest expense, net of interest income	131	—
Depreciation and amortization	368	369
Stock Compensation	1,161	894
Bonuses	386	537
Tax Expense	427	(72)
Adjusted EBITDA	\$ (2,731)	\$ (2,880)



Mandalay Digital to Acquire Appia, the Leading Independent App Install Platform; Name to Change to Digital Turbine

Transformational Transaction To Create Single, Unique, Mobile App and Ad Ecosystem Across Android and iOS

Advances Vision to Get the Right Apps to the Right User at the Right Time

MNDL Stock to be Issued At Agreed-Upon Value of \$4.50 per Share

Significant Revenue Synergy Potential; Immediate Cost Savings Anticipated

Los Angeles, CA and Durham, NC – November 13, 2014 – Mandalay Digital Group, Inc. (NASDAQ: MNDL), the company empowering operators and Original Equipment Manufacturers (OEMs) around the globe with end-to-end mobile solutions, today announced it has entered into a definitive merger agreement to acquire Appia, the leading independent mobile user acquisition network.

Under the terms of the agreement, Mandalay Digital will issue at closing a number of shares and stock options to purchase its common stock equivalent to \$100 million less Appia's net debt and transaction expenses (subject to working capital adjustments), at an agreed-upon value for Mandalay Digital common stock of \$4.50 per common share. Based on an estimate of Appia's net debt at closing, including transaction fees and expenses, Appia stockholders would receive in the aggregate approximately 19 million shares, representing pro forma ownership of the combined company of approximately 33%. Mandalay Digital is acquiring Appia's equity for \$65 million based on its closing stock price as of November 12 of \$3.40. Mandalay Digital will assume approximately \$10 million of Appia indebtedness, which Mandalay expects to refinance. The transaction, which has been approved by the boards of directors of Mandalay Digital and Appia, is subject to Mandalay Digital stockholder and other customary approvals, and is expected to close in the first quarter of calendar 2015. Mandalay Digital, which operates through its Digital Turbine subsidiary, intends to change its name to Digital Turbine during the month of January 2015 or at the transaction's close if earlier.

"This combination is transformational for Mandalay Digital, and will enhance the combined company's competitive positioning by delivering a superior revenue opportunity for operator and OEM customers," stated Bill Stone, Mandalay Digital's CEO. "Appia's platform fits hand-in-glove with Digital Turbine's app installations, creating a single marketplace that we are confident expands our global reach, accelerates our growth, and creates a scalable, low-capex business model that will drive incremental EBITDA and free cash flow."

“As a key Mandalay Digital partner, we have been amazed at the revenue per device metrics from Mandalay’s recent operator launches, including Verizon, and could not be more excited to join forces,” stated Jud Bowman, founder and CEO of Appia. “Appia’s global reach, industry leading technology and scale, and unparalleled network of advertisers and publishers make us a critical component of Digital Turbine’s end-to-end app install platform for operators, OEMs, and advertisers.”

Appia had unaudited revenues of \$30 million for the twelve months ended September 30, 2014. The combined company has the opportunity to achieve up to \$14 million in revenue synergies during the fiscal year ending March 31, 2016 and thereafter, predicated on Mandalay’s achievement of its internal strategic standalone forecast. Mandalay Digital has also identified approximately \$2 million in potential annual cost synergies from overlapping campaign management and CPI-infrastructure functions, as well as duplicative corporate headcount. Mandalay Digital expects to achieve gross profit, EBITDA and cash flow growth from the realization of these revenue and cost synergies in fiscal 2016 and thereafter.

Digital Turbine is a champion of the carrier ecosystem in the wireless community, specializing in monetizing mobile content, games, payment, commerce, music, streaming and eBook applications for wireless carriers and OEMs alike. Appia provides the technology, infrastructure, and scale to provide higher lifetime value users for advertisers, while driving positive return on ad spend. Together with Appia, Digital Turbine will offer a complete end-to-end solution for carriers and OEMS enabling them to get the right apps to the right user at the right time.

