MAM SOFTWARE GROUP, INC.
Form 10-Q
November 12, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

or

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

For the transition period from _________________ to _________________

Commission File Number: **000-27083**

MAM SOFTWARE GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**84-1108035**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Maple Park, Maple Court, Tankersley, Barnsley, UK S75 3DP

(Address of principal executive offices)(Zip code)

011 44 124 431 1794

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

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

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer (Do not check if a smaller reporting company) ¨
Smaller reporting company þ

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

The registrant had 14,290,710 shares of its common stock outstanding as of November 7, 2014.

TABLE OF CONTENTS

PART I—FINANCIAL INFORMATION

Unless the context indicates or requires otherwise, (i) the term "MAM" refers to MAM Software Group, Inc. and its principal operating subsidiaries; (ii) the term "MAM Ltd. " refers to MAM Software Limited; (iii) the term "MAM US" refers to MAM Software, Inc. and (iv) the terms "we," "our," "ours," "us" and the "Company" refer collectively to MAM Software Group, Inc.

Item 1. Financial Statements

Index to Financial Statements

MAM SOFTWARE GROUP, INC.

Condensed Consolidated Balance Sheets

(In thousands, except share and per share data)

	September 30, 2014 (unaudited)	June 30, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 6,372	$7,008
Accounts receivable, net of allowance of $484 and $473	4,619	3,857
Inventories	158	211
Prepaid expenses and other current assets	1,300	1,505
Total Current Assets	12,449	12,581
Property and Equipment, Net	864	692
Other Assets		
Goodwill	9,427	9,767
Amortizable intangible assets, net	30	118
Software development costs, net	1,686	1,553
Other long-term assets	35	34
TOTAL ASSETS	$ 24,491	$24,745
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 1,435	$1,464
Accrued expenses and other liabilities	1,986	2,283
Payroll and other taxes	1,697	1,224
Current portion of deferred revenues	1,069	833
Sales tax payable	933	893
Income tax payable	288	285
Total Current Liabilities	7,408	6,982
Long-Term Liabilities		
Deferred revenues, net of current portion	214	242
Deferred income taxes	40	53
Other	180	193
Total Liabilities	7,842	7,470
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock: Par value $0.0001 per share; 2,000,000 shares authorized, none issued and outstanding	-	-
	2	2

Common stock: Par value $0.0001 per share; 18,000,000 shares authorized, 14,971,734 shares issued and 14,294,799 shares outstanding at September 30, 2014 and 15,077,830 shares issued and 14,404,149 shares outstanding at June 30, 2014		
Additional paid-in capital	30,863	31,426
Accumulated other comprehensive loss	(720)	(65)
Accumulated deficit	(11,733)	(12,342)
Treasury stock at cost, 676,935 shares at September 30, 2014 and 673,681 shares at June 30, 2014	(1,763)	(1,746)
Total Stockholders' Equity	16,649	17,275
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 24,491	$ 24,745

The Accompanying Notes Are an Integral Part of these Condensed Consolidated Financial Statements

F-2

MAM SOFTWARE GROUP, INC.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(In thousands, except share and per share data)

	For the Three Months Ended September 30, 2014	For the Three Months Ended September 30, 2013
Revenues	$ 8,207	$ 7,561
Cost of revenues	3,305	3,210
Gross Profit	4,902	4,351
Operating Expenses		
Research and development	1,023	827
Sales and marketing	1,160	1,118
General and administrative	1,681	1,283
Depreciation and amortization	226	266
Total Operating Expenses	4,090	3,494
Operating Income	812	857
Other Income (Expense)		
Interest expense	(4)	(27)
Total other expense, net	(4)	(27)
Income before provision for income taxes	808	830
Provision for income taxes	199	138
Net income	$ 609	$ 692
Earnings per share attributed to common stockholders:		
Basic	$ 0.04	$ 0.05
Diluted	$ 0.04	$ 0.05
Weighted average shares outstanding:		
Basic	13,636,273	12,708,766
Diluted	13,733,963	12,835,432
Net Income	$ 609	$ 692
Foreign currency translation (loss) income	(655)	534

Total Comprehensive (Loss) Income	$ (46)	$ 1,226

The Accompanying Notes Are an Integral Part of these Condensed Consolidated Financial Statements

F-3

MAM SOFTW0ARE GROUP, INC.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	For the Three Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net income	$609	$692
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt expense	40	26
Depreciation and amortization	226	266
Debt discount and debt issuance cost amortization	-	1
Deferred income taxes	(13)	(18)
Fair value of stock issued for services and compensation	192	179
Changes in assets and liabilities:		
Accounts receivable	(955)	(590)
Inventories	45	(65)
Prepaid expenses and other assets	175	102
Accounts payable	21	231
Payroll and other taxes payable	505	286
Deferred revenues	246	(49)
Accrued expenses and other liabilities	(953)	(466)
Sales taxes payable	80	(52)
Net cash provided by operating activities	218	543
Cash flows from investing activities:		
Purchase of property and equipment	(262)	(56)
Capitalized software development costs	(231)	(129)
Net cash used in investing activities	(493)	(185)
Cash flows from financing activities:		
Payments on debt	-	(254)
Repurchase of common stock for treasury	(17)	-
Proceeds from exercise of stock options	-	7
Net cash used in financing activities	(17)	(247)
Effect of exchange rate changes	(344)	103
Net change in cash and cash equivalents	(636)	214
Cash and cash equivalents at beginning of period	7,008	4,061

Cash and cash equivalents at end of period	$6,372	$4,275

The Accompanying Notes Are an Integral Part of these Condensed Consolidated Financial Statements

MAM SOFTWARE GROUP, INC.

Condensed Consolidated Statements of Cash Flows (Continued)

(Unaudited)

(In thousands)

	For the Three Months Ended September 30,	
	2014	2013
Supplemental disclosures of cash investing and financing activities:		
Interest	$ -	$ 23
Income taxes	$ 187	$ 283
Supplemental disclosures of non-cash investing and financing activities:		
Issuance of common stock in settlement of accrued liabilities	$ -	$ 16
Treasury stock retired	$ 755	$ -

The Accompanying Notes Are an Integral Part of these Condensed Consolidated Financial Statements

F-5

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(Unaudited)

NOTE 1. BASIS OF PRESENTATION

The condensed consolidated financial statements included herein have been prepared by MAM Software Group, Inc. ("MAM" or the "Company"), without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Certain information normally included in the condensed consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America has been omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (consisting primarily of normal recurring accruals) considered necessary for a fair presentation have been included.

Operating results for the three months ended September 30, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2015. It is suggested that the condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2014, which was filed with the SEC on September 23, 2014. The Company has evaluated subsequent events through the filing date of this Quarterly Report on Form 10-Q, and determined that no subsequent events have occurred that would require recognition in the condensed consolidated financial statements or disclosure in the notes thereto, other than as disclosed in the accompanying notes.

NOTE 2. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MAM Software Group, Inc. is a leading provider of business and supply chain management solutions primarily to the automotive parts manufacturers, retailers, tire and service chains, independent installers and wholesale distributors in the automotive aftermarket. The Company conducts its business through wholly owned subsidiaries with operations in Europe and North America. MAM Software Ltd. ("MAM Ltd") is based in Tankersley, Barnsley, United Kingdom and MAM Software, Inc. ("MAM US") has offices in the United States in Allentown, Pennsylvania.

Principles of Consolidation

The condensed consolidated financial statements of the Company include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements.

Concentrations of Credit Risk

The Company has no significant off-balance-sheet concentrations of credit risk such as foreign exchange contracts, options contracts or other foreign hedging arrangements.

