



## **Singing Machine Announces 40% Increase in Sales in First Quarter Earnings Report**

**Fort Lauderdale, FL**, August 15, 2016 – **The Singing Machine Company, Inc.** (“Singing Machine” or the “Company”) (OTCQX: **SMDM**) – the North American leader in consumer karaoke products – today announced its financial results for its first quarter ended June 30, 2016.

### **First Quarter Highlights:**

- Net sales for the June 30, 2016 quarter increased by 40% from \$3.5 million to \$4.9 million, compared to the same period from last year.
- EBITDA for the period improved by approximately \$0.2 million compared to the same period last year.
- Related party debt paid down by \$1.3 million compared to the same period last year.

Singing Machine reports net sales of approximately \$4.9 million for the quarter-ended June 30, 2016 period, an increase of 40% from the prior year (\$3.5 million). The increase in net sales is attributable to an increase in sales to one major retailer for a new holiday program.

Gross profit increased by approximately \$0.3 million to \$1.1 million, or 23.5% of net sales compared to approximately \$0.85 million or 24.8% of net sales reported in the prior year. The decrease in gross profit margin is due to one retailer taking delivery of their holiday promotional goods earlier than usual.

Total operating expenses increased to \$1.7 million compared to \$1.6 million in the prior year.

As a result, the Company reported a decrease of \$167,000 in loss from operations to \$571,000 compared to a loss from operations of approximately \$739,000 in the same period in the prior year. Loss before income taxes improved by approximately \$200,000 compared to the prior year due to the increase in sales and the aforementioned reasons. Net loss for the period decreased to \$437,000 compared to \$495,000 in the prior year representing a loss of \$0.01 per share on a fully diluted basis.

### **Management Commentary:**

Gary Atkinson, Singing Machine CEO commented, “The Company continues to see strong growth in our first quarter – which is historically one of our slowest quarters. We grew sales 40% year over year in our first quarter and reduced our loss before taxes by approximately \$200,000. Last year, first quarter sales represented approximately 7% of overall sales for the fiscal year ended March 31, 2016.”

Atkinson added, “As we look toward our upcoming holiday season, we continue to have the best and biggest names of retail partners and the largest market share for consumer karaoke products in North America. We also anticipate to ship 500% more digital download machines than we did in the prior year with 99% of our total product fleet to include Bluetooth® access to our mobile karaoke app. Additionally, our backlog of purchase indications from our customers exceeds those held at this same time last year.”

### **Earnings Call Information:**

The Company will host a conference call today, Monday, August 15, beginning at 10:00 am Eastern time to discuss these results and answer questions. If you would like to participate on the call, please dial 877-876-9175 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](http://www.singingmachine.com/investors).

### **About The Singing Machine**

Based in the U.S., 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 worldwide 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 12,000 songs for streaming and download. Singing Machine products are sold through most major retailers in North America and also internationally. See [www.singingmachine.com](http://www.singingmachine.com) for more details.

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### **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, 2016. 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**

	June 30, 2016 (Unaudited)	March 31, 2016
<b><u>Assets</u></b>		
<b>Current Assets</b>		
Cash	\$ 444,515	\$ 2,116,490
Accounts receivable, net of allowances of \$74,498 and \$51,179, respectively	3,451,300	1,381,789
Due from PNC Bank	861	184,392
Accounts receivable related party - Cosmo Communications Canada, Ltd	154,247	19,077
Accounts receivable related party - Winglight Pacific, Ltd	192,976	-
Accounts receivable related parties - other	4,262	7,075
Inventories, net	8,367,957	3,690,975
Prepaid expenses and other current assets	148,806	115,601
Deferred financing costs	74,077	74,077
<b>Total Current Assets</b>	12,839,001	7,589,476
<b>Property and equipment, net</b>	452,338	430,602
<b>Other non-current assets</b>	11,523	11,394
<b>Deferred financing costs</b>	3,087	21,606
<b>Deferred tax asset</b>	2,607,119	2,408,531
<b>Total Assets</b>	\$ 15,913,068	\$ 10,461,609
<b><u>Liabilities and Shareholders' Equity</u></b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 6,326,737	\$ 722,213
Note payable related party - Ram Light Management, Ltd.	558,075	696,612
Due to related party - Ram Light Management, Ltd	201,000	400,000
Due to related party - Starlight Electronics Co., Ltd	707,819	-
Due to related party - Merrygain Holding Co.,Ltd	12,829	-
Accrued expenses	734,276	650,115
Current portion of capital lease	-	1,078
Obligations to customers for returns and allowances	22,414	121,092
Warranty provisions	193,263	292,500
<b>Total Current Liabilities</b>	8,756,413	2,883,610
<b>Subordinated related party debt - Starlight Marketing Development, Ltd.</b>	1,924,431	1,924,431
<b>Total Liabilities</b>	10,680,844	4,808,041
<b>Commitments and Contingencies</b>	-	-
<b>Shareholders' Equity</b>		
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; 38,181,635 and 38,161,635 shares issued and outstanding, respectively	381,816	381,816
Additional paid-in capital	19,347,268	19,337,939
Subscriptions receivable	-	(6,400)
Accumulated deficit	(14,496,860)	(14,059,787)
<b>Total Shareholders' Equity</b>	5,232,224	5,653,568
<b>Total Liabilities and Shareholders' Equity</b>	\$ 15,913,068	\$ 10,461,609