The expected benefits to Mandalay Digital of the Appia acquisition include:

- Mandalay Digital will own the largest independent app install network
 - A global mobile ad network with active campaigns in over 200 countries across Android and iOS;
 - Combined access to more than 1,000 campaigns and hundreds of advertisers and agencies, including 60 of the top 100 grossing apps on the App Store and Google Play;
- Rapid integration of Appia’s app-install infrastructure into Digital Turbine’s existing platform, supporting growth in advertising revenue;
- Expanded, complementary operator relationships, including Telcel Mexico, Claro in South America and Metro PCS in the USA;
- Direct access to leading publishers and advertisers, building a marketplace of scale to leverage advertising opportunities and increase revenue streams for carriers;
- Appia’s talent pool with deep expertise, management and capabilities in ad tech to help ensure professional execution;
- Addition of two Appia appointees to the Mandalay Digital board of directors, including Appia’s founder and CEO Jud Bowman;

-
- Highly regarded new shareholders—Appia’s long-term strategic investors include Trident Capital, Venrock, DCM, Noro-Moseley Partners, Wakefield Group, Relay Ventures and Eric Schmidt’s TomorrowVentures.

“When 86% of the time spent on mobile is on mobile apps, coupled with the multi-billion dollar revenue opportunities generated from app-installs on existing platforms, we believe this acquisition positions Mandalay Digital for significant growth,” stated Mr. Stone. “As Mandalay Digital scales its Ignite and IQ products, acquiring Appia, the largest independent app install network, will enable us to better serve our customers with direct access to inventory and campaigns. App install and ad revenue are Mandalay Digital’s fastest growing revenue streams and this acquisition provides the opportunity to continue to build on our current momentum.”

The shares to be issued to Appia stockholders are subject to a lockup and will be released from the lockup in three equal tranches, on the 6-, 9-, and 12-month anniversaries of the closing, respectively.

In connection with this transaction, Needham & Company provided a fairness opinion to Mandalay Digital’s board of directors.

Conference Call

Management will discuss this transaction on its fiscal second quarter 2015 financial results conference call taking place today at 4:30 p.m. ET. To participate, interested parties should dial 866-652-5200 in the United States or 412-317-6060 from international locations, conference ID 10055432. A webcast of the conference call will be available at ir.mandalaydigital.com with an accompanying slide presentation that may be accessed on that page and through the webcast link.

A playback of the call will be available until November 20, 2014 by dialing 877-344-7529 within the United States or 412-317-0088 from international locations, passcode 10055432.

About Mandalay Digital Group & Digital Turbine

Mandalay Digital Group, Inc., through its wholly owned subsidiary, Digital Turbine, provides mobile solutions for wireless carriers globally to enable them to better monetize mobile content. The Company’s products include mobile application management through DT Ignite, user experience and discovery through DT IQ, application stores and content through DT Marketplace, and content management and mobile payments through DT Pay. With global headquarters in Los Angeles, and offices in the U.S., Asia Pacific and EMEA, Mandalay Digital’s solutions are used by more than 31 million consumers each month across more than 20 global operators. For additional information, visit www.mandalaydigital.com.

About Appia

Appia is the leading independent mobile user acquisition network. Appia has delivered more than 85 million app installs for hundreds of advertisers, including 60 of the top 100 grossing apps on the App Store and Google Play. Appia provides the technology, infrastructure, and scale to provide higher lifetime value users for advertisers while driving positive return on ad spend. In addition, Appia partners with a diverse set of publishers including app developers, mobile websites, and carriers to maximize their advertising revenue. Appia has been recognized for its leadership in the mobile ad tech space by Inc 500/5000, AlwaysOn's OnMobile Top 100 Private Companies, The Wall Street Journal's Top 50 Venture Backed Companies, and The Stevie Award for Most Innovative Tech Company. Appia is backed by leading venture capital firms including Venrock, Trident Capital, DCM, and Eric Schmidt's Tomorrow Ventures. Currently Appia operates in multiple offices worldwide including San Francisco, Singapore, Durham, Cork, and Mexico City. More information is available at www.appia.com, @Appia, and Appia's Blog.