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(Unaudited)

Cash and Cash Equivalents

In the U.S., the Company maintains cash balances at financial institutions that are insured by Federal Deposit Insurance Corporation (“FDIC”) up to $250,000. At times deposits held with financial institutions in the U.S. may exceed the $250,000 limit.

In the U.K., the Company maintains cash balances at financial institutions that are insured by the Financial Services Compensation Scheme (“FSCS”) up to 85,000GBP. At times deposits held with financial institutions in the U.K. may exceed the 85,000GBP limit.

The Company maintains its cash accounts at financial institutions which it believes to be credit worthy. The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes.

Customers

The Company performs periodic evaluations of its customers and maintains allowances for potential credit losses as deemed necessary. The Company generally does not require collateral to secure its accounts receivable. Credit risk is managed by discontinuing sales to customers who are delinquent. The Company estimates credit losses and returns based on management’s evaluation of historical experience and current industry trends. Although the Company expects to collect amounts due, actual collections may differ from the estimated amounts.

No customer accounted for more than 10% of the Company’s accounts receivable at September 30, 2014 and June 30, 2014. No customer accounted for more than 10% of the Company’s revenues for the three months ended September 30, 2014 and September 30, 2013.

Segment Reporting

The Company operates in one reportable segment. The Company evaluates financial performance on a Company-wide basis. The Company’s chief operating decision-maker is the chief executive officer, who evaluates the Company as a single segment.

Geographic Concentrations

The Company conducts business in the U.S., Canada and the U.K. For customers headquartered in their respective countries, the Company derived 24% of its revenues from the U.S., 1% from Canada and 75% from its U.K. operations during the three months ended September 30, 2014, as compared to 29% of its revenues from the U.S., 1% from Canada and 70% from its U.K. operations during the three months ended September 30, 2013.

At September 30, 2014, the Company maintained 82% of its net property and equipment in the U.K. and the remaining 18% in the U.S. At June 30, 2014, the Company maintained 75% of its net property and equipment in the U.K. and the remaining 25% in the U.S.

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(Unaudited)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Company's management include, but are not limited to, the collectibility of accounts receivable, the realizability of inventories, the recoverability of goodwill and other long-lived assets, valuation of deferred tax assets and liabilities and the estimated fair value of stock options, warrants and shares issued for non-cash consideration. Actual results could materially differ from those estimates.

Fair Value of Financial Instruments

The Company's financial instruments consist principally of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses. Financial assets and liabilities that are remeasured and reported at fair value at each reporting period are classified and disclosed in one of the following three categories:

- Level 1 – Fair value based on quoted prices in active markets for identical assets or liabilities.

- Level 2 – Fair value based on significant directly observable data (other than Level 1 quoted prices) or significant indirectly observable data through corroboration with observable market data. Inputs would normally be (i) quoted prices in active markets for similar assets or liabilities, (ii) quoted prices in inactive markets for identical or similar assets or liabilities, or (iii) information derived from or corroborated by observable market data.

- Level 3 – Fair value based on prices or valuation techniques that require significant unobservable data inputs. Inputs would normally be a reporting entity's own data and judgments about assumptions that market participants would use in pricing the asset or liability.

Determining which category an asset or liability falls within the hierarchy may require significant judgment. The Company evaluates its hierarchy disclosures each quarter.

Inventories

Inventories are stated at the lower of cost or current estimated market value. Cost is determined using the first-in, first-out method. Inventories consist primarily of hardware that will be sold to customers. The Company periodically reviews its inventories and records a provision for excess and obsolete inventories based primarily on the Company's estimated forecast of product demand and production requirements. Once established, write-downs of inventories are considered permanent adjustments to the cost basis of the obsolete or excess inventories.

Property and Equipment

Property and equipment are stated at cost, and are being depreciated using the straight-line method over the estimated useful lives of the related assets, ranging from three to five years. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or the related lease terms. Equipment under capital lease obligations is depreciated over the shorter of the estimated useful lives of the related assets or the term of the lease. Maintenance and routine repairs are charged to expense as incurred. Significant renewals and betterments are capitalized. At the time of retirement or other disposition of property and equipment, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the condensed consolidated statements of income and comprehensive income. Depreciation and amortization expense was $62,000 and $58,000 for the three months ended September 30, 2014 and 2013, respectively.

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(Unaudited)

Software Development Costs

Costs incurred to develop computer software products to be sold or otherwise marketed are charged to expense until technological feasibility of the product has been established. Once technological feasibility has been established, computer software development costs (consisting primarily of internal labor costs) are capitalized and reported at the lower of amortized cost or estimated realizable value. Purchased software development cost is recorded at its estimated fair market value. When a product is ready for general release, its capitalized costs are amortized on a product-by-product basis. The annual amortization is the greater of the amounts of: the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product; and, the straight-line method over the remaining estimated economic life (a period of three years) of the product including the period being reported on. If the future market viability of a software product is less than anticipated, impairment of the related unamortized development costs could occur, which could significantly impact the Company's results of operations. Amortization expense was $78,000 and $59,000 for the three months ended September 30, 2014 and 2013, respectively.

Amortizable Intangible Assets

Amortizable intangible assets consist of completed software technology, customer relationships and automotive data services and are recorded at cost. Completed software technology and customer relationships are amortized using the straight-line method over their estimated useful lives of eight to ten years, and automotive data services are amortized using the straight-line method over their estimated useful lives of 20 years. Amortization expense on amortizable intangible assets was $86,000 and $149,000 for the three months ended September 30, 2014 and 2013, respectively.

Goodwill

Goodwill is not to be amortized but rather is tested at least annually for impairment.

Goodwill is subject to impairment reviews by applying a fair-value-based test at the reporting unit level, which generally represents operations one level below the segments reported by the Company. As of September 30, 2014, the Company does not believe there is an impairment of its goodwill. There can be no assurance, however, that market conditions will not change or demand for the Company’s products and services will continue which could result in additional impairment of goodwill in the future.

For the three months ended September 30, 2014, goodwill activity was as follows:

Balance, July 1, 2014	$9,767,000
Effect of exchange rate changes	(340,000)
Balance, September 30, 2014	$9,427,000

Long-Lived Assets

The Company’s management assesses the recoverability of long-lived assets (other than goodwill discussed above) upon the occurrence of a triggering event by determining whether the carrying value of long-lived assets over their remaining lives can be recovered through projected undiscounted future cash flows over its remaining life. The amount of long-lived asset impairment, if any, is measured based on fair value and is charged to operations in the period in which long-lived asset impairment is determined by management. At September 30, 2014, management believes there is no impairment of its long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company’s products and services will continue, which could result in impairment of long-lived assets in the future.

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(Unaudited)

Issuance of Equity Instruments to Non-Employees

All issuances of the Company's equity instruments to non-employees are measured at fair value based upon either the fair value of the equity instruments issued or the fair value of consideration received, whichever is more readily determinable. The majority of stock issuance for non-cash consideration received pertains to services rendered by consultants and others and has been valued at the fair value of the equity instruments on the dates issued.

The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement. Assets acquired in exchange for the issuance of fully vested, non-forfeitable equity instruments should not be presented or classified as an offset to equity on the grantor's balance sheet once the equity instrument is granted for accounting purposes.

Stock-Based Compensation

For valuing stock options awards, the Company has elected to use the Black-Scholes Merton option pricing valuation model ("Black-Scholes"). For the expected term, the Company uses a simple average of the vesting period and the contractual term of the option. Volatility is a measure of the amount by which the Company's stock price is expected to fluctuate during the expected term of the option. For volatility, the Company considers its own volatility as applicable for valuing its options and warrants. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The risk-free interest rate is based on the relevant U.S. Treasury Bill Rate at the time of each grant. The dividend yield represents the dividend rate expected to be paid over the option's expected term; the Company currently has no plans to pay dividends.

