



## Singing Machine Announces Record Sales & Earnings in Second Quarter Earnings Report

**Fort Lauderdale, FL**, November 14, 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 second quarter ended September 30, 2016.

### Second Quarter Highlights:

- Earnings per share increased 66% to \$0.05 per share compared to \$0.03 in the same period last year. Year-to-date earnings per share increased to \$0.04 cents per share.
- Net sales for the quarter increased 33% to \$28.1 million.
- Net sales year-to-date increased by 34% to \$32.9 million.
- Net income before tax for the quarter increased to \$2.8 million, compared to approximately \$1.9 million in the same period last year.
- Year-to-date net income before tax increased to approximately \$2.0 million compared to approximately \$0.9 million in the same period last year.

Singing Machine reports net sales of approximately \$28.1 million for the quarter-ended September 30, 2016 period, an increase of 33% from the prior year (\$21.1 million). The increase in net sales is primarily due to an increase in sales to one major retailer for a Black Friday holiday program. The balance of the growth came from an increase in sales to a popular e-commerce retailer who anticipates strong demand for Singing Machine product for the holidays as well as timing factors with other retailers buying product early for the season.

Gross profit increased by approximately \$1.6 million to \$6.5 million, or 23.1% of net sales, compared to approximately \$4.9 million, or 23.3% of net sales, reported in the prior year. The mix of gross profit margin is slightly lower than regular margin due to a large portion of the sales going to one retailer for its Black Friday promotion.

Total operating expenses increased to \$3.7 million compared to \$3.0 million in the prior year. The majority of the increase is a result of increased variable selling expenses associated with the increase in overall net sales. The balance of the increase was a result of additional payroll expense and overseas expenses to handle the increase in production.

As a result, the Company reported income from operations of \$2.8 million compared to income from operations of approximately \$1.9 million in the same period in the prior year (47% increase). Net income for the quarter increased to \$1.8 million (or \$.05 cents per share on a fully diluted basis) compared to \$1.1 million (or \$0.03 cents per share on a fully diluted basis) over the same period last year. Net income through the first six months was \$1.4 million compared to approximately \$0.6 million over the same period last year.

### Management Commentary:

Gary Atkinson, Singing Machine CEO commented, “Our team has done a fantastic job growing the business this quarter. We grew net sales by 33% over last year and we were also successful in significantly improving our bottom line net income by 138% year-to-date. The revenue increase reflects organic growth of our karaoke hardware to new and existing customers as well as international markets. I’m proud to say this quarter marks the tenth consecutive quarter of year-over-year growth in sales and earnings.”

Bernardo Melo, Vice President of Sales, commented, “The great results reported during this quarter are the result of our expanded partnership with our Retailers and eTailers as well as a continued commitment to position our brand as a leader in home entertainment. We are properly aligned to take advantage of the increase in home entertainment purchases by families across the world. We released two additional Digital Download karaoke machines this year – the Remix and the Fiesta, expanding our assortment to meet the need of consumer demands for new technology in the digital download segment. The increase in sales also reflects the early sell through trends this year, which our retail partners anticipate will continue during our key holiday rush. We are also seeing strong demand abroad, where we anticipate 100% increase year over year growth internationally.”

### **Earnings Call Information:**

The Company will host a conference call today, Monday, November 14, 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 (800) 895-1241 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**

	September 30, 2016 (Unaudited)	March 31, 2016
<b><u>Assets</u></b>		
<b>Current Assets</b>		
Cash	\$ 948,506	\$ 2,116,490
Accounts receivable, net of allowances of \$283,689 and \$51,179, respectively	18,141,061	1,381,789
Due from PNC Bank	-	184,392
Accounts receivable related party - Cosmo Communications Canada, Ltd	375,874	19,077
Accounts receivable related party - Winglight Pacific, Ltd	257,908	-
Accounts receivable related party - other	2,974	7,075
Inventories, net	8,626,644	3,690,975
Prepaid expenses and other current assets	77,360	115,601
Deferred financing costs	58,644	74,077
<b>Total Current Assets</b>	<b>28,488,971</b>	<b>7,589,476</b>
<b>Property and equipment, net</b>	419,440	430,602
<b>Other non-current assets</b>	11,523	11,394
<b>Deferred financing costs, net of current portion</b>	-	21,606
<b>Deferred tax asset</b>	1,738,670	2,408,531
<b>Total Assets</b>	<b>\$ 30,658,604</b>	<b>\$ 10,461,609</b>
<b><u>Liabilities and Shareholders' Equity</u></b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 10,143,703	\$ 722,213
Note payable related party - Ram Light Management, Ltd.	467,449	696,612
Due to related party - Ram Light Management, Ltd	-	400,000
Due to related party - Starlight Electronics Co., Ltd	87,066	-
Due to related party - Starlight Consumer Electronics Co., Ltd.	15,598	-
Accrued expenses	1,966,217	650,115
Revolving line of credit	8,103,991	-
Current portion of capital lease	-	1,078
Obligations to customers for returns and allowances	19,893	121,092
Warranty provisions	859,872	292,500
Subordinated related party debt - Starlight Marketing Development, Ltd.	1,924,431	-
<b>Total Current Liabilities</b>	<b>23,588,220</b>	<b>2,883,610</b>
<b>Subordinated related party debt - Starlight Marketing Development, Ltd.</b>	-	1,924,431
<b>Total Liabilities</b>	<b>23,588,220</b>	<b>4,808,041</b>
<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; 38,223,303 and 38,161,635 shares issued and outstanding, respectively	382,233	381,816
Additional paid-in capital	19,374,536	19,337,939
Subscriptions receivable	-	(6,400)
Accumulated deficit	(12,686,385)	(14,059,787)
<b>Total Shareholders' Equity</b>	<b>7,070,384</b>	<b>5,653,568</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 30,658,604</b>	<b>\$ 10,461,609</b>

