



Singing Machine Company Announces Record Earnings in 3rd Quarter Release

Fort Lauderdale, FL, February 16, 2016 -- The Singing Machine Company, Inc. (“Singing Machine” or the “Company”) (OTCQB: SMDM) announces the financial results for its third quarter ended December 31, 2015.

Highlights:

- Earnings per share for the quarter ended December 31, 2015 was \$0.05 and \$0.07 for the nine-months year-to-date.
- Singing Machine shipped approximately 1.4 million units in the nine-month period through December 31, 2015.
- Net sales increased by 14% to \$20.6M for the quarter.
- Net sales for the nine month period increased by 23% to \$45.2M.
- Gross margins increased by 4.7% to 27.1% for the quarter.
- Net income for the quarter increased by 100% to \$2.0M.
- Inventory decreased by 46% to \$4.0M.

Singing Machine reports net sales of approximately \$20.6 million in its third fiscal quarter ended December 31, 2015, up from approximately \$18.1 million reported for the same period last year (an increase of 14%). The increase in net sales was attributable to an increase in sales to the Company’s major retailers. Gross margin increased to 27.1% compared to 22.4% in the same quarter in 2014 as a result of more favorable costing and pricing. The Company reports gross profits of approximately \$5.6 million up from \$4.1 million in the prior year (a 37% increase).

Operating expenses in the quarter ended December 31 were \$3.4 million compared to \$2.4 million in the same quarter of 2014. This increase was primarily the result of an increase in selling expenses due to the increased sales volume. General and administrative expenses increased slightly by 8% to approximately \$1.4 million.

As a result the Company reports income from operations of approximately \$2.2 million for the quarter, compared to approximately \$1.7 million in the prior year. The Company reports December 2015 quarter net income of approximately \$2.0 million (or \$0.05 cents per share), compared to approximately \$1.0 million (or \$0.03 per share) in the same quarter last year.

Nine-Month Financial Results:

Through the first nine months of its fiscal year, the Company reports net sales increased by 23% to \$45.2 million and income from operations increased by 120% to approximately \$3.3 million, compared

to net sales and income from operations in the same nine-month period last year of approximately \$36.6 million and \$1.5 million, respectively.

Net income for the first nine months improved to \$2.6 million, compared with \$0.9 million in the same period last year.

Management Commentary:

Commenting on the results, Gary Atkinson, CEO, said, “It was a fantastic quarter for Singing Machine. We saw improvements across all key financial metrics, including sales growth, margin improvement, and a doubling in net income for the quarter. We also reduced inventory by approximately \$3.6 million compared to the same time last year.”

“Hardware sales during the recent holiday season continue to perform strongly. Our retailers reported on average over 90% sell-through on Singing Machine products. We saw one major retail customer double their business with Singing Machine this year and sales to the United Kingdom grew by 100% year-over-year. Per a recent report by The NPD Group, a leading global information company, ranked Singing Machine #1 in the Electronic Entertainment category during the month of December on a sales velocity per weighted store metric.”

Atkinson commented on the new Singing Machine Karaoke Download Store’s success, “We got off to a terrific start with our new Karaoke Download Store. We beat internal forecasts and saw over 200,000 unique song downloads in the final two weeks in December. Almost 50% of our music download revenue in December was generated from our new Download Line of karaoke products. The Download line represented approximately 5% of our overall hardware sales during the nine-month period. We intend to aggressively expand our Download Line in the coming year, which we believe will significantly drive further recurring revenue to the Download Store.”

Atkinson concluded, “We begin calendar 2016 in a great position – we are fresh off a fantastic holiday quarter with strong sell-through, light on current model inventory, and with the biggest and best retailers now carrying Singing Machine products year-round.”

Earnings Call Information:

The Company will host a conference call today, February 16, beginning at 11:00 am Eastern time to discuss these results and answer questions.

If you would like to participate on the call, please dial 877-876-9174 and use conference ID: SMDM.

An audio rebroadcast of the call will be available later in the day after the earnings call and can be heard at: www.singingmachine.com/investors.