On June 12, 2008, the Company's shareholders approved the Company's 2007 Long-Term Stock Incentive Plan ("LTIP"). Stock awarded under the LTIP are accounted for in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 718-10-25-5 because the awards were unilateral grants, the recipients do not have the ability to negotiate the key terms, and the conditions of the grant, and the key terms and conditions were communicated to the individual recipients within a relatively short period of time. Therefore the grant and measurement dates are May 13, 2008, July 1, 2008, July 1, 2009, July 1, 2010, July 1, 2011, July 1, 2012, April 1, 2013 and July 1, 2014 for each respective stock award. The maximum aggregate number of shares of common stock that may be issued under the LTIP, including stock awards and stock appreciation rights, is limited to 15% of the shares of common stock outstanding on the first trading day of any fiscal year. The Company issued restricted shares to management and board members in fiscal 2015 and 2014.

Revenue Recognition

Software license revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product component has occurred, the fee is fixed and determinable, and collectibility is probable. If any of these criteria are not met, revenue recognition is deferred until such time as all of the criteria are met. The Company accounts for delivered elements in accordance with the selling price when arrangements include multiple product components or other elements and vendor-specific objective evidence exists for the value of all undelivered elements. Revenues on undelivered elements are recognized once delivery is complete.

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(Unaudited)

In those instances in which arrangements include significant customization, contractual milestones, acceptance criteria or other contingencies (which represents the majority of the Company's arrangements), the Company accounts for the arrangements using contract accounting, as follows:

1) When customer acceptance can be estimated, but reliable estimated costs to complete cannot be determined, expenditures are capitalized as work-in process and deferred until completion of the contract at which time the costs and revenues are recognized.

2) When customer acceptance cannot be estimated based on historical evidence, costs are expensed as incurred and revenue is recognized at the completion of the contract when customer acceptance is obtained.

The Company records amounts collected from customers in excess of recognizable revenue as deferred revenue in the accompanying condensed consolidated balance sheets.

Revenues for maintenance agreements, software support, on-line services and information products are recognized ratably over the term of the service agreement.

Advertising Expense

The Company expenses advertising costs as incurred. For the three months ended September 30, 2014 and 2013, advertising expense totaled $144,000 and $188,000, respectively.

Foreign Currency

Management has determined that the functional currency of its subsidiaries is the local currency. Assets and liabilities of the U.K. subsidiaries are translated into U.S. dollars at the quarter-end exchange rates. Income and expenses are translated at an average exchange rate for the period and the resulting translation gain (loss) adjustments are accumulated as a separate component of stockholders' equity. The translation (loss) gain adjustment totaled $(655,000) and $534,000 for the three months ended September 30, 2014 and 2013, respectively.

Foreign currency gains and losses from transactions denominated in other than respective local currencies are included in income. The Company had no foreign currency transaction gains (losses) for all periods presented.

Comprehensive Income (Loss)

Comprehensive income (loss) includes all changes in equity (net assets) during a period from non-owner sources. For the three months ended September 30, 2014 and 2013, the components of comprehensive income (loss) consist of changes in foreign currency translation gains (losses).

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(Unaudited)

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the enactment occurs. Deferred taxation is provided in full in respect of timing differences between the treatment of certain items for taxation and accounting purposes. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had no accrual for interest or penalties on the Company's consolidated balance sheets at September 30, 2014 and June 30, 2014, and has not recognized interest and/or penalties in the consolidated statements of comprehensive income (loss) for the periods ended September 30, 2014 and 2013, respectively.

Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share ("BEPS") is computed by dividing the net income (loss) by the weighted average number of common shares outstanding for the year. Diluted earnings (loss) per share ("DEPS") is computed giving effect to all dilutive potential common shares outstanding during the year. Dilutive potential common shares consist of incremental shares issuable upon the exercise of stock options and warrants using the "treasury stock" method. The computation of DEPS does not assume conversion, exercise or contingent exercise of securities that would have an anti-dilutive effect on earnings. For the three months ended September 30, 2014, there were 97,690 common share equivalents included in the computation of the diluted earnings per share. For the three months ended September 30, 2014, 866,252 shares of common stock vest based on the market price of the Company's common stock and were excluded from the computation of diluted earnings per share because the shares have not vested and no common stock purchase warrants and stock options were excluded from the computation of diluted earnings per share. For the three months ended September 30, 2013, there were 126,666 common share equivalents included in the computation of the diluted earnings per share. For the three months ended September 30, 2013, 1,698,505 shares of common stock vest based on the market price of the Company's common stock and were excluded from the computation of diluted earnings per share because the shares have not vested and no common stock purchase warrants and stock options were excluded from the computation of diluted earnings per share.

In connection with the employment agreements with the Company's Chief Executive Officer and Chief Financial Officer (see Note 4), on April 27, 2012, the Board of Directors approved the issuance of 1,165,359 shares of restricted stock. The shares vest based on the market price of the Company's common stock. The Company issued these shares to the executives and they are being held by an escrow agent and will be released to the executives when they vest. On September 18, 2014, the Company released from escrow 174,804 shares of common stock to the executives which vested, as our Compensation Committee determined that the initial threshold had been met pursuant to the Company's LTIP and the executive's employment agreements. The Company withheld 66,347 shares which were used to pay income taxes and those shares were retired by the Company.

On April 10, 2014, the Company released from escrow 466,144 shares of common stock to its Chief Executive Officer and the Chief Financial Officer which vested, as our Compensation Committee determined that the initial threshold had been met pursuant to the Company's LTIP and the employment agreements of the Chief Executive Officer and the Chief Financial Officer. The Company withheld 151,806 shares which were used to pay income taxes and those shares were retired by the Company.

The Company excludes the remaining 524,441 of these escrow shares from the basic and diluted earnings per share calculations as the market price of the Company's common stock did not trade at or above the target stock prices per the employment agreements during the reporting period.

In connection with the employment agreement with an officer of a Company subsidiary (see Note 4), on March 1, 2013, the Board of Directors approved the issuance of 282,254 shares of restricted stock. The shares vest based on the market price of the Company's common stock. The Company issued these shares to the officer and they are being held by an escrow agent and will be released to the officer when they vest. On August 28, 2014, the Company released from escrow 84,676 shares of common stock to the officer which vested as our Compensation Committee determined that the initial threshold had been met pursuant to the Company's LTIP and the officer's employment agreements. The Company withheld 44,455 shares which were used to pay income taxes and those shares were retired by the Company.

On April 10, 2014, the Company released from escrow 56,451 shares of common stock to the officer which vested as our Compensation Committee determined that the initial threshold had been met pursuant to the Company's LTIP and the officer's employment agreements. The Company withheld 15,586 shares which were used to pay income taxes and those shares were retired by the Company.

The Company excludes the remaining 141,127 of these escrow shares from the basic and diluted earnings per share calculations as the market price of the Company's common stock did not trade at or above the target stock prices per the employment agreements during the reporting period.

In connection with the employment agreement with the Company's Chief Technology Officer (see Note 4), on July 1, 2013, the Board of Directors approved the issuance of 250,892 shares of restricted stock. The shares vest based on the market price of the Company's common stock. The Company issued these shares to the executive and they are being held by an escrow agent and will be released to the executive when they vest. On September 18, 2014, the Company released from escrow 50,178 shares of common stock to the officer which vested as our Compensation Committee determined that the initial threshold had been met pursuant to the Company's LTIP and the officer's employment agreements. The Company withheld 23,584 shares which were used to pay income taxes and those shares were retired by the Company.