No Offer or Solicitation

This communication is for informational purposes only and is neither an offer to purchase, nor a solicitation of an offer to sell, subscribe for or buy any securities or the solicitation of any vote in any jurisdiction pursuant to the proposed transactions or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Additional Information and Where to Find It

In connection with the proposed transaction, Mandalay Digital intends to file with the Securities and Exchange Commission (SEC) a registration statement on Form S-4 that will include a proxy statement and a prospectus. The definitive proxy statement/prospectus will contain important information about the proposed transaction and related matters. **INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ THE PROXY STATEMENT/PROSPECTUS WHEN IT BECOMES AVAILABLE, BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION.** Investors and security holders may obtain a free copy of the registration statement (when available) and other documents filed by Mandalay Digital with the SEC at the SEC's web site at www.sec.gov. These documents may be accessed and downloaded for free at Mandalay Digital's website at www.mandalaydigital.com, or requested from Mandalay Digital by mail at 2811 Cahuenga Boulevard West, Los Angeles, CA 90068, or by directing a request to our investor relations or proxy solicitation firm listed below.

Participants in the Solicitation

This communication is not a solicitation of a proxy from any security holder of Mandalay Digital. However, Mandalay Digital and its directors and executive officers and certain members of management and employees may be deemed to be participants in the solicitation of proxies from Mandalay Digital's stockholders in respect of the proposed transaction. Information regarding the directors and executive officers of Mandalay Digital may be found in its Form 10-K/A for the fiscal period ended March 31, 2014, which was filed with the SEC on July 29, 2014. Other information regarding the interests of those persons and other persons in the proxy solicitation and a description of their

direct and indirect interest, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available. You may obtain free copies of this document as described in the preceding paragraph.

Forward-Looking Statements

This news release includes “forward-looking statements” within the meaning of the U.S. federal securities laws. 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, revenue and product synergies, cost savings, product or competitive enhancements and any other statement that may be construed as a prediction of future performance or events, including that Appia’s technology will enhance Mandalay Digital’s existing products or foster new technology innovation, perceived benefits from the business combination to the surviving company, or that the acquisition will result in increased revenue, cost savings and better competitive position, or that Mandalay Digital will successfully integrate Appia’s technology, 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 include the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; the inability to complete the merger within the expected time period or at all, including due to the failure to obtain stockholder approval, or the failure to satisfy other conditions to completion of the merger; risks related to disruption of management’s attention from the ongoing business operations due to the proposed merger; the effect of the announcement of the proposed merger on the Mandalay’s or Appia’s relationships with their respective customers, lenders, operating results and businesses generally; material adverse changes in Mandalay Digital’s or Appia’s operations or financial results prior to closing; the ability to expand the combined company’s global reach, accelerate growth and create a scalable, low-capex business model that drives EBITDA; failure to realize anticipated operational efficiencies, revenue (including projected revenue) and cost synergies and resulting revenue growth, EBITDA and free cash flow conversion if the merger is consummated; the ability to achieve internal strategic forecasts; inability to refinance the assumed Appia debt subsequent to the closing or to refinance the debt on favorable terms; unforeseen challenges related to relationships with operators, publishers and advertisers and expanding and maintaining those relationships; the ability to execute upon, and realize any benefits from, potential value creation opportunities through strategic relationships in the future or at all, including the ability to leverage advertising opportunities effectively and increase revenue streams for carriers; unforeseen difficulties preventing rapid integration of Appia’s app-install infrastructure into Digital Turbine’s existing platform; the inherent and deal specific challenges in converting discussions with carriers into actual contractual relationships; the Company’s ability as a smaller company to manage international, and as a result of the proposed merger, larger operations, varying and often unpredictable levels of orders, the challenges inherent in technology development necessary to maintain the Company’s competitive advantage; the potential for unforeseen or underestimated

cash requirements necessary to enable the transaction synergies to be realized, 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 SEC, press releases and other communications. 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.

