

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 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 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

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

The registrant had 12,220,264 shares of its common stock outstanding as of November 7, 2016.

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1.</u> <u>Financial Statements</u>	<u>F-1</u>
<u>Item 2.</u> <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>1</u>
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>10</u>
<u>Item 4.</u> <u>Controls and Procedures</u>	<u>10</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1.</u> <u>Legal Proceedings</u>	<u>11</u>
<u>Item 1A.</u> <u>Risk Factors</u>	<u>11</u>
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>11</u>
<u>Item 3.</u> <u>Defaults Upon Senior Securities</u>	<u>11</u>
<u>Item 4.</u> <u>Mine Safety Disclosures</u>	<u>11</u>
<u>Item 5.</u> <u>Other Information</u>	<u>11</u>
<u>Item 6.</u> <u>Exhibits</u>	<u>12</u>
<u>SIGNATURES</u>	<u>13</u>

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 NA” refers to MAM Software, Inc.; (iv) the term “Origin” refers to Origin Software Solutions, Ltd.; (v) the term “MAM UK” collectively refers to MAM Ltd. and Origin; and (vi) the terms “we,” “our,” “ours,” “us” and the “Company” refer collectively to MAM Software Group, Inc.

Item 1. Financial Statements

Index to Financial Statements

<u>Condensed Consolidated Balance Sheets</u>	<u>F-2</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited)</u>	<u>F-3</u>
<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	<u>F-4</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>F-6</u>

F-1

MAM SOFTWARE GROUP, INC.**Condensed Consolidated Balance Sheets***(In thousands, except per share data)*

	September 30, 2016	June 30, 2016
	(Unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 333	\$491
Accounts receivable, net of allowance of \$451 and \$359, respectively	5,016	4,627
Inventories	235	221
Prepaid expenses and other current assets	1,207	1,495
Income tax receivable	178	535
Total Current Assets	6,969	7,369
Property and Equipment, Net	551	581
Other Assets		
Goodwill	8,177	8,363
Intangible assets, net	697	739
Software development costs, net	5,853	5,234
Other long-term assets	93	68
TOTAL ASSETS	\$ 22,340	\$22,354
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 1,618	\$1,618
Accrued expenses and other liabilities	1,471	1,811
Payroll and other taxes	1,001	1,188
Current portion of long-term debt	1,882	1,879
Current portion of deferred revenues	1,015	939
Sales tax payable	705	750
Income tax payable	31	1
Total Current Liabilities	7,723	8,186
Long-Term Liabilities		
Deferred revenues, net of current portion	371	273
Deferred income taxes	518	535
Long-term debt, net of current portion	7,412	7,808
Other long-term liabilities	546	533
Total Liabilities	16,570	17,335
Commitments and Contingencies		

Stockholders' Equity

Preferred stock: Par value \$0.0001 per share; 2,000 shares authorized, none issued and outstanding	-	-
Common stock: Par value \$0.0001 per share; 18,000 shares authorized, 13,134 shares issued and 12,344 shares outstanding at September 30, 2016 and 13,199 shares issued and 12,409 shares outstanding at June 30, 2016	1	1
Additional paid-in capital	16,176	16,162
Accumulated other comprehensive loss	(3,461)	(2,985)
Accumulated deficit	(4,572)	(5,785)
Treasury stock at cost, 790 shares at September 30, 2016 and 790 shares at June 30, 2016	(2,374)	(2,374)
Total Stockholders' Equity	5,770	5,019
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 22,340	\$22,354

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

MAM SOFTWARE GROUP, INC.**Condensed Consolidated Statements of Comprehensive Income****(Unaudited)***(In thousands, except per share data)*

	For the Three Months Ended September 30,	
	2016	2015
Net revenues	\$8,062	\$7,995
Cost of revenues	3,318	3,714
Gross Profit	4,744	4,281
Operating Expenses		
Research and development	895	830
Sales and marketing	910	1,071
General and administrative	1,510	1,267
Depreciation and amortization	62	89
Total Operating Expenses	3,377	3,257
Operating Income	1,367	1,024
Other Income (Expense)		
Interest expense, net	(120)	(10)
Total other expense, net	(120)	(10)
Income before provision for income taxes	1,247	1,014
Provision for income taxes	34	184
Net Income	\$1,213	\$830
Earnings per share attributed to common stockholders – basic	\$0.10	\$0.06
Earnings per share attributed to common stockholders - diluted	\$0.10	\$0.06
Weighted average common shares outstanding – basic	11,699	13,395
Weighted average common shares outstanding – diluted	11,795	13,490
Net Income	\$1,213	\$830
Foreign currency translation loss	(476)	(605)
Total Comprehensive Income	\$737	\$225

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

F-3

MAM SOFTWARE GROUP, INC.**Condensed Consolidated Statements of Cash Flows****(Unaudited)***(In thousands)*

	For the Three Months Ended September 30, 2016 2015	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,213	830
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt expense	120	34
Depreciation and amortization	128	153
Amortization of debt discount and debt issuance costs	12	-
Deferred income taxes	2	(1)
Stock-based compensation expense	84	41
Changes in assets and liabilities:		
Accounts receivable	(592)	354
Inventories	(19)	(9)
Prepaid expenses and other assets	232	458
Income tax receivable	357	-
Accounts payable	24	(795)
Accrued expenses and other liabilities	(154)	(693)
Payroll and other taxes	(193)	277
Deferred revenues	196	(36)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,410	613
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(24)	(14)
Capitalized software development costs	(749)	(633)
Business acquisition, net of cash acquired	-	(453)
NET CASH USED IN INVESTING ACTIVITIES	(773)	(1,100)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of common stock for treasury	-	(161)
Proceeds from long-term debt	250	-
Repayment of long-term debt	(655)	-
Common stock surrendered to pay for tax withholding	(149)	-
NET CASH USED IN FINANCING ACTIVITIES	(554)	(161)

Effect of exchange rate changes	(241)	(321)
Net change in cash and cash equivalents	(158)	(969)
Cash and cash equivalents at beginning of period	491	6,793
Cash and cash equivalents at end of period	\$333	5,824

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

F-4

MAM SOFTWARE GROUP, INC.