The Company excludes the remaining 200,714 of these escrow shares from the basic and diluted earnings per share calculations as the market price of the Company's common stock did not trade at or above the target stock prices per the employment agreement during the reporting period.

The following is a reconciliation of the numerators and denominators of the basic and diluted loss per share computation for the three months ended September 30:

	2014	2013
Numerator:		

Net income	$609,000	$692,000
Denominator:		
Basic weighted-average shares outstanding	13,636,273	12,708,766
Effect of dilutive securities	97,690	126,666
Diluted weighted-average diluted shares	13,733,963	12,835,432
Basic earnings per common share	$0.04	$0.05
Diluted earnings per common share	$0.04	$0.05

Reclassification

Certain prior period amounts have been reclassified to conform to the current presentation.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”), which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to customers. ASU 2014-09 will be effective for the Company beginning in its first quarter of 2018. Early adoption is not permitted. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company is currently evaluating the impact of adopting the new revenue standard on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements-Going Concern. Currently, there is no guidance in accounting principles generally accepted in the United States of America about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related footnote disclosures. The amendments require management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term substantial doubt, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The amendments in this ASU are effective for the reporting periods beginning after December 15, 2016 and early application is permitted. Management is currently assessing the impact the adoption of ASU 2014-15 will have on our condensed consolidated financial statements.

Revenue Recognition

Software license revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product component has occurred, the fee is fixed and determinable, and collectability is probable. If any of these criteria are not met, revenue recognition is deferred until such time as all of the criteria are met.

The Company accounts for delivered elements in accordance with the selling price when arrangements include multiple product components or other elements and vendor-specific objective evidence exists for the value of all undelivered elements. Revenues on undelivered elements are recognized once delivery is complete.

In those instances in which arrangements include significant customization, contractual milestones, acceptance criteria or other contingencies (which represents the majority of the Company's arrangements), the Company accounts for the arrangements using contract accounting, as follows:

1) When customer acceptance can be estimated, but reliable estimated costs to complete cannot be determined, expenditures are capitalized as work-in process and deferred until completion of the contract at which time the costs and revenues are recognized.

2) When customer acceptance cannot be estimated based on historical evidence, costs are expensed as incurred and revenue is recognized at the completion of the contract when customer acceptance is obtained.

The Company records amounts collected from customers in excess of recognizable revenue as deferred revenue in the accompanying consolidated balance sheets. Revenues for maintenance agreements, software support, on-line services and information products are recognized ratably over the term of the service agreement.

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(Unaudited)

NOTE 3. COMMITMENTS AND CONTINGENCIES

Legal Matters

From time to time, the Company is subject to various legal claims and proceedings arising in the ordinary course of business. The ultimate disposition of such a proceeding if initiated could have a material adverse effect on the consolidated financial position or results of operations of the Company. There are currently no pending legal proceedings.

Indemnities and Guarantees

The Company has made certain indemnities and guarantees, under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain actions or transactions. The Company indemnifies its directors, officers, employees and agents, as permitted under the laws of the State of Delaware. In connection with its facility leases, the Company has indemnified its lessors for certain claims arising from the use of the facilities. In connection with its customers' contracts the Company indemnifies the customer that the software provided does not violate any U.S. patent. The duration of the guarantees and indemnities varies, and is generally tied to the life of the agreement. These guarantees and indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not been obligated nor incurred any payments for these obligations and, therefore, no liabilities have been recorded for these indemnities and guarantees in the accompanying condensed consolidated balance sheets.

NOTE 4. STOCKHOLDERS' EQUITY

Common Stock

During the three months ended September 30, 2011, the Company approved the issuance of 88,398 shares of common stock to the non-management members of the Board of Directors under the Company's 2007 LTIP in respect of quarterly compensation. The shares vest over a three-year period and are issued quarterly. During the quarter ended September 30, 2014, the Company issued 5,346 shares of common stock valued at $9,000.

During the three months ended September 30, 2012, the Company approved the issuance of 98,654 shares of common stock to the non-management members of the Board of Directors under the Company's 2007 LTIP in respect of quarterly compensation. The shares vest over a three-year period and are issued quarterly. During the quarter ended September 30, 2014, the Company issued 6,325 shares of common stock valued at $14,000.

During the three months ended June 30, 2013, the Company approved the issuance of 66,169 shares to the non-management members of the Board of Directors under the Company's 2007 LTIP in respect of quarterly compensation. The shares vest over a three-year period and are issued quarterly. The shares were valued at approximately $244,000, based on the closing market price of the Company's common stock on the date of the grant, April 1, 2013. During the three months ended September 30, 2014, the Company issued 5,094 shares of common stock valued at $19,000.

On July 8, 2014, the Company issued 3,061 shares of common stock to certain directors, in lieu of cash compensation, which were valued at approximately $17,000 based on the closing market price of the Company's common stock on the date of the grant.

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(Unaudited)

On September 18, 2014, the Company released from escrow 174,804 shares of common stock to certain executives of the Company which vested pursuant to the terms of the April 20, 2012 grant as the market price threshold of the common stock had been achieved. The shares were issued pursuant to the Company's LTIP and the executives employment agreements. The Company withheld 66,347 shares which were used to pay taxes and those shares were retired by the Company.

On September 18, 2014, the Company released from escrow 84,676 shares of common stock to an officer of a subsidiary of the Company which vested pursuant to the terms of the March 1, 2013 grant as the market price threshold of the common stock had been achieved. The shares were issued pursuant to the Company's LTIP and the officer's employment agreement. The Company withheld 44,455 shares which were used to pay taxes and those shares were retired by the Company.

On September 18, 2014, the Company released from escrow 50,178 shares of common stock to a certain executive of the Company which vested pursuant to the terms of the July 1, 2013 grant as the market price threshold of the common stock had been achieved. The shares were issued pursuant to the Company's LTIP and the executive's employment agreement. The Company withheld 23,584 shares which were used to pay taxes and those shares were retired by the Company.

Treasury Stock

On September 18, 2014, the Company repurchased and retired 134,386 shares of common stock at a cost of approximately $755,000.

From July 1, 2014 until September 30, 2014, the Company repurchased 3,254 shares of common stock at a cost of $17,000. As of September 30, 2014, the Company has repurchased 1,866,406 shares at a cost of $4,078,000 and has a remaining approval to repurchase an additional $2,672,000 of treasury stock.

Stock-Based Compensation:

The Company granted common stock options to employees during fiscal 2013 under the Company’s 2007 LTIP. A summary of the Company's common stock option activity is presented below (shares in thousands):

	Options Outstanding			
	Number of Shares (in thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Options outstanding - July 1, 2014	121	$ 1.23		
Options granted	-	-		
Options exercised	-	-		
Options cancelled	-	-		
Options outstanding - September 30, 2014	121	$ 1.23	6.7	$ 495
Options exercisable - September 30, 2014	121	$ 1.23	6.7	$ 495
Options exercisable and expected to vest - September 30, 2014	121	$ 1.23	6.7	$ 495

F-16

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(Unaudited)

On April 27, 2012, the Board of Directors approved the issuance of 728,350 restricted shares of Company common stock pursuant to the Company's 2007 LTIP. These shares were issued to Mr. Jamieson and the unvested shares are being held in escrow until they vest. On April 10, 2014, the Company released from escrow 291,340 shares of common stock to the officer which vested, as our Compensation Committee determined that the initial threshold had been met pursuant to the Company's LTIP and the officers' employment agreements. The Company withheld 85,217 shares which were used to pay income taxes and those shares were retired by the Company.