About The Singing Machine

Based in the US, Singing Machine® is the North American leader in consumer karaoke products. The first to provide karaoke systems for home entertainment in the United States, the Company sells its products world-wide through major mass merchandisers and on-line retailers. We offer the industry's widest line of at-home karaoke entertainment products, which allow consumers to find a

machine that suits their needs and skill level. As the most recognized brand in karaoke, Singing Machine products incorporate the latest technology for singing practice, music listening, entertainment and social sharing. The Singing Machine provides consumers the best warranties in the industry and access to over 10,000 songs for streaming and download. Singing Machine products are sold through most major retailers in North America and also internationally. See www.singingmachine.com for more details.

Investor Relations Contact:

Brendan Hopkins

(407) 645-5295

investors@singingmachine.com

www.singingmachine.com

www.singingmachine.com/investors

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations, estimates and projections about the Company's business based, in part, on assumptions made by management and include, but are not limited to statements about our financial statements for the fiscal year ended March 31, 2015. You should review our risk factors in our SEC filings which are incorporated herein by reference. Such forward-looking statements speak only as of the date on which they are made and the company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this release.

The Singing Machine Company, Inc. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2015	March 31, 2015
	(Unaudited)	
Assets		
Current Assets		
Cash	\$ 232,940	\$ 116,286
Accounts receivable, net of allowances of \$146,912 and \$174,131, respectively	10,298,788	1,466,168
Due from PNC Bank	-	137,415
Accounts receivable related party - Cosmo Communications Canada, Ltd	359,205	-
Accounts receivable related party - Winglight Pacific, Ltd	271,188	-
Accounts receivable related party - Starlight R&D, Ltd.	5,738	-
Inventories, net	4,078,156	7,448,167
Prepaid expenses and other current assets	152,048	92,609
Deferred financing costs	74,077	74,077
Deferred tax asset, net	745,488	449,274
Total Current Assets	16,217,628	9,783,996
Property and equipment, net	486,525	466,571
Other non-current assets	11,394	11,394
Deferred financing costs, net of current portion	40,125	95,683
Deferred tax asset, net of current portion	1,118,231	1,856,281
Total Assets	\$ 17,873,903	\$ 12,213,925
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 2,145,198	\$ 2,767,180
Note payable related party - Ram Light Management, Ltd.	833,091	496,496
Due to related party - Ram Light Management, Ltd	483,247	583,247
Due to related party - Starlight Electronics Co., Ltd	931,201	-
Due to related party - Starlight R&D, Ltd.	-	554,031
Due to related party - Cosmo Communications Canada, Inc.	-	40,256
Due to related party - Starlight Consumer Electronics Co., Ltd.	101,540	208,672
Accrued expenses	2,066,912	452,651
Revolving line of credit	1,791,141	-
Current portion of capital lease	4,288	12,628
Obligations to customers for returns and allowances	6,691	399,419
Warranty provisions	1,061,854	197,873
Total Current Liabilities	9,425,163	5,712,453
Long-term capital lease, net of current portion	-	1,078
Note payable related party debt - Ram Light Management, Ltd. net of current portion	-	603,504
Accrued expenses, net of current portion	-	46,495
Subordinated related party debt - Starlight Marketing Development, Ltd.	1,924,431	1,924,431
Total Liabilities	11,349,594	8,287,961
Commitments and Contingencies		
Shareholders' Equity		
Preferred stock, \$1.00 par value; 1,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, Class A, \$0.01 par value; 100,000 shares authorized; no shares issued and outstanding	-	-
Common stock, Class B, \$0.01 par value; 100,000,000 shares authorized; 38,161,635 and 38,117,517 shares issued and outstanding, respectively	381,616	381,175
Additional paid-in capital	19,322,410	19,307,966
Accumulated deficit	(13,179,717)	(15,763,177)
Total Shareholders' Equity	6,524,309	3,925,964
Total Liabilities and Shareholders' Equity	\$ 17,873,903	\$ 12,213,925