Condensed Consolidated Statements of Cash Flows (Continued)

(Unaudited)

(In thousands)

	For the Three Months Ended September 30, 2016 2015	
Supplemental disclosures of non-cash investing and financing activities:		
Issuance of common stock in settlement of accrued liabilities	\$ 77	93

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, 2016

(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 United States 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 (“US”) 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, 2016 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2017. 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, 2016, which was filed with the SEC on September 26, 2016. 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.

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

MAM Software Group, Inc. 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 (“UK”), Origin Software Solutions, Ltd. (“Origin”) is based in the UK (MAM Ltd. and Origin are collectively referred to as “MAM UK”), and MAM Software, Inc. (“MAM NA”) is based in the United States of America (“US”) in Blue Bell, 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.

Cash and Cash Equivalents

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

In the UK, the Company maintains cash balances at financial institutions that are insured by the Financial Services Compensation Scheme (“FSCS”) up to 75,000GBP. At times deposits held with financial institutions in the UK may exceed the 75,000GBP limit.

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016

(Unaudited)

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, 2016 and June 30, 2016. No customer accounted for more than 10% of the Company's revenues for the three months ended September 30, 2016 and 2015.

Segment Reporting

The Company operates in one reportable segment. Though the Company has two operational segments (MAM UK and MAM NA), the Company evaluated its operations in accordance with ASC 280-10-50, *Segment Reporting*, and determined that the segments have the same economic characteristics, are similar in the following areas and can therefore be aggregated into one reportable segment:

1. The products and services are software and professional services
2. The products are produced through professional services
3. The customers for these products are primarily for the automotive aftermarket

- The methods used to distribute these products are via software that the customer can host locally or that the
4. Company will host
 5. They both operate in a non-regulatory environment

Geographic Concentrations

The Company conducts business in the US, Canada, the UK and Ireland (UK and Ireland are collectively referred to as the “UK Market”). For customers headquartered in their respective countries, the Company derived approximately 62% of its net revenues from the UK, 36% from the US, 1% from Ireland, and 1% from Canada during the three months ended September 30, 2016, compared to 72% of its net revenues from the UK, 27% from the US and 1% from Canada during the three months ended September 30, 2015.

At September 30, 2016, the Company maintained 77% of its net property and equipment in the UK and the remaining 23% in the US. At June 30, 2016, the Company maintained 79% of its net property and equipment in the UK and the remaining 21% in the US.

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016

(Unaudited)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the US 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 collectability 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 compensation and 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, accrued expenses and debt. 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 into which category within the hierarchy an asset or liability 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 related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the condensed consolidated statements of comprehensive income. Depreciation expense was \$41,000 and \$63,000 for the three months ended September 30, 2016 and 2015, respectively.

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016

(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. Amortization of capitalized software development costs are included in the cost of revenues line on the consolidated statements of comprehensive income. 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 on software development costs was \$67,000 and \$64,000 for the three months ended September 30, 2016 and 2015, respectively.

Amortizable Intangible Assets

Amortizable intangible assets consist of completed software technology, customer contracts/relationships, automotive data services and acquired intellectual property and are recorded at cost. Completed software technology and customer contracts/relationships are amortized using the straight-line method over their estimated useful lives of 9 to 10 years, automotive data services are amortized using the straight-line method over their estimated useful lives of 20 years and acquired intellectual property is amortized over the estimated useful life of 10 years. Amortization expense on amortizable intangible assets was \$20,000 and \$26,000 for the three months ended September 30, 2016 and 2015, respectively.

Goodwill

Goodwill is not 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, 2016, the Company does not believe there is an impairment of its goodwill. There can be no assurance, however, that market conditions will not change and/or demand for the Company's products and services will continue at a level consistent with past results, which could result in impairment of goodwill in the future.

For the three months ended September 30, 2016 and 2015, goodwill activity was as follows:

<i>In thousands</i>	For the three months ended, September 30,	
	2016	2015
Beginning Balance	\$8,363	\$9,202
Acquisition of Origin	-	202
Effect of exchange rate changes	(186)	(238)
Ending Balance	\$8,177	9,166

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 can be recovered through projected undiscounted future cash flows over their remaining lives. The amount of long-lived asset impairment, if any, is measured based on fair value and is charged to operations during the period in which long-lived asset impairment is determined by management. At September 30, 2016, 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, 2016

(Unaudited)

Issuance of Equity Instruments to Non-Employees

All issuances of the Company's equity instruments to non-employees are measured based upon either the fair value of the equity instruments issued or the fair value of consideration received, depending on which option 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

The Company accounts for stock-based compensation under the provisions of ASC No. 718, *Compensation - Stock Compensation* ("ASC 718"). ASC 718 requires the recognition of the fair value of the stock-based compensation in net income. Compensation expense associated with market-based restricted stock is determined using a Monte-Carlo valuation model, and compensation expense associated with time-based restricted stock is determined based on the number of shares granted and the fair value on the date of grant. For valuing stock options awards, the Company has elected to use the Black-Scholes model. 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 US 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. The fair value of stock-based awards is amortized over the vesting period of the award or expected vesting date of the market-based restricted shares and the Company elected to use the straight-line method for awards granted.

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 reasonably assured. 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.

F-10

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016

(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:

- When customer acceptance can be estimated, but reliable estimated costs to complete cannot be determined,
- 1) 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.

The Company recognizes revenue on a net basis, which excludes sales tax collected from customers and remitted to governmental authorities.