On September 18, 2014, the Company released from escrow 109,253 shares of common stock to the officer which vested, as our Compensation Committee determined that the initial threshold had been met pursuant to the Company's LTIP and the officers' employment agreements. The Company withheld 31,957 shares which were used to pay income taxes and those shares were retired by the Company.

The remaining unvested restricted shares will vest according to the following schedule:

- 15% when the market price of the Company's common stock trades at or above $7 for the previous 30 day VWAP.
- 30% when the market price of the Company's common stock trades at or above $8 for the previous 30 day VWAP.

The initial value of the common stock grant was approximately $244,000 and as of September 30, 2014, the amount of unamortized stock based compensation that has not been expensed related to the unvested common stock grant is approximately $33,000. The shares were valued using a Monte Carlo Simulation with a three year life, 124.8% volatility and a risk free interest rate of 0.39%. The Company recognized $22,000 of expense for the three months ended September 30, 2014.

On April 27, 2012 the Board of Directors approved the issuance of restricted 437,009 shares of Company common stock pursuant to the Company's 2007 LTIP. These shares were issued to Mr. Trapp and are being held in escrow until they vest. On April 10, 2014, the Company released from escrow 178,804 shares of common stock to the officer which vested, as our Compensation Committee determined that the initial threshold had been met pursuant to the Company's LTIP and the officers' employment agreements. The Company withheld 66,589 shares which were used to pay income taxes and those shares were retired by the Company.

On September 18, 2014, the Company released from escrow 65,551 shares of common stock to the officer which vested, as our Compensation Committee determined that the initial threshold had been met pursuant to the Company's LTIP and the officers' employment agreements. The Company withheld 34,390 shares which were used to pay income taxes and those shares were retired by the Company.

The remaining unvested restricted shares will vest according to the following schedule:

- 15% when the market price of the Company's common stock trades at or above $7 for the previous 30 day VWAP.

- 30% when the market price of the Company's common stock trades at or above $8 for the previous 30 day VWAP.

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(Unaudited)

The initial value of the common stock grant was approximately $146,000 and as of September 30, 2014, the amount of unamortized stock based compensation that has not been expensed related to the unvested common stock grant is approximately $20,000. The shares were valued using a Monte Carlo Simulation with a three year life, 124.8% volatility and a risk free interest rate of 0.39%. The Company recognized $13,000 of expense for the three months ended September 30, 2014.

On March 1, 2013, the Board of Directors approved the issuance of 282,254 restricted shares of Company common stock to a certain subsidiary officer pursuant to the Company’s 2007 LTIP. These shares were issued to the officer and are being held in escrow until they vest. On September 18, 2014, the Company released 84,676 shares and withheld 44,455 shares which were used to pay income taxes and those shares were retired by the Company.

The remaining unvested restricted shares will vest according to the following schedule:

- 15% when the market price of the Company’s common stock trades at or above $7 for the previous 30 day VWAP.

- 30% when the market price of the Company’s common stock trades at or above $8 for the previous 30 day VWAP.

The initial value of the common stock grant was approximately $109,000 and as of September 30, 2014, the amount of unamortized stock based compensation that has not been expensed related to the unvested common stock grant is approximately $16,000. The shares were valued using a Monte Carlo Simulation with a two year life, 39.6% volatility and a risk free interest rate of 0.25%. The Company recognized $15,000 of expense for the three months ended September 30, 2014.

On July 1, 2013, the Board of Directors approved the issuance of restricted 250,892 shares of Company common stock pursuant to the Company’s 2007 LTIP. These shares were issued to Mr. Broad and are being held in escrow until they vest.

On September 18, 2014, the Company released from escrow 50,178 shares of common stock to the officer which vested, as our Compensation Committee determined that the initial threshold had been met pursuant to the Company's LTIP and the officers' employment agreements. The Company withheld 23,584 shares which were used to pay income taxes and those shares were retired by the Company.

The remaining unvested restricted shares will vest according to the following schedule:

- 30% when the market price of the Company's common stock trades at or above $7 for the previous 30 day VWAP.
- 30% when the market price of the Company's common stock trades at or above $8 for the previous 30 day VWAP.
- 20% when the market price of the Company's common stock trades at or above $9 for the previous 30 day VWAP.

The initial value of the common stock grant was approximately $226,000, which will be amortized over the life of the employment agreement. As of September 30, 2014, the amount of unamortized stock based compensation that has not been expenses related to the unvested common stock grant is approximately $71,000. The shares were valued using a Monte Carlo Simulation with a two year life, 124.8% volatility and a risk free interest rate of 0.39%. The Company recognized $39,000 of expense for the three months ended September 30, 2014.

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(Unaudited)

Employee Stock Purchase Plan

On September 21, 2011, the Company approved the MAM Software Group, Inc. Employee Stock Purchase Plan ("ESPP" or the "Plan"). On December 16, 2011 the shareholders approved the ESPP. Under the ESPP the Company will grant eligible employees the right to purchase common stock through payroll deductions at a price equal to the lesser of 85 percent of the fair market value of a share of common stock on the Exercise Date of the current Offering Period or 85 percent of the fair market value of our common stock on the Grant Date of the Offering Period. No employee will be granted an option to purchase more than $2,400 of fair market value common stock in a calendar year. The Plan is intended to be an "employee stock purchase plan" as defined in Section 423 of the Internal Revenue Code. The Plan covers a maximum of 100,000 shares of common Stock which will be offered to employees until January 2, 2022 or until the Plan is terminated by the Board of Directors.

During the three months ended September 30, 2014, the Company issued 8,464 shares of common stock to employees including an officer, under the ESPP in lieu of compensation, which were valued at approximately $44,000 based on the closing market price of the Company's common stock on January 2, 2014.

During the three months ended September 30, 2013, the Company issued 10,165 shares of common stock to employees including an officer, under the ESPP in lieu of compensation, which were valued at approximately $30,000 based on the closing market price of the Company's common stock on January 2, 2013.

NOTE 5. SUBSEQUENT EVENTS

On October 7, 2014, the Company issued 14,814 shares of common stock valued at $52,000 to the non-management members of the Board of Directors under the 2007 LTIP.

On October 7, 2014, the Company issued, under the 2007 LTIP, 3,340 shares of common stock to certain directors, in lieu of cash compensation, which were valued at $17,000, based on the closing market price of the Company common stock on the date of grant.

From October 1, 2014 to November 7, 2014 the Company repurchased 22,243 treasury shares at a cost of $114,376.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information contained in Item 2 contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Actual results may materially differ from those projected in the forward-looking statements as a result of certain risks and uncertainties set forth in this report. Although management believes that the assumptions made and expectations reflected in the forward-looking statements are reasonable, there is no assurance that the underlying assumptions will, in fact, prove to be correct or that actual results will not be different from expectations expressed in this report.

This filing contains a number of forward-looking statements which reflect management's current views and expectations with respect to our business, strategies, products, future results and events, and financial performance. All statements made in this filing other than statements of historical fact, including statements addressing operating performance, events, or developments which management expects or anticipates will or may occur in the future, including statements related to distributor channels, volume growth, revenues, profitability, new products, adequacy of funds from operations, statements expressing general optimism about future operating results, and non-historical information, are forward looking statements. In particular, the words "believe," "expect," "intend," "anticipate," "estimate," "may," variations of such words, and similar expressions identify forward-looking statements, but are not the exclusive means of identifying such statements, and their absence does not mean that the statement is not forward-looking. These forward-looking statements are subject to certain risks and uncertainties, including those discussed below. Our actual results, performance or achievements could differ materially from historical results as well as those expressed in, anticipated, or implied by these forward-looking statements. We do not undertake any obligation to revise these forward-looking statements to reflect any future events or circumstances.