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Mandalay Digital Group, Inc.

Appia Transaction Presentation

November 13, 2014



Safe Harbor Statements.

Statements in this presentation that are not statements of historical fact and that concern future results from operations, financial position, economic conditions, product releases, revenue and product synergies, cost savings, product or competitive enhancements and any other statement that may be construed as a prediction of future performance or events, including that Appia's technology will enhance Mandalay Digital's existing products or foster new technology innovation, perceived benefits from the business combination to the surviving company, or that the acquisition will result in increased revenue, cost savings and better competitive position, or that Mandalay Digital will successfully integrate Appia's technology, 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 include the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; the inability to complete the merger within the expected time period or at all, including due to the failure to obtain stockholder approval, or the failure to satisfy other conditions to completion of the merger; risks related to disruption of management's attention from the ongoing business operations due to the proposed merger; the effect of the announcement of the proposed merger on Mandalay's or Appia's relationships with their respective customers, lenders, operating results and businesses generally; material adverse changes in Mandalay Digital's or Appia's operations or financial results prior to closing; the ability to expand the combined company's global reach, accelerate growth and create a scalable, low-capex business model that drives EBITDA; failure to realize anticipated operational efficiencies, revenue (including projected revenue) and cost synergies and resulting revenue growth, EBITDA and free cash flow conversion if the merger is consummated; the ability to achieve internal strategic forecasts; inability to refinance the assumed Appia debt subsequent to the closing or to refinance the debt on favorable terms; unforeseen challenges related to relationships with operators, publishers and advertisers and expanding and maintaining those relationships; the ability to execute upon, and realize any benefits from, potential value creation opportunities through strategic relationships in the future or at all, including the ability to leverage advertising opportunities effectively and increase revenue streams for carriers; unforeseen difficulties preventing rapid integration of Appia's app-install infrastructure into Digital Turbine's existing platform; the inherent and deal specific challenges in converting discussions with carriers into actual contractual relationships; the Company's ability as a smaller company to manage international, and as a result of the proposed merger, larger operations, varying and often unpredictable levels of orders, the challenges inherent in technology development necessary to maintain the Company's competitive advantage; the potential for unforeseen or underestimated cash requirements necessary to enable

the transaction synergies to be realized, 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 SEC, press releases and other communications. 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.

Use of Non-GAAP Financial Measures.

Adjusted EBITDA is calculated as income (loss) from continuing operations before interest expense, foreign exchange gains (losses), financing and related expenses, debt discount and debt settlement expense, gain or loss on extinguishment of debt, acquisition and integration costs, income taxes, asset impairment charges, depreciation and amortization, stock-based compensation expense, change in fair value of derivatives, and accruals for 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. A reconciliation of Adjusted EBITDA to U.S. GAAP net income is expected to be included in the press release announcing the results of our second fiscal quarter, however such reconciliation to future net income is not currently available without unreasonable effort. The information that is unavailable is primarily asset impairment and expenses related to stock-based compensation; it is probable that when such amounts are available they will result in a significant GAAP net loss for our second fiscal quarter notwithstanding our expected Adjusted EBITDA results.

This communication is for informational purposes only and is neither an offer to purchase, nor a solicitation of an offer to sell, subscribe for or buy any securities or the solicitation of any vote in any jurisdiction pursuant to the proposed transactions or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.



Digital Turbine + Appia: Investment Highlights

- Mandalay Digital and Appia combine to create single, unique, mobile app and ad ecosystem
Name to change to Digital Turbine
- Transforms competitive positioning through vertical integration
- Mandalay stock to be issued at agreed-upon price of \$4.50/share
 - Appia investors to receive a number of shares equivalent to \$100 million less debt and expenses at agreed-upon value
- Opportunity to achieve up to \$14 million in revenue and ~\$2 million cost synergies
- Adds scale and accelerates ad revenue and existing DT product growth
- Enhances MNDL's financial profile: Appia stakeholders becoming key new MNDL investors