Advertising Expense

The Company expenses advertising costs as incurred. For the three months ended September 30, 2016 and 2015, advertising expense totaled \$57,000 and \$136,000, respectively.

Foreign Currency

Management has determined that the functional currency of its subsidiaries is the local currency. Assets and liabilities of the UK subsidiaries are translated into US 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 adjustments are accumulated as a separate component of stockholders' equity. Foreign currency translation income (loss) totaled \$(476,000) and \$(605,000) for the three months ended September 30, 2016 and 2015, respectively.

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

Comprehensive Income

Comprehensive income includes all changes in equity (net assets) during a period from non-owner sources. For the three months ended September 30, 2016 and 2015, the components of comprehensive income consist of foreign currency translation gain (loss).

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016

(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 condensed consolidated balance sheets at September 30, 2016 and June 30, 2016, and has not recognized interest and/or penalties in the condensed consolidated statements of comprehensive income for the three months ended September 30, 2016 and 2015.

Basic and Diluted Earnings Per Share

Basic earnings per share ("BEPS") is computed by dividing the net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share ("DEPS") is computed giving effect to all dilutive potential common shares outstanding during the period. 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, 2016 and 2015, there were 95,757 and 95,287, respectively, common share equivalents included in the computation of the DEPS. For the three months ended September 30, 2016 and 2015, 635,054 and 866,252, respectively, shares of common stock vest based on the market price of the Company's common stock and were excluded from the computation of DEPS because the shares have not vested, but no stock options were excluded from the computation of DEPS.

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The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computation for three months ended September 30, 2016 and 2015 (in thousands, except for per share amounts):

Three Months Ended September 30,	2016	2015
Numerator:		
Net income	\$1,213	\$830
Denominator:		
Basic weighted-average shares outstanding	11,699	13,395
Effect of dilutive securities	96	95
Diluted weighted-average diluted shares	11,795	13,490
Basic earnings per common share	\$0.10	\$0.06
Diluted earnings per common share	\$0.10	\$0.06

F-12

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016

(Unaudited)

Reclassification

Certain expenses were reclassified from depreciation and amortization to cost of revenues in the accompanying condensed consolidated statement of comprehensive income for the three months ended September 30, 2015 in order to conform to the current period presentation.

The Company adopted Accounting Standards Update ("ASU") 2015-03, *Imputation of Interest - Simplifying the Presentation of Debt Issuance Costs*, on a retroactive basis on July 1, 2016 and prior period amounts have been reclassified to conform to the current period presentation. As of September 30, 2016 and June 30, 2016, net debt issuance costs of \$79,000 and \$91,000, respectively, were reclassified in the condensed consolidated balance sheet from other long-term assets to an offset against the current and non-current portions of long-term debt.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. The update provides guidance for how certain cash receipts and cash payments are to be presented on the statement of cash flows. ASU 2016-15 will be effective for the Company beginning the first quarter of fiscal 2018. Early adoption is permitted. ASU 2016-15 is to be adopted using the retrospective transition method, unless it is impracticable, in which case it can be applied prospectively as of the earliest practical date. The Company does not expect the adoption of ASU 2016-15 to have a significant impact on the disclosure or cash flow presentation in its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. The update provides guidance on simplifying various aspects of the accounting for shared-based compensation. The standard is effective for the annual and interim periods within those annual periods beginning after December 15, 2017. Early adoption is permitted, however adoption of all amendments must occur in the same period. The method of adoption (prospective or retrospective) will be applied to each of the amendments as required in ASU 2016-09. The Company is currently assessing the impact the adoption of ASU 2016-09 will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires lessees to present right-of-use assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. The guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period in the financial statements and is effective for years beginning after December 15, 2019. Early adoption is permitted. The Company is currently assessing the impact the adoption of ASU 2016-02 will have on its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*. Current GAAP requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. To simplify the presentation of deferred income taxes, the amendments in this update required that deferred tax liabilities be classified as noncurrent in a classified statement of financial position. The current requirement is that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this update. ASU 2015-17 will be effective for the Company beginning for its first quarter of fiscal 2018. Early adoption is permitted. The amendments to ASU 2015-17 may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all period presented. The Company does not expect the adoption of ASU 2015-17 to have a significant impact on the disclosure or balance sheet presentation in its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Imputation of Interest - Simplifying the Presentation of Debt Issuance Costs*. The update provides guidance on simplifying the presentation for debt issuance costs and debt discount and premium. The Company adopted ASU 2015-03 on July 1, 2016.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), 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.

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016

(Unaudited)

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 US 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 US 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. The Company is currently assessing the impact the adoption of ASU 2014-15 will have on its consolidated financial statements.

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 material adverse effects on the consolidated financial position or results of operations of the Company. There are currently no pending material 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 credit facility (see Note 6), the Company indemnified the lender for certain losses, claims, and other liabilities that are standard for this type of agreement. 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 US 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

The Company issues 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. The Company also gives the non-management members of the Board of Directors the option to receive shares of common stock in lieu of cash compensation.

MAM SOFTWARE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2016

(Unaudited)

On July 1, 2015, the Company approved the issuance of 47,663 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. The shares were valued at approximately \$255,000, based on the closing market price of the Company's common stock on the date of the grant.

During the three months ended September 30, 2016, the Company issued 10,709 shares of common stock for the vesting of shares granted to the non-management members of the Board of Directors under the Company's 2007 LTIP and in lieu of cash compensation.

Tender Offer

On December 1, 2015, the Company completed a cash tender offer (the "Tender Offer") and purchased 2.0 million shares of its common stock at a purchase price of \$7.50 per share for a total purchase price of \$15.0 million. The Company canceled and retired the shares purchased pursuant to the Tender Offer.