For a more complete understanding of our industry, the drivers of our business and our current period results, you should read the following Management's Discussion and Analysis of Financial Condition and Results of Operation in conjunction with our Annual Report on Form 10-K for the year ended June 30, 2014 and our other filings with the SEC.

Company Overview

MAM Software Group, Inc. ("MAM," the "Company," "we," "our," or "us") is a leading provider of integrated information management solutions and services and a leading provider of cloud-based software solutions for the automotive aftermarket sector. The Company conducts its businesses through wholly owned subsidiaries with operations in Europe and North America. MAM Software Ltd. ("MAM Ltd.") is based in Tankersley, Barnsley, United Kingdom and MAM Software, Inc. ("MAM US") has offices in the United States in Allentown, Pennsylvania.

The Company is a leading global provider of on-premise and cloud-based business management solution for the auto parts, tires and vertical distribution industries. We have a broad line of software solutions and services to address the information technology (IT) needs of virtually every significant sector of the automotive aftermarket in the United Kingdom and North America and are seeking to leverage this position into new industry verticals and new geographies around the world. At present, most of our customers in the U.K. have our software installed on-premise. For customers who prefer not to physically acquire the software and hardware, most of our software applications can be delivered as Software as a Service (SaaS), which utilizes the cloud. We provide professional IT services to our customers, including software and hardware installation, data conversion, training, and, at times, product modifications. We also provide continuing customer support services to ensure product performance and reliability, which provides us with long-term customer relationships and a significant base of recurring maintenance revenue.

Our Markets

The Company provides software, information and related services to businesses engaged in the automotive aftermarket in the U.S., Canada, U.K. and Ireland. The automotive aftermarket consists of businesses associated with the life cycle of a motor vehicle from when the original manufacturer's warranty expires to when the vehicle is scrapped. Products sold by businesses engaged in this market include the parts, tires and auto services required to maintain and improve the performance or appeal of a vehicle throughout its useful life. The Company aims to meet the business needs of customers who are involved in the maintenance and repair of automobiles and light trucks in three key segments of the automotive aftermarket, namely parts, tires and auto service.

The Company's customer base consists of wholesale parts and tire distributors, retailers, franchisees, cooperatives, auto service chains and single location auto service businesses with high customer service expectations and complex commercial relationships.

In the U.K. and Ireland, the Company also provides management solutions to business involved in the wholesale of construction materials. These vertical markets include plumbing, building, lumber, and electrical wholesale distribution companies.

Market Dynamics & Opportunities

We believe that the largest single issue facing the automotive aftermarket at this time is the constraint of credit within the U.S. and U.K. markets is forcing automobile owners to retain their existing automobiles far longer than they may have previously planned. This phenomenon is forcing owners to seek out more economic ways of maintaining their vehicles, and we believe this presents an opportunity to the Company. The need for consumers to maintain their vehicles longer requires service suppliers to offer a wide range of services at highly competitive prices. We believe that this can be achieved only by those businesses that are able to efficiently manage their businesses and find methods to reduce costs without affecting service levels, which may best be done through investments in 'up to date' management information systems, specifically those designed for the automotive market. However, we have recently noticed that some businesses wishing to invest in new management systems are also finding their access to credit reduced. The unavailability of credit for businesses may have a detrimental effect on our revenues if customers are unable to identify adequate resources necessary to fund purchases. As a means to addressing the lack of availability of credit for customers or potential customers, we have introduced Autopart Online which is a 'rental' or Software as a Service (SaaS) version of Autopart. Autopart Online does not require the customer to purchase hardware and software licenses upfront, they simply 'rent' the infrastructure and purchase the professional services required to implement the system. We believe that by removing the capital investment associated with Autopart, we will see an increase in interest in our Autopart Online solution.

Our Products and Services

The Company's business management systems, information products and online services permit our customers to manage their critical day-to-day business operations through automated point-of-sale, information (content) products, inventory management, purchasing, general accounting and customer relationship management.

We provide professional IT services to our customers, including software and hardware installation, data conversion, training, and, at times, product modifications. We also provide continuing customer support services to ensure product performance and reliability, which provides us with long-term customer relationships and a significant base of recurring maintenance revenue.

Our Technologies

Our solutions are available as both 'on-premise' applications sold via the traditional perpetual licensing model and 'cloud' solutions that are delivered as a service over the Internet on a subscription basis.

Many of our business management applications are now available as SaaS, where software and associated data is centrally hosted on the cloud. Depending on the complexity of the application, MAM SaaS solutions are deployed using 'cloud hosting' or 'web application' technology:

- SaaS cloud hosting - single tenants accessing fully-managed virtual servers via thin client (terminal services) connections (*e.g.,* Autopart Online); or

-2-

· SaaS web application - multiple tenants accessing a dedicated website using a standard web browser (*e.g.*, Autowork Online).

Our catalog information is also available in the cloud as Data as a Service (DaaS). We centrally host and maintain the data, which is accessed by users via a desktop application, web application or integrated into their B2C website. Many of our applications offer integration with third-party vendors as a service, commonly known as Integration Platform as a Service (iPaaS). These services include: technical repair information; vehicle registration data (VRM); auto parts catalog data; zip code lookup; Internet EDI; website integration services; and mobile app connectivity.

Our Revenues

Our revenue and income is derived primarily from the sale of software, data, services and support. In the U.K., we also earn a percentage of our revenue and income from the sale of hardware systems to clients. During the three months ended September 30, 2014, we generated revenues of $8,207,000 with a net income of $609,000, with 75% of these revenues coming from the U.K. market.

The Company’s revenues are derived from the following:

· The sale of business management systems comprised of proprietary software applications, implementation and training;
· Providing subscription-based services, including software support and maintenance, and online services for a fee;
· Delivering our business management software as a service, commonly known as SaaS;
· Delivering our catalogue information as a service, commonly known as DaaS; and
· Enabling integration between systems and third-party vendors as a service, commonly known as iPaaS.

Our Strategies

To date, our management has identified five areas that it believes we need to focus on. The first area is the continued growth of revenues derived from delivering our business management SaaS. To date our Autowork Online, our ‘installer’ solution in the U.K. and Autopart Online, our parts store solutions, are being delivered in this way. Both products have been developed by MAM Ltd., our U.K. subsidiary, under the ‘cloud’ computing model. This is where software solutions are made available to end- users via the Internet and does not require them to purchase the software directly but ‘rent’ it over a fixed period of time. Our management believes that this will be a rapidly growing market for the U.K. as businesses continue to look for ways of reducing capital expenditures while maintaining levels of service.

Autowork Online was launched in 2010 and as of September 30, 2014, we had 3,174 subscribers of this service. The product has just been localized and released into the U.S. market. Autopart Online was launched in August 2011, and as of September 30, 2014, we had 1,087 end-users subscribing to this service. A white label version of this product has been successfully launched into the U.S. market in conjunction with ALLDATA LLC.

The second area of focus is the sales and marketing strategy within the U.S. market. Our management believes that continued investment in this key area is required to help the development of the MAM brand.

The third area of focus relates to the launch of our information service, Autocat+ in the U.S. Autocat+ is an auto parts catalog that uses the DaaS distribution model. MAM Ltd. centrally hosts and maintains the data, which is accessed by users via MAM's business management software, a standalone desktop application, or web application. Data can also be 'consumed' via a web service for integration into business-to-consumer websites. Information in Autocat+ is maintained through an automatic verification and standardization process, with updates published daily.