Capturing window of opportunity to accelerate scale in exploding market



Strategic Rationale: Transformation

Tremendous opportunity in exploding marketplace*

- \$38 billion mobile app+ad market expected to grow 25 CAGR%
- Smartphones still only 30% of global user base- but growing*
- 86% of smartphone users' time spent in apps
- Wireless operators have most to gain and most to lose from monetizing mobile apps- away from Google and Facebook

Competitive Positioning - Enhances revenue opportunity for operators

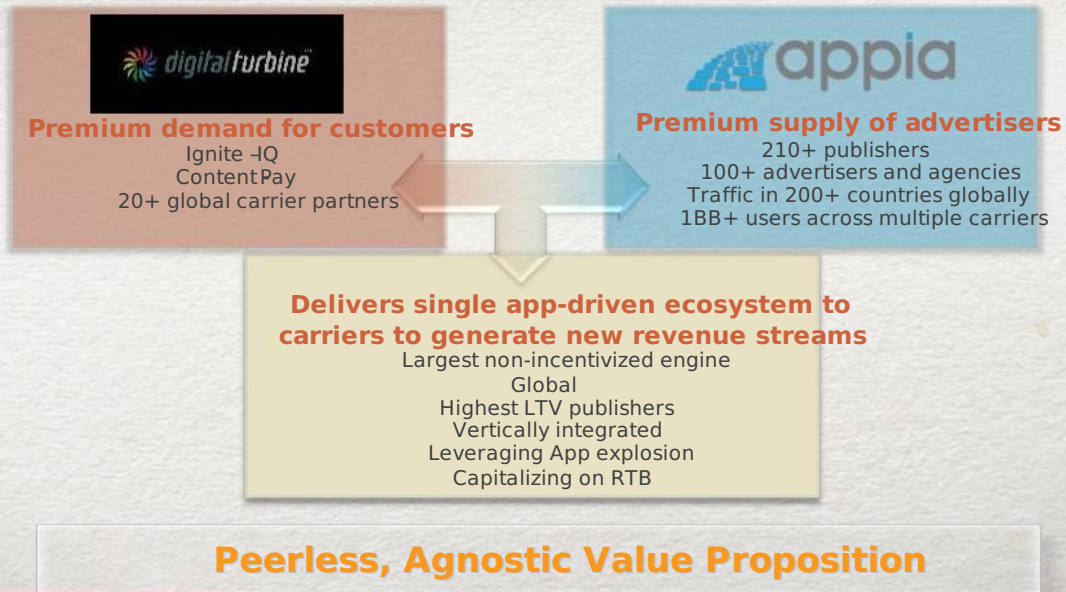
- Vertically integrates DT's distribution platform with Appia, #1 independent mobile app advertising company
- Appia fits hand-in-glove with MNDL app installation growth
- Combines complementary customer bases, including Telcel Mexico, Claro in South America and Metro PCS in US
- Accelerates growth for both companies- ads and DT product suite
- Diversification of revenue streams; operators major part of stream, but not entire stream

Adds scale and talent pool with deep expertise

- Access to leading publishers and advertisers in a single marketplace
- Global reach with active campaigns in over 200 countries- in all major formats
- Gaining control of ad tech capabilities to help ensure execution

*Sources: @KPCB - Global Mobile App revenue per Strategy Analytics; comprises virtual goods, in-app advertising, subscription and download revenue. Global Mobile Advertising revenue per PWC; comprises browser, search and classified advertising revenue- and Flurry.