Treasury Stock

From July 1, 2015 until September 30, 2015, the Company repurchased 29,695 shares of common stock at a cost of \$161,000. As of September 30, 2016, the Company has repurchased 1,982,235 shares at a cost of \$4,698,000, pursuant to a stock repurchase program approved by the Company's Board of Directors. The stock repurchase program was cancelled on October 30, 2015 in connection with the Tender Offer.

Stock-Based Compensation

Total stock-based compensation expense related to management grants, non-management members of the Board of Directors grants and the employee stock purchase plan for restricted stock and stock issuances of \$84,000 and \$41,000

was recorded in the three months ended September 30, 2016 and 2015, respectively and was recorded in the general and administrative line of the condensed consolidated statements of comprehensive income.

A summary of the Company's common stock option activity is presented below (shares in thousands):

	Options Outstanding		
	Number	Weighted-	Weighted-
	of	Average	Average
	Shares	Exercise	Remaining
	(in	Price	Contractual
	thousands)		Life (in
			years)
Options outstanding - July 1, 2016	121	\$ 1.23	
Options granted	-	-	
Options exercised	-	-	
Options cancelled	-	-	
Options outstanding – September 30, 2016	121	\$ 1.23	4.7
Options exercisable - September 30, 2016	121	\$ 1.23	4.7
Options exercisable and vested - September 30, 2016	121	\$ 1.23	4.7

MAM SOFTWARE GROUP, INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****September 30, 2016****(Unaudited)**

A summary of the Company's restricted common stock activity is presented below (shares in thousands):

	Number of Shares (in thousands)	Weighted Average Initial Value Price Per Share
Restricted stock outstanding - July 1, 2016	776	\$ 0.87
Issuance of restricted stock	-	-
Vesting	(85)	0.39
Forfeitures	(56)	0.39
Restricted stock outstanding - September 30, 2016	635	\$ 0.81

A summary of the vesting levels of the Company's restricted common stock is presented below (shares in thousands):

	Number of Shares	Weighted Average Initial Value Price Per Share
30 day VWAP per share vesting level (1):		
\$8.00 per share	425	\$ 0.44
\$9.00 per share	82	\$ 1.25
\$10.00 per share	48	\$ 1.79
\$11.00 per share	48	\$ 1.79
\$12.00 per share	32	\$ 1.79

(1) The restricted stock becomes vested when the Company's 30 day volume weighted average price ("VWAP") per share is at or above these levels.

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 the Company’s 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, 2016, the Company issued 7,008 shares of common stock to employees including executive officers, under the ESPP in lieu of compensation.

During the three months ended September 30, 2015, the Company issued 7,748 shares of common stock to employees including an executive officer, under the ESPP in lieu of compensation.

MAM SOFTWARE GROUP, INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****September 30, 2016****(Unaudited)****NOTE 5. ACQUISITION**

On July 1, 2015, MAM Ltd. acquired 100% of the stock of Origin, a UK-based provider of e-commerce solutions for the automotive aftermarket. With the acquisition of Origin, MAM is able to strengthen its e-commerce strategy by being able to provide customers with a range of e-commerce solutions for the automotive aftermarket. The Company paid \$503,000 at closing of the acquisition. The Company will also make future cash payments of \$416,000 and issue stock consideration of \$283,000 in the future if Origin reaches established earnings targets. The Company recorded the estimated fair value of the contingent consideration of \$520,000 in other long-term liabilities on its condensed consolidated balance sheet as of September 30, 2016. In connection with the acquisition, the Company incurred acquisition-related costs of \$43,000, which were expensed and included in general and administrative expenses in the accompanying condensed consolidated statement of comprehensive income for the three months ended September 30, 2015.

The Company allocated the purchase consideration to acquire Origin to (1) net assets acquired of \$177,000, (2) finite-lived intangible assets of \$1.0 million for acquired intellectual property (with an estimated useful life of 10 years), (3) a deferred tax liability of \$202,000, and (4) goodwill of \$202,000. The goodwill from this acquisition is non-deductible for tax purposes. The results of operations of Origin have been included in the Company's condensed consolidated statements of comprehensive income from the date of acquisition, however the results from Origin were not significant to the Company's consolidated results of operations and thus proforma information is not presented.

NOTE 6. LONG-TERM DEBT

Debt obligations consisted of the following at September 30, 2016 and June 30, 2016:

(in thousands)	As of	
	September 30, 2016	June 30, 2016
Debt obligations:		
Revolving loan facility	\$1,250	\$1,150
Term loan	8,050	8,550
Equipment financing	73	78

Less: unamortized debt issuance costs	(79)	(91)
Total	9,294	9,687
Less current portion	(1,882)	(1,879)
Long-term debt	\$7,412	\$7,808

On December 1, 2015, the Company entered into a new credit agreement with J.P. Morgan Chase Bank, N.A. to provide for borrowings up to \$12.0 million consisting of a \$9.5 million term loan and a \$2.5 million revolver. On September 26, 2016, the Company entered into an amendment to its credit facility with J.P. Morgan Chase Bank, N.A. (the "Amendment" and as amended, the "Amended Credit Agreements"). The Amendment changed certain loan covenants, including the financial ratios and liquidity requirements. The borrowings under the Credit Facility bear interest at a variable rate based on either LIBO Rate or a Prime Rate, as defined in the Amended Credit Agreement, plus an applicable margin of 3.50% to 4.00%, based upon financial covenants. The maturity date under the Amended Credit Agreements remains unchanged at December 1, 2018.

As of September 30, 2016, the interest rate was 4.56%. Under the terms of the Amended Credit Agreements, the Company is required to comply with certain loan covenants, which include, but are not limited to, the maintenance of certain financial ratios as well as certain financial reporting requirements and limitations. The Company's obligations under the Amended Credit Agreements are secured by all of the Company's US assets and are guaranteed by the Company's US wholly-owned subsidiary. Additionally, the Company pledged 65% of the stock of MAM Software Limited, its UK subsidiary. As of September 30, 2016, the Company was in compliance with its loan covenants.