In the U.K., there are approximately 10,300 end-users (warehouse distributors, parts stores and auto service providers) who use our information products, for which a monthly or annual subscription fee is charged. Our management believes that launching a U.S. version of Autocat+ in May 2014 will help to sell our business management software solutions.

The fourth area is within the U.K. market as we are continually working to sustain the levels of growth in the U.K. business by focusing on additional vertical markets, which share common issues to that of the automotive market. We have developed a reputation of high levels of service and knowledge within the automotive market; and are now working on replicating this reputation in these additional vertical markets. Our management intends to carefully monitor this expansion as a result of the current state of the global economy.

The fifth area is the continued investment in research and development that will allow us to deliver innovative new solutions and modules in support of the previous four key areas. During the three months ended September 30, 2014, a number of new modules were launched including EMI+, a new business intelligence solution with mobile capability and a new warehouse management software module that integrates seamlessly with Autopart.

Our Progress

At present, most of our customers in the U.K. have our software installed on-premise. However, market acceptance of cloud computing for mission-critical enterprise applications has become increasingly common in recent years since software can be delivered cost-effectively, reliably, and securely to businesses over the Internet without the need for these businesses to purchase supporting software and hardware for an on-premise system or the need to keep IT people on staff to monitor and upgrade such a system.

We introduced our first subscription-based service solution over the Internet in 2005 in the U.K., and we began marketing our first cloud system to customers in North America in 2013. Since that time, we have significantly expanded our cloud-based offerings and are offering customers that maintain on-premise installations significant incentives to move to our cloud-computing model. While transitioning our U.K. customers to a cloud computing model results in a decrease in our up-front revenue recognition, we believe that this is a necessary transition and is in the best interests of our customers and our own long-term business prospects as an increasing number of our customers in the U.K. are looking for solutions that are highly functional, easy to use, configurable, and fast.

Our cloud model is based on Microsoft .Net, HTML5 and SQL technologies that provides both open and secure platform with support for user experiences on both desktop and mobile devices. Our customers that have moved away from traditional on-premise software to our cloud-based service applications benefit by substantially reducing the complexity typical of on-premise software implementations, customizations, and upgrades. Through cloud computing, we supply and manage the hardware, infrastructure, ongoing maintenance, and backup services for our customers. We install the latest version of our software for our customers, thereby reducing their need to buy and maintain their own IT resources. As a part of our cloud-based model, we will provide installation, training, and support services to our customers. In the North American market we have a smaller customer base and by offering a cloud-based solution will prove to be an important part of our strategic growth. We anticipate that this solution will positively impact the marketplace and ultimately increase our market share within North America.

Impact of Currency Exchange Rate

Our net revenue derived from sales in currencies other than the U.S. Dollar was 75% for the three months ended September 30, 2014, as compared to 70% for the corresponding period in 2013. As the U.S. dollar weakened in relation to the British Pound Sterling ("GBP"), in the comparable periods, our revenue and income, which is reported in U.S. dollars, is positively impacted. Changes in the currency values occur regularly and in some instances may have a significant effect on our results of operations.

Income and expenses of our MAM Ltd. subsidiary are translated at the average exchange rate for the period. During the three months ended September 30, 2014, the exchange rate for MAM Ltd.'s operating results was U.S. $1.6707 per 1GBP, as compared with U.S. $1.5494 per 1GBP for the three months ended September 30, 2013.

Assets and liabilities of our MAM Ltd. subsidiary are translated into U.S. dollars at the period-end exchange rates. The exchange rate used for translating our MAM Ltd. subsidiary was U.S. $1.6239 per 1GBP at September 30, 2014 and U.S. $1.7028 per 1GBP at June 30, 2014.

Currency translation gain (loss) adjustments are accumulated as a separate component of stockholders' equity, which totaled ($655,000) and $534,000 for the three months ended September 30, 2014 and 2013, respectively.

As of September 30, 2014, we had a backlog of unfilled orders of business management systems of $1,689,000 compared to a backlog of $1,548,000 at September 30, 2013. We expect to fulfill approximately 65% of such backlog during the next six months.

Results of Operations

Our results of operations for the three months ended September 30, 2014 compared with the three months ended September 30, 2013 were as follows:

Revenues. Revenues were $8,207,000 for the three months ended September 30, 2014, compared with $7,561,000 for the three months ended September 30, 2013, an increase of $646,000, or 8.5%. For the three months ended September 30, 2014 recurring revenue increased $762,000 to $5,960,000 or 72.6% of total revenue versus $5,198,000 or 68.7% of total revenue for the three months ended September 30, 2013. U.K. revenue increased 244,000GBP or 7%, to 3,660,000GBP during the three months ended September 30, 2014 from 3,416,000GBP during the three months ended September 30, 2013. The weaker U.S. dollar resulted in an $822,000 increase in dollar-denominated revenue to $6,115,000 during the three months ended September 30, 2014 as compared to $5,293,000 during the three months ended September 30, 2013. U.S. revenue decreased $177,000 to $2,091,000 for the three months ended September 30, 2014, from $2,268,000 for the three months ended September 30, 2013. Total recurring revenue increased $760,000 or 14.6% to $5,960,000 from $5,200,000 and total perpetual license and professional services revenue decreased $114,000 or 4.8% to $2,246,000 from $2,360,000.

Total SaaS revenue increased $439,000 or 68.4% to $1,081,000 from $642,000 reported last year. Total DaaS revenue increased $309,000 or 14.2% to $2,488,000 from $2,179,000. And U.K. SaaS revenue increased $339,000 or 52.8% to $981,000 from $642,000 when compared to last year. U.K. DaaS revenue increased $285,000 or 17.5% to $1,914,000 from $1,629,000 in the first quarter of last year.

U.S. perpetual license revenue decreased $257,000 as we transition our business to a SaaS model in the U.S. U.S. SaaS revenue was $100,000 for the quarter and U.S. DaaS revenue was $574,000 an increase of $24,000 or 4.4% from $550,000 reported last year. The SaaS model will result in lower reported revenue and cash flow in the year of the sale. The SaaS model will produce an increased and more predicable future revenue stream. Total recurring revenue increased $22,000 or 1.6% to $1,395,000 from the $1,373,000 reported in the same period last year.

Cost of Revenues. Total cost of revenues for the three months ended September 30, 2014, were $3,305,000 compared with $3,210,000 for three months ended September 30, 2013, which was an increase of $95,000 or 3%. Cost of revenues as a percentage of revenues decreased to 40.3% for the three months ended September 30, 2014 from 42.5% for the three months ended September 30, 2013. U.K. costs reported in U.S. dollars increased $53,000 or 2.4% from

$2,242,000 to $2,295,000. U.K. salaries increased $93,000 and were offset by a $36,000 reduction in hardware we resell. The U.S. costs increased $42,000 or 4.3% to $1,010,000 for the three months ended September 30, 2014, as compared to U.S. costs of $968,000 for the three months ended September 30, 2013. The increase in cost of revenues was the result of increased support salaries and benefits costs of approximately $30,000, additional salesforce force license costs of approximately $35,000 and additional SaaS platform costs of approximately $30,000, all compared to last year.

Gross Profit. Gross profit increased $551,000 or 12.7% to $4,902,000 for the three months ended September 30, 2014, from $4,351,000 for the three months ended September 30, 2013, the result of a 8.5% increase in revenue but only a 3.7% increase in cost of revenues.