*See notes to the condensed consolidated financial statements.*

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

	For Three Months Ended		For Six Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
<b>Net Sales</b>	\$ 28,129,051	\$ 21,060,584	\$ 32,988,443	\$ 24,527,458
<b>Cost of Goods Sold</b>	<u>21,626,419</u>	<u>16,109,943</u>	<u>25,342,128</u>	<u>18,718,396</u>
<b>Gross Profit</b>	6,502,632	4,950,641	7,646,315	5,809,062
<b>Operating Expenses</b>				
Selling expenses	2,227,223	1,831,235	2,652,101	2,288,962
General and administrative expenses	1,467,131	1,202,256	2,713,982	2,304,237
Depreciation	43,795	37,332	87,590	74,665
<b>Total Operating Expenses</b>	<u>3,738,149</u>	<u>3,070,823</u>	<u>5,453,673</u>	<u>4,667,864</u>
<b>Net Income from Operations</b>	2,764,483	1,879,818	2,192,642	1,141,198
<b>Other Expenses</b>				
Interest expense	(67,038)	(102,806)	(83,065)	(152,918)
Financing costs	(18,520)	(18,520)	(37,039)	(37,039)
<b>Total Other Expenses</b>	<u>(85,558)</u>	<u>(121,326)</u>	<u>(120,104)</u>	<u>(189,957)</u>
<b>Income Before Income Tax Provision</b>	2,678,925	1,758,492	2,072,538	951,241
<b>Income Tax Provision</b>	<u>(868,449)</u>	<u>(687,019)</u>	<u>(699,135)</u>	<u>(374,694)</u>
<b>Net Income</b>	<u>\$ 1,810,476</u>	<u>\$ 1,071,473</u>	<u>\$ 1,373,403</u>	<u>\$ 576,547</u>
<b>Income per Common Share</b>				
Basic	\$ 0.05	\$ 0.03	\$ 0.04	\$ 0.00
Diluted	\$ 0.05	\$ 0.03	\$ 0.04	\$ 0.00
<b>Weighted Average Common and Common Equivalent Shares:</b>				
Basic	38,205,186	38,117,517	38,193,247	38,077,116
Diluted	38,980,571	38,070,642	38,968,632	38,077,116

*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	
	September 30, 2016	September 30, 2015
<b>Cash flows from operating activities:</b>		
Net Income	\$ 1,373,403	\$ 576,547
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	87,590	74,665
Amortization of deferred financing costs	37,039	37,039
Change in inventory reserve	90,000	112,440
Change in allowance for bad debts	232,510	(48,741)
Stock based compensation	37,014	12,193
Change in net deferred tax asset	669,861	374,694
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(16,991,782)	(15,457,793)
Due from PNC Bank	184,392	-
Accounts receivable related parties	(610,604)	(1,591,257)
Inventories	(5,025,669)	(2,213,520)
Prepaid expenses and other current assets	38,241	(95,715)
Other non-current assets	(129)	-
Increase (decrease) in:		
Accounts payable	9,421,490	6,495,546
Due to related parties	(297,336)	2,336,171
Accrued expenses	1,316,102	1,179,864
Customer deposits	-	91,157
Obligations to clients for returns and allowances	(101,199)	(394,009)
Warranty provisions	567,372	429,658
Net cash used in operating activities	<u>(8,971,705)</u>	<u>(8,081,061)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(76,428)	(129,517)
Net cash used in investing activities	<u>(76,428)</u>	<u>(129,517)</u>
<b>Cash flows from financing activities:</b>		
Net proceeds from revolving line of credit	8,103,990	8,678,304
Net proceeds from exercise of stock options	6,400	-
Payment on note payable related party - Ram Light Management, Ltd.	(229,163)	(132,456)
Payment of deferred financing costs	-	-
Payments on long-term capital lease	(1,078)	(6,244)
Net loan proceeds from related parties	-	-
Net cash provided by financing activities	<u>7,880,149</u>	<u>8,539,604</u>
<b>Net change in cash</b>	<u>(1,167,984)</u>	<u>329,026</u>
<b>Cash at beginning of period</b>	<u>2,116,490</u>	<u>116,286</u>
<b>Cash at end of period</b>	<u>\$ 948,506</u>	<u>\$ 445,312</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	<u>\$ 53,107</u>	<u>\$ 58,808</u>

*See notes to the condensed consolidated financial statements.*