On December 1, 2015, the Company borrowed \$10.5 million under the Credit Facility to fund a portion of the Tender Offer (see Note 4).

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements for the fiscal year ended June 30, 2016, and the notes thereto, along with Management's Discussion and Analysis of Financial Condition and Results of Operations, included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2016, filed separately with the United States Securities and Exchange Commission. This discussion and analysis contains forward-looking statements based upon current beliefs, plans, expectations, intentions and projections that involve risks, uncertainties and assumptions, such as statements regarding our plans, objectives, expectations, intentions and projections. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth under the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended June 30, 2016, and any updates to those risk factors filed from time to time in our Quarterly Reports on Form 10-Q, including those set forth under Part II, Item 1A of this Quarterly Report on Form 10-Q.

Overview

MAM Software Group, Inc. is a leading provider of cloud-based business and on premise management solutions 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 ("UK") and Ireland (collectively referred to as the "UK Market") and North America ("NA"), which includes the United States ("US") and Canada, and are seeking to leverage this position into new industry verticals.

MAM NA has two primary software solutions, VAST and Autopart. We have and continue to market and develop business management software solutions that manage both the business and supply chain for small- and medium-sized firms in the automotive aftermarket. The automotive aftermarket includes those businesses that supply servicing, parts, oil, tires, and performance extras to the retail market.

Our revenues and income are derived primarily from the sale of business management software, data, ecommerce solutions and services and support. For MAM UK, we also earn a percentage of our revenue and income from the sale of hardware systems to clients. In the year ended June 30, 2016, 71% of our revenues came from the UK Market.

We are headquartered in Tankersley, Barnsley, UK and maintain additional offices for our NA operations in Blue Bell and Allentown, Pennsylvania, and, for our UK Market operations, in Northampton and Wareham. The software that we sell is Microsoft Windows™ based technology. The four main products that we support in the US cover all of the

components of the automotive aftermarket supply chain. First is “warehouse distribution.” Into this market we sell our Autopart product to new prospects. Autopart enables large warehouses with hundreds of thousands of stock keeping units ("SKUs") to locate, manage, pack and deliver the parts with ease and efficiency. Second, these parts are distributed to the next business in the chain, which is the “jobber.” Into this market segment we also sell our Autopart product, which manages a jobber’s business (i.e., financial, stock control and order management) but more importantly enables the jobber to quickly identify the parts that the jobber’s client needs, either via the Internet or telephone, so that the correct product for the vehicle on the ramp can be supplied. The third and next segment of the automotive aftermarket supply chain is the “installer,” which repairs and maintains automobiles. The installer needs systems that enable it to efficiently and simply manage his businesses, whether as a single entity or national multi-site franchise. Into this segment we sell VAST and Autowork Online. The fourth segment is “OpenWebs™.” This technology allows these separate business solutions to connect to each other to allow, among other processes, ordering, invoicing and stock checking to take place in real- time both up and down the supply chain. The UK Market differs from that of the US in that it does not have the same number of large warehouse distribution centers. In the UK Market we sell the Autopart product to the jobber market, but sell Autowork Online to the installer market. In the UK, we also sell our catalog solution, Autocat+, which is an Internet-based identification tool used by the warehouse distribution, jobber and installer.

Current Products and Services

Meeting the needs of the automotive aftermarket requires offering a combination of business management systems, information products and online services that combine to deliver benefits for all parties involved in the timely repair of a vehicle. Our products and services include:

- Business management systems comprised of our proprietary software applications, implementation and training and third-party hardware and peripherals;
- Information products such as an accessible catalog database related to parts, tires, labor estimates, scheduled maintenance, repair information, technical service bulletins, pricing and product features and benefits, which are used by the different participants in the automotive aftermarket;
- Online services and products that connect manufacturers, warehouse distributors, retailers and automotive service providers via the Internet. These products enable electronic data interchange throughout the automotive aftermarket supply chain among the different trading partners. They also enable procurement and business services to be projected over the Internet to an expanded business audience. Some clients use our information products on their own websites and intranets and some clients use our systems and branded software to obtain relevant and up-to-date information via the Internet; and
- Customer support and consulting services that provide phone and online support, implementation and training.

Need for Technology Solutions

A variety of factors drive the automotive market's need for sophisticated technology solutions, including the following:

Inventory Management

Industry sources suggest that approximately 35% of parts produced are never sold and 30% of parts stocked are never sold. Approximately 25% of parts sold are eventually returned due to insufficient knowledge or capability by either the parts supplier counterman or the auto service provider installer. Clearly, there is substantial inefficiency in the automotive aftermarket supply chain. This inefficiency results in excess inventory carrying costs, logistical costs and

the over-production of parts and tires at the manufacturer level. The combination of business systems software, information products, and connectivity services we offer can assist in overcoming these inefficiencies.

Competition

In the US, the need for technology solutions has been accelerated by the expansion of large specialty parts retailers such as AutoZone, Inc. and Advance Auto Parts, Inc. and large auto service chains like Monro, Muffler and Brake, Inc. This expansion has driven smaller competitors to computerize or upgrade their existing systems with more modern business management solutions enabled for information products and online services. Many of the systems used by smaller competitors today are older, character-based or systems developed in-house that have a limited ability to integrate current information products and online services.

Volume and Complexity of Information

Businesses in the automotive aftermarket manage large volumes of information from numerous sources with complex inter-relationships. There are over 4.5 million different SKUs available to parts sellers in the product catalogs used by the US automotive aftermarket. The numbers of SKUs increase in the order of approximately 5% each year. Moreover, manufacturers update product information and product prices with increasing frequency as they improve their internal processing and try to keep pace with consumer trends. As a result, most automotive aftermarket businesses require sophisticated inventory management systems, accurate and timely information on parts, tires, and repair delivered through online services to communicate, manage and present this volume of data effectively.