The Singing Machine Company, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For Three Months Ended		For Nine Months Ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Net Sales	\$ 20,667,069	\$ 18,086,370	45,194,527	\$ 36,583,388
Cost of Goods Sold	15,066,443	14,034,505	33,784,839	28,853,864
Gross Profit	5,600,626	4,051,865	11,409,688	7,729,524
Operating Expenses				
Selling expenses	1,936,715	1,078,905	4,225,677	2,690,939
General and administrative expenses	1,431,993	1,258,643	3,736,230	3,454,761
Depreciation	47,497	33,969	122,162	96,173
Total Operating Expenses	3,416,205	2,371,517	8,084,069	6,241,873
Income from Operations	2,184,421	1,680,348	3,325,619	1,487,651
Other Expenses				
Interest expense	(91,847)	(118,713)	(244,765)	(200,198)
Financing costs	(18,519)	(18,519)	(55,558)	(33,952)
Total Other Expenses	(110,366)	(137,232)	(300,323)	(234,150)
Income Before Income Tax Provision	2,074,055	1,543,116	3,025,296	1,253,501
Income Tax Provision	(67,142)	(509,252)	(441,836)	(397,995)
Net Income	\$ 2,006,913	\$ 1,033,864	2,583,460	\$ 855,506
Income per Common Share				
Basic	\$ 0.05	\$ 0.03	\$ 0.07	\$ 0.02
Diluted	\$ 0.05	\$ 0.03	\$ 0.07	\$ 0.02
Weighted Average Common and Common Equivalent Shares:				
Basic	38,161,635	38,117,517	38,140,458	38,090,756
Diluted	38,686,019	38,645,514	38,638,925	38,589,350

See notes to the condensed consolidated financial statements.

The Singing Machine Company, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

		For Nine Months Ended	
		December 31, 2015	December 31, 2014
Cash flows from operating activities:			
	Net Income	\$ 2,583,460	\$ 855,506
	Adjustments to reconcile net income to net cash used in operating activities:		
	Depreciation	122,162	96,173
	Amortization of deferred financing costs	55,558	33,952
	Change in inventory reserve	139,000	(103,000)
	Change in allowance for bad debts	(27,219)	81,523
	Stock based compensation	14,885	44,307
	Change in net deferred tax assets	441,836	397,995
	Changes in operating assets and liabilities:		
	(Increase) decrease in:		
	Accounts receivable	(8,805,401)	(6,942,761)
	Accounts receivable - related parties	(636,131)	-
	Inventories	3,231,011	(1,710,616)
	Prepaid expenses and other current assets	(59,439)	(1,325)
	Other non-current assets	-	6,236
	Increase (decrease) in:		
	Accounts payable	(621,982)	2,479,331
	Due to related parties	129,782	368,359
	Accrued expenses	1,567,766	879,896
	Warranty provisions	863,981	512,038
	Obligations to clients for returns and allowances	(392,728)	(194,580)
	Net cash used in operating activities	(1,393,459)	(3,196,966)
Cash flows from investing activities:			
	Purchase of property and equipment	(142,116)	(35,599)
	Refund of restricted cash	-	138,042
	Net cash (used in) provided by investing activities	(142,116)	102,443
Cash flows from financing activities:			
	Net proceeds from revolving line of credit	1,928,556	2,445,062
	Payment on note payable related party - Ram Light Management, Ltd.	(266,909)	-
	Payment of deferred financing costs	-	(222,231)
	Payments on long-term capital lease	(9,418)	(9,006)
	Net cash provided by financing activities	1,652,229	2,213,825
	Net change in cash	116,654	(880,698)
	Cash at beginning of period	116,286	1,354,099
	Cash at end of period	\$ 232,940	\$ 473,401
Supplemental disclosures of cash flow information:			
	Cash paid for interest	\$ 218,733	\$ 170,729
Supplemental Disclosures of non-cash financing activity:			
	Conversion of related party payables to note payable	\$ -	\$ 1,100,000

See notes to the condensed consolidated financial statements.