*See notes to the condensed consolidated financial statements.*

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

	For Three Months Ended	
	June 30, 2016	June 30, 2015
<b>Net Sales</b>	\$ 4,859,392	\$ 3,466,874
<b>Cost of Goods Sold</b>	3,715,709	2,608,453
<b>Gross Profit</b>	1,143,683	858,421
<b>Operating Expenses</b>		
Selling expenses	424,878	457,727
General and administrative expenses	1,246,851	1,101,981
Depreciation	43,795	37,333
<b>Total Operating Expenses</b>	1,715,524	1,597,041
<b>Loss from Operations</b>	(571,841)	(738,620)
<b>Other Expenses</b>		
Interest expense	(16,027)	(50,112)
Financing costs	(18,519)	(18,519)
<b>Total Other Expenses</b>	(34,546)	(68,631)
<b>Loss Before Income Tax Benefit</b>	(606,387)	(807,251)
<b>Income Tax Benefit</b>	169,314	312,325
<b>Net Loss</b>	\$ (437,073)	\$ (494,926)
<b>Loss per Common Share</b>		
Basic and Diluted	\$ (0.01)	\$ (0.01)
<b>Weighted Average Common and Common Equivalent Shares:</b>		
Basic and Diluted	38,181,635	38,117,517

*See notes to the condensed consolidated financial statements.*

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

	For Three Months Ended	
	June 30, 2016	June 30, 2015
<b>Cash flows from operating activities:</b>		
Net Loss	\$ (437,073)	\$ (494,926)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	43,795	37,333
Amortization of deferred financing costs	18,519	18,519
Change in inventory reserve	66,000	(37,560)
Change in allowance for bad debts	23,319	(127,433)
Stock based compensation	9,329	2,001
Change in net deferred tax asset	(198,588)	(312,325)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(2,092,830)	(80,027)
Due from PNC Bank	183,531	137,415
Accounts receivable related parties	(325,333)	(94,252)
Inventories	(4,742,982)	(624,621)
Prepaid expenses and other current assets	(33,205)	1,914
Other non-current assets	(129)	-
Increase (decrease) in:		
Accounts payable	5,604,524	258,092
Due to related parties	521,648	35,456
Accrued expenses	84,161	182,533
Customer deposits	-	287,110
Obligations to clients for returns and allowances	(98,678)	(389,058)
Warranty provisions	(99,237)	(44,799)
Net cash used in operating activities	(1,473,229)	(1,244,628)
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(65,531)	(42,157)
Net cash used in investing activities	(65,531)	(42,157)
<b>Cash flows from financing activities:</b>		
Net proceeds from revolving line of credit	-	1,537,014
Net proceeds from subscription receivable	6,400	-
Payment on note payable related party - Ram Light Management, Ltd.	(138,537)	-
Payments on capital lease	(1,078)	(3,105)
Net cash (used in) provided by financing activities	(133,215)	1,533,909
<b>Net change in cash</b>	(1,671,975)	247,124
<b>Cash at beginning of period</b>	2,116,490	116,286
<b>Cash at end of period</b>	\$ 444,515	\$ 363,410
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	\$ 15,027	\$ 9,665

*See notes to the condensed consolidated financial statements.*