Customer Service Requirements

Consumer demand for same-day repair service and the need to maintain efficient use of repair bays, forces automotive service providers to demand prompt and accurate delivery of specific parts and tires from their suppliers. Getting the required product promptly depends on all the parties having access to timely information about product price and availability. To meet these demanding customer service requirements successfully, automotive aftermarket participants need business management systems, product information and online services that enable workers to reliably and accurately transact their business between warehouse distributors, parts stores and automotive service providers.

Regional Efficiencies

The use and availability of a combination of business management systems, information products and online services has resulted in the development of regional trading networks among auto service provider chains, stores and warehouse distributors of parts and tires. This enables participants to achieve the efficiencies and customer service levels that are critical to being competitive and successful against the larger retail and service chains in the automotive aftermarket.

Plans for Growth

We expect growth in the automotive aftermarket will continue to be driven by:

- gradual growth in the aggregate number of vehicles in use;
- an increase in the average age of vehicles in operation;
- growth in the total number of miles driven per vehicle per year; and
- increased vehicle complexity.

We see opportunities to expand the breadth of our customer base within the automotive industry and diversify into new industries with similarly complex needs. We offer tailored business management and distribution software to the wholesale distributor market of the automotive industry. We have also started to expand and diversify our client and product mix in the UK Market to serve the lumber and hardware industries, which we believe have an unmet need for the efficiency offered by our suite of business software solutions and services. Our growth plans include adapting and updating our software products to serve other vertical markets as well as through potential acquisitions. While we have identified these vertical markets for potential growth for our software, our top execution priority remains automotive projects.

To date, our management has identified five areas of focus to drive our business. The first area is the continued growth of SaaS revenues derived from delivering our business management software via the 'cloud'. At present, most of our customers have our software installed in-house. 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 information technology personnel on staff to monitor and upgrade such a system.

We introduced our first subscription-based service solution over the Internet in 2005 in the UK Market, 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 in-house installations significant incentives to move to our cloud-computing model. While transitioning our MAM UK 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 are looking for solutions that are highly functional, easy to use, configurable, and fast.

To date, Autowork Online, our "installer" solution in the UK Market, and Autopart Online, our parts store solution, are being delivered in this way. Both products have been developed 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. We believe that this will be a growing area in the UK and NA Markets 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, 2016 we had 2,902 customers subscribing to this service. A white label version of this product, which is our product rebranded by a different company, has been successfully launched into the NA market in conjunction with ALLDATA LLC. Autopart Online was launched in August 2011 in the UK Market and in 2014 in the NA market. As of September 30, 2016, we had 3,405 end users subscribing to this service.

We have been developing VAST Online, the 'cloud' version of our VAST platform, which we expect to launch in the second half of fiscal year 2017. We have been working with Goodyear to deliver a version of VAST Online that will be their next generation point of sale 'cloud' solution. Following the successful rollout of VAST Online to the Goodyear network, MAM NA will promote the product to the wider NA market and also in the UK Market.

The second area of focus is the sales and marketing strategy within the NA market. MAM NA business will continue to invest in sales and marketing activity to help further expand the MAM brand and build our pipeline in the NA market.

The third area of focus relates to the launch of our information service, Autocat+, an electronic auto parts catalog that uses the DaaS distribution model. MAM 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 B2C websites. Information in Autocat+ is maintained through an automatic verification and standardization process, with updates published daily.

In the UK Market, there are approximately 10,000 end-users (warehouse distributors, parts stores and auto service providers) of our information products, to whom a monthly or annual subscription fee is charged. Our management

believes that launching a version of Autocat+ in the NA market will boost sales of our related our business management software solutions.

The fourth area of focus is to sustain levels of growth in MAM UK by concentrating on 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 we are now working on replicating this reputation in these additional vertical markets.

The fifth area of focus is the continued investment in research and development that allows us to deliver innovative new solutions and modules in the four prior areas of focus. During the year ended June 30, 2016, we introduced a number of enhancements to our existing products which created additional value for existing and prospective customers.

Additional Vertical Markets: Plumbing Merchants, Electrical Wholesalers, Builders Merchants and Lumber Merchants

We believe that construction-related businesses would benefit from the business management and distribution systems developed by MAM for its customers in the automotive aftermarket. We already have over 80 clients in the UK Market operating in the plumbing, building, lumber, and electrical wholesale distribution markets that are using a derivative of MAM's Autopart product, known as "Trader." We originally moved the Autopart product into these additional vertical markets a number of years ago after being approached by companies operating within these vertical markets that could not find a suitable management solution. To date, these additional vertical markets have made only a limited contribution to the revenues of MAM Ltd.

We have been promoting the "Trader" product to these markets, specifically targeting small and medium sized businesses with revenues of between \$500,000 and \$10 million. We are, and intend to continue, promoting Trader through a number of channels, direct marketing, advertorials and trade shows. We are also looking to raise awareness of the Trader product by placing advertisements in trade journals and will continue to look to have articles and editorial reviews written about the product and its advantages for those operating within these markets. We have also been targeting small and medium sized businesses within these vertical markets with direct mail pieces such as product fliers, and case studies from the small client base we have in this market. These have then been followed up by MAM's existing internal sales team to generate qualified leads for the external sales representatives.

Given the current opportunities in the automotive market, and the resources required to ensure the successful development and launch of several major projects, exploring additional vertical markets has been a lower strategic priority during the year ended June 30, 2016. We will continue to monitor the market and generate a reasonable amount of new interest in this area. During the year ended June 30, 2017, we expect this area of our business to be a greater part of our strategic discussions; however, at this time, we remain focused on executing on our present and near-term project commitments.