Combined company





Deal Structure and Economics

- Issuing approximately 19 million shares (assumes CQ115 close)
 - Jud Bowman, CEO Appia
 - Trident Capital
 - Venrock
 - DCM
 - Noro-Moseley
 - Wakefield Group
 - Relay Ventures
 - Eric Schmidt's TomorrowVentures
- Assumption of ~\$10 million debt (Silicon Valley Bank and North Atlantic Capital)
- Plan to refinance assumed indebtedness following closing

Shares to be issued are
subject to lockup agreements

Smart Money to Hold Significant Stake in Company



Financial Rationale Compelling

Financial Profile	<ul style="list-style-type: none"> • Appia recorded \$30 million revenue for twelve months ended 9/30/14 • Expected to enhance gross profit and EBITDA profile through revenue and cost synergies
Revenue and cost synergies	<ul style="list-style-type: none"> • Opportunity to achieve up to \$14 million revenue synergies on app-installs currently projected to be sourced by third parties, including Appia • Mandalay to capture third-party ad partner feeds • Approximately \$2 million in expected cost synergies from campaign management, CPI-infrastructure functions, duplicative corporate headcount
Business Model	<ul style="list-style-type: none"> • Combining complementary, scalable, low-capex business models • Direct access to advertisers boosts revenue profile • Drives incremental EBITDA/FCF
Integration	<ul style="list-style-type: none"> • Eased by existing partnership and retention of Appia expert resources • App-install infrastructure and platform integrates immediately • Identified cost synergies • Appia founder and CEO Jud Bowman joining Mandalay board

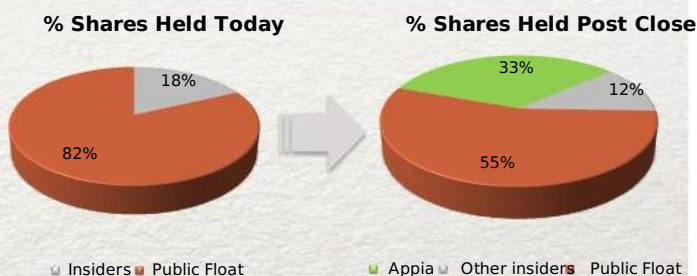


Pro Forma: Board of Directors and Equity Ownership Structure

Board Composition Post Close

Rob Deutschman, Chairman
Peter Guber
Paul Schaeffer
Chris Rogers
Jeff Karish
Bill Stone
Jud Bowman
Additional Appia appointee

Equity Ownership Structure



Increased ownership by senior executive/founders and long-term strategic investors



Transaction Process

Step	Expected Timing
Filing s-4	Thanksgiving
SEC Feedback	Christmas January
MNDL Shareholder Vote	20 business days after SEC clearance
Closing	Estimated first calendar quarter 2015



Summary

- Transformational acquisition expected to close C'Q115
- Capturing window of opportunity to accelerate scale in exploding market



Additional Information

Additional Information and Where to Find It

In connection with the proposed transaction, Mandalay Digital intends to file with the Securities and Exchange Commission (SEC) a registration statement on Form S-4 that will include a proxy statement and a prospectus. The definitive proxy statement/prospectus will contain important information about the proposed transaction and related matters. INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ THE PROXY STATEMENT/PROSPECTUS WHEN IT BECOMES AVAILABLE, BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders may obtain a free copy of the registration statement (when available) and other documents filed by Mandalay Digital with the SEC at the SEC's web site at www.sec.gov. These documents may be accessed and downloaded for free at Mandalay Digital's website at www.mandalaydigital.com, requested from Mandalay Digital by mail at 281 Caheng Boulevard West, Los Angeles, CA 90068, or by directing a request to MacKenzie Partners, Inc., 105, Madison Avenue, New York, New York, 10016, (212) 929-5500 or proxy@mackenziepartners.com

Participants in the Solicitation

This communication is not a solicitation of a proxy from any security holder of Mandalay Digital. However, Mandalay Digital and its directors and executive officers and certain members of management and employees may be deemed to be participants in the solicitation of proxies from Mandalay Digital's stockholders in respect of the proposed transaction. Information regarding the directors and executive officers of Mandalay Digital may be found in its Form 10-K/A for the fiscal period ended March 31, 2014 which was filed with the SEC on July 29, 2014. Other information regarding the interests of those persons and other persons in the proxy solicitation and a description of their direct and indirect interest, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available. You may obtain free copies of this document as described in the preceding paragraph.



Digital Turbine