Operating Expenses. The following tables set forth, for the periods indicated, our operating expenses and the variance thereof:

	For the Three Months Ended September 30,			
	2014	2013	$ Variance	% Variance
Research and development	$1,023,000	$827,000	$196,000	23.7%
Sales and marketing	1,160,000	1,118,000	42,000	3.8%
General and administrative	1,681,000	1,283,000	398,000	31.0%
Depreciation and amortization	226,000	266,000	(40,000)	-15.0%
Total Operating Expenses	$4,090,000	$3,494,000	$596,000	17.1%

Operating expenses increased by $596,000 or 17.1% for the three months ended September 30, 2014, compared with the three months ended September 30, 2013. This is due to the following:

Research and Development Expenses. Research and development expenses increased by $196,000 or 23.7% for the three months ended September 30, 2014, when compared to the three months ended September 30, 2013. This increase was primarily due increased catalog departmental costs of $100,000 in 2014, when compared to the three months ended September 30, 2013.

Sales and Marketing Expenses. Sales and marketing expenses increased by $42,000 or 3.8% during the three months ended September 30, 2014, as compared with the three months ended September 30, 2013. This increase was the result of increased marketing expenses for the three months ended September 30, 2014, when compared to the three months ended September 30, 2013. The U.K. business experienced an increase in expenses of approximately $70,000 from the addition of a salesman. The U.S. business experienced a decrease in expenses of approximately $30,000 primarily from less rebranding efforts compared to last year.

General and Administrative Expenses. General and administrative expenses increased by $398,000 or 31.0% during the three months ended September 30, 2014 as compared with the three months ended September 30, 2013. This increase was due to increased salaries from additions to administration of $250,000, training costs for personnel of $60,000, additional travel costs for personnel of approximately $52,000, and a $25,000 vendor credit received in 2013.

Depreciation and Amortization Expenses. Depreciation and amortization expenses decreased by $40,000 for the three months ended September 30, 2014, as compared with the three months ended September 30, 2013, because of assets being fully depreciated.

Operating Income. Operating income was $812,000 for the three months ended September 30, 2014, a decrease of $45,000 or 5.3% as compared to $857,000 for the three months ended September 30, 2013.

Other Income (Expense). Other income (expense) for the three months ended September 30, 2014, amounted to a net expense of $4,000 compared with expense of $27,000 for the three months ended September 30, 2013.

Interest Expense. Interest expense amounted to a net expense of $4,000 for the three months ended September 30, 2014, as compared to $27,000 for the three months ended September 30, 2013. HSBC cash interest was approximately $18,000 for the three months ended September 30, 2013, and debt discount amortization was approximately $1,000.

Income Taxes. Income taxes increased by $61,000 to $199,000 for the three months ended September 30, 2014, as compared to the three months ended September 30, 2013. This increase was due to higher tax requirements resulting from increased profits at our U.K. subsidiary.

Net Income. As a result of the above, we realized net income of $609,000 for the three months ended September 30, 2014, compared with net income of $692,000 for the three months ended September 30, 2013.

Liquidity and Capital Resources

Our principal sources of liquidity are cash on hand and cash generated from operations. To date, most of our profits have been generated in Europe, but with the introduction of new products and efforts to streamline our U.S. operations, we expect to see a continued increase in overall revenues with a contribution from U.S. operations in fiscal 2014.

At September 30, 2014, we had cash and cash equivalents of $6,372,000 and no interest bearing debt.

Cash provided by operations was $218,000.

We expect to see continued positive earnings and cash flow from both the U.S. and U.K. operations for the balance of fiscal 2015, with continued growth in revenues and operating income from the U.S. operation. We have identified a number of opportunities to widen our client base within the automotive industry and are actively pursuing those at this time. We also expect to see increases in revenue over the next three quarters, specifically due to additional products that have been developed by the U.S. operation which are currently being released to customers, and the continued growth of our Autopart line of products in the U.S. market.

We believe our existing cash balance, and the cash expected to be generated from operations, will be sufficient to meet our anticipated cash needs for at least the next 12 months. Our future capital requirements will depend on many factors, including our level of net sales, the timing and extent of expenditures to support our development activities and the continued market acceptance of our products.

We could be required, or we may choose, to seek additional funding through public or private equity or debt financing. In addition, in connection with any future acquisitions, we may require additional funding which may be provided in the form of additional debt or equity financing or a combination of both. These additional funds may not be available on terms acceptable to us, or at all.

Working Capital

Working capital at September 30, 2014, was $5,041,000, versus working capital of $5,599,000 at June 30, 2014. The working capital decrease resulted primarily from a $(636,000) decrease in cash, a $762,000 increase in net accounts receivable, a $53,000 decrease in inventories, a $205,000 decrease in prepaid expenses and other assets, a $29,000 decrease in accounts payable, a $297,000 decrease in accrued expenses, a $473,000 increase in accrued payroll and other taxes, a $236,000 increase in deferred revenues, an increase of $40,000 in sales tax payable, and an increase of $37,000 in income tax payable.

We intend to continue to work at maximizing customer retention by supplying and developing products that streamline and simplify customer operations, thereby increasing their profit margin. We expect to continue to build our recurring revenue stream. We believe that we can continue to grow our customer base through additional sales personnel, targeted media and marketing campaigns and products that completely fit clients’ requirements. We also intend to service existing clients to higher levels and increasingly partner with them so that together we’ll both achieve our goals.

Our current plans still require us to hire additional sales and marketing staff, to expand within the U.S. market, to target new vertical markets effectively in the U.K. and to support expanded operations overall.

We believe our plan will strengthen our relationships with our existing customers and provide new income streams by targeting new vertical markets for our Autopart product.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Critical Accounting Policies

There were no changes to those policies disclosed in the Annual Report on Form 10-K for the fiscal year ended June 30, 2014.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 4. Controls and Procedures

Disclosure of Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports, filed under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

As required by the SEC Rule 13a-15(b), we carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Controls Over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are currently not involved in any litigation that we believe could have a materially adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our company's or our company's subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect. From time to time, we may become involved legal proceedings, lawsuits, claims and regulations in the ordinary course of our business.

Item 1A. Risk Factors

There have been no changes that constitute a material change from the risk factors previously disclosed in our 2014 Annual Report filed on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Purchases of Equity Securities

Share repurchase activity during the three months ended September 30, 2014 was as follows:

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(2)
July 2014	0	$ 0	0	$ 0
August 2014	0	$ 0	0	$ 0
September 2014	3,254	$ 5.25	3,254	$ 2,671,571

(1) The shares repurchased in the three months ended September 30, 2014 were under our stock repurchase program that was originally announced on November 8, 2011, with an authorized level of $250,000, which was increased an additional $500,000 on December 19, 2011, which was increased an additional $2.0 million on March 5, 2012, and was increased an additional $2.0 million (or $4.0 million in the aggregate) on June 22, 2012.

(2) On September 28, 2012, our Board of Directors authorized an increased in the existing stock repurchase program for us to repurchase an additional $2.0 million (or $6.75 million in the aggregate since the beginning of the calendar year 2012) of our outstanding shares of common stock from time to time, depending on market conditions, share price, and other factors. Repurchases may take place in the open market or in privately negotiated transactions, including derivative transactions, and may be made under a Rule 10b5-1 plan previously established by us.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

There have been no material changes to the procedures by which holders may recommend nominees to our Board of Directors.

Item 6. Exhibits

Exhibit Number	Description
31.1	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.

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.

MAM Software Group, Inc.

Date: November 12, 2014 By:*/s/ Michael G. Jamieson*
Michael G. Jamieson
Chief Executive Officer
(Principal Executive Officer)

Date: November 12, 2014 By:*/s/ Charles F. Trapp*
Charles F. Trapp
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Description
31.1	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.