Strategic Goals

We are looking to increase our share of the NA market by (i) increasing the sales and marketing presence of our Autopart product, (ii) focusing on the tire and service and repair sector of the market (iii) and establishing Autocat and OpenWebs™ as the e-commerce standard within the Automotive market. In the UK Market we expect to continue to grow our market share through (i) moving our business management software into new vertical markets and (ii) increasing our footprint within the automotive aftermarket.

We believe that our successful experience within the automotive market will translate well into other vertical markets that have similarly complex supply chains. By developing specific sales teams with relevant market experience and supporting with them suitable marketing collateral, we believe that over time “Trader” can become an established product offering in these vertical markets. We plan, at this stage, to focus only on the UK Market for these additional vertical market opportunities.

Impact of Currency Exchange Rate

Our net revenue derived from sales in currencies other than the US dollar was 64% and 73% for the three months ended September 30, 2016 and 2015, respectively. As the US dollar strengthens in relation to the Great Britain Pound (“GBP”), our revenue and income, which is reported in US dollars, is negatively 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 MAM UK are translated at the average exchange rate. The exchange rate for MAM UK’s operating results was US \$1.3132 per GBP for the three months ended September 30, 2016, as compared to US \$1.5498 per GBP for the three months ended September 30, 2015.

Assets and liabilities of MAM UK are translated into US dollars at the period-end exchange rates. The exchange rate used for translating assets and liabilities of MAM UK was US \$1.2969 per GBP at September 30, 2016, as compared to US \$1.33898 per GBP at June 30, 2016.

Currency translation income (loss) adjustments are accumulated as a separate component of stockholders' equity, which totaled (\$3.5) million and (\$3.0) million as of September 30, 2016 and June 30, 2016, respectively.

Deferred Revenue

Quarterly and annual revenues are impacted by the deferral of revenue related to implementation and installation charges for SaaS contracts. The expectation is that there will be a continued shift to the cloud-based version of our products from our perpetual license products and that the associated revenue will shift from being recognized at the time of the transaction to being recognized over the customer life. However, as we will continue to offer perpetual license products, we cannot fully anticipate how revenue will be impacted. As of September 30, 2016, deferred revenue was \$1.4 million.

Results of Operations

Net Revenues. Our net revenues for the three months ended September 30, 2016 compared with the three months ended September 30, 2015 were as follows (dollars in thousands):

Net Revenues	For the Three Months Ended September 30,		\$ Variance	% Variance	
	2016	2015			
MAM UK:					
Recurring	\$4,479	\$4,711	\$ (232)	(5))%
Non-recurring	637	1,064	(427)	(40))%
Total MAM UK Revenues	\$5,116	\$5,775	\$ (659)	(11))%
MAM NA:					
Recurring	\$1,932	\$1,615	\$ 317	20	%
Non-recurring	1,014	605	409	68	%
Total MAM NA Revenues	\$2,946	\$2,220	\$ 726	33	%
Total Net Revenues	\$8,062	\$7,995	\$ 67	1	%

Total net revenues increased \$1.0 million, partially offset by unfavorable foreign currency exchange rates movements of \$0.9 million.

Net revenues from our MAM UK operations decreased primarily as a result of unfavorable foreign currency exchange rate movements of \$0.9 million and decreases in systems sales of \$0.3 million. This was partially offset by increases in recurring revenues of \$0.5 million. The increase in recurring revenue and decrease in system sales are attributed to customers moving to our SaaS platform.

Net revenues from our MAM NA operations increased for recurring and system sales as a result of overall growth in the market for SaaS and perpetual license sales and professional services.

Cost of Revenues. Our cost of revenues for the three months ended September 30, 2016 compared with the three months ended September 30, 2015 were as follows (dollars in thousands):

	For the Three Months Ended September 30,		\$ Variance		% Variance
	2016	2015			
Cost of Revenues:					
MAM UK	\$2,215	\$2,552	\$ (337)	(13)	%
MAM NA	1,103	1,162	(59)	(5)	%
Total Cost of Revenues	\$3,318	\$3,714	\$ (396)	(11)	%

Cost of revenues remained flat, however this was offset by favorable foreign currency rate movements of \$0.4 million.

Operating Expenses. Our operating expenses for the three months ended September 30, 2016, compared with the three months ended September 30, 2015 were as follows:

	For the Three Months Ended September 30,		Variance \$		Variance %
	2016	2015			
Research and development	\$895	\$830	\$ 65	8	%
Sales and marketing	910	1,071	(161)	(15)	%
General and administrative	1,510	1,267	243	19	%
Depreciation and amortization	62	89	(27)	(30)	%
Total Operating Expenses	\$3,377	\$3,257	\$ 120	4	%

Research and Development Expenses. Research and development ("R&D") expenses increased due to a \$0.2 million increase in development resources in order to support new client developments, partially offset by favorable foreign currency movements of \$0.1 million. R&D expenses for the three months ended September 30, 2016 and 2015 excluded \$0.7 million and \$0.6 million, respectively, of capitalized costs.

Sales and Marketing Expenses. Sales and marketing expenses decreased primarily due to a \$0.1 million impact from foreign currency movements and lower headcount.

General and Administrative Expenses. General and administrative expenses increased due to costs associated with changes with the accounting and finance organization, increases in annual incentive plans, and increases in the allowance for bad debts.

Depreciation and Amortization Expenses. Depreciation and amortization expenses were lower primarily due to favorable foreign currency movements.

Other Income (Expense). Interest expense increased by \$0.1 million to \$0.1 million for the three months ended September 30, 2016, as compared to expense of \$10,000 for the three months ended September 30, 2015. The increase in interest expense was due to the \$10.5 million of borrowings under the new credit facility in December 2015 to fund a tender offer.

Income Taxes. Income taxes decreased \$0.2 million to \$34,000 for the three months ended September 30, 2016, as compared to \$0.2 million for the three months ended September 30, 2015. The effective tax rate was 3% for the three months ended September 30, 2016, as compared to 18% for the three months ended September 30, 2015. The decrease in the effective tax rate was due to R&D credits from our MAM UK operations, as well as the utilization of prior net operating losses against income generated from our MAM NA operations.

Liquidity and Capital Resources

<i>(in thousands)</i>	For the Three Months Ended September 30,	
	2016	2015
Net cash provided by operating activities	\$1,410	\$613
Net cash used in investing activities	(773)	(1,100)
Net cash used in financing activities	(554)	(161)
Effect of exchange rate changes	(241)	(321)
Net change in cash and cash equivalents	(158)	(969)
Cash and cash equivalents at beginning of period	491	6,793
Cash and cash equivalents at end of period	\$333	\$5,824

For the three months ended September 30, 2016

Net cash provided by operating activities was primarily due to net income of \$1.2 million and non-cash adjustments of \$0.3 million.

The increase in accounts receivables was due to higher sales of software licenses in the first quarter of fiscal year 2017 that have not been fully paid and the decrease in accrued liabilities due the timing of payments. These were offset by the receipt of payment for tax credits related to our MAM UK operations and an increase in deferred revenue due to the increase in SaaS deals and deposits paid on larger perpetual deals.

Net cash used in investing activities was primarily due to capitalized software development costs of \$0.7 million.

Net cash used in financing activities relates to the repayment of long-term debt of \$0.7 million, offset by additional proceeds from the revolving loan facility of \$0.3 million.

For the three months ended September 30, 2015

Net cash provided by operating activities was due to net income of \$0.8 million and non-cash adjustments of \$0.2 million, partially offset by negative working capital of \$0.4 million.

The decrease in accounts payable, accrued expenses and other liabilities were primarily due to the timing of payments, including incentive payments. This was offset by decreases in accounts receivables due to collections of receivables.

Net cash used in investing activities was primarily due to capitalized software development costs of \$0.6 million and the purchase of Origin for \$0.5 million.

Net cash used in financing activities relates to the repurchase of stock through the share repurchase plan of \$0.2 million.

Fiscal 2017 Liquidity and Capital Resource Outlook

Our principal sources of liquidity are cash on hand and cash generated from operations, and borrowings available under our senior credit facility. To date, most of our profits have been generated in the UK and Ireland, but with the introduction of new products and efforts to streamline our MAM NA operations, we expect to see a continued increase in overall revenues with a contribution from MAM NA operations in fiscal 2017.

At September 30, 2016, we had cash and cash equivalents of \$0.3 million and negative working capital of \$0.8 million, including the current portion of long-term debt of \$1.9 million.

We expect to see positive earnings and cash flows from operations for fiscal 2017, with continued growth in revenues and operating income. 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 in the quarter, specifically due to additional products that have been developed by the MAM NA operations, which are currently being released to customers, and the continued growth of our Autopart line of products in the North America market.

On December 1, 2015, we completed a cash tender offer (the “Tender Offer”) and purchased 2.0 million shares of our common stock at a purchase price of \$7.50 per share for a total purchase price of \$15.0 million. We canceled and retired the shares purchased pursuant to the Tender Offer.

On December 1, 2015, we entered into a new credit agreement with J.P. Morgan Chase Bank, N.A., as amended, to provide for borrowings up to \$12.0 million consisting of a \$9.5 million term loan and a \$2.5 million revolver (“Credit Facility”). All borrowings become due and payable on December 1, 2018. The borrowings incur interest at a variable rate based on either LIBO Rate or a Prime Rate, as defined in the credit agreement, plus an applicable margin of 3.50% to 4.00%, based upon financial covenants. Under the terms of the Credit Facility, we are required to comply with certain loan covenants, which include, but are not limited to, the maintenance of certain financial ratios as well as certain financial reporting requirements and limitations. Our obligations under the Credit Facility are secured by all of our US assets and are guaranteed by our US wholly-owned subsidiary. Additionally, we pledged 65% of the stock of MAM Software Limited, our UK subsidiary.

On December 1, 2015, we borrowed \$10.5 million under the Credit Facility to fund a portion of the Tender Offer.

We believe our existing cash and cash equivalents balance, the cash expected to be generated from operations, and the borrowings available under our revolving credit facility 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. Any such additional funding may not be available on terms acceptable to us, or at all.

Working Capital

Working capital at September 30, 2016, was negative \$0.8 million, as compared to negative working capital of \$0.8 million at June 30, 2016.

Capital Expenditures

Capital expenditures for the three months ended September 30, 2016 and 2015 were \$0.8 million and \$0.6 million, respectively. The capital expenditures included capitalized software development costs of \$0.7 million and \$0.6 million for the three months ended September 30, 2016 and 2015, respectively.

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, 2016.

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 a 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 2016 Annual Report on Form 10-K filed on September 26, 2016.

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

For the three months ended, September 30, 2016, we issued 10,709 shares of common stock valued at approximately \$60,000, to the non-management members of our Board of Directors under the MAM's 2007 Long-Term Incentive Plan.

These issuances were not registered under the Securities Act, in reliance on an exemption from registration set forth in Section 4(a)(2) of the Securities Act, as part of a transaction by MAM not involving a public offering in which the shares were granted as compensation for services and the recipients had access to adequate current public information concerning MAM.

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.
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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 14, 2016 By: /s/ Michael G. Jamieson
Michael G. Jamieson
Chief Executive Officer

(Principal Executive Officer)

Date: November 14, 2016 By: /s/ Brian H. Callahan
Brian H. Callahan
Chief Financial Officer

(Principal Financial Officer)

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