



Singing Machine Announces First Quarter 2018 Earnings Report

Fort Lauderdale, FL, August 14, 2017 – **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, 2017.

First Quarter Highlights:

- Net sales of \$3.9 million for the June 30, 2017 quarter.
- Gross margin improved by 3.9% from 23.5% to 27.4%.
- Net loss increased by \$0.09 million from \$0.44 million to \$0.53 million.
- Earnings per share held steady at a loss of \$0.01 cent per share compared to the same period last year.
- Related party debt paid down by \$2.6 million from approximately \$3.1 million to approximately \$0.5 million compared to the same period last year.

Singing Machine reports net sales of approximately \$3.9 million for the quarter-ended June 30, 2017 period, a decrease of 19% from the prior year (\$4.9 million). The decrease in net sales was primarily a timing issue of special promotional product that shipped early last year in the first quarter but was moved to second quarter of the current fiscal year.

Gross profit margin increased by approximately 3.9% million to 27.4% net sales compared to approximately 23.5% of net sales reported in the prior year. The increase in gross profit margin is due to the mix of shipments containing less promotional product compared to last year.

Total operating expenses increased to \$1.9 million compared to \$1.7 million in the prior year.

As a result, the Company reported an increase of approximately \$220,000 in loss from operations to \$790,000 compared to a loss from operations of approximately \$570,000 in the same period in the prior year. Net loss for the period increased to \$527,000 compared to \$437,000 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, “Despite a drop in Q1 net sales, we’re still very happy with our progress this fiscal year. We managed to increase gross margin by almost 4% and remain confident about our growth plans for the balance of the fiscal year. Our decline in sales this quarter was the result of retailers requesting more “just-in-time” delivery of promotional product which shifted the bulk of these sales to our second quarter.”

Atkinson added, “With the recent addition of Best Buy brick and mortar stores, we move into our peak season with the best and biggest names of retail partners and the largest market share for consumer karaoke products in North America. We also enter our second quarter with a backlog of orders for our new line of SMC Kids toy products, which are being well received by our customers and retailers.”

Earnings Call Information:

The Company will host a conference call today, Monday, August 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 866-831-8713 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 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 13,000 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.

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Forward-Looking Statements

This press release contains forwardlooking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forwardlooking 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, 2017. You should review our risk factors in our SEC filings which are incorporated herein by reference. Such forwardlooking statements speak only as of the date on which they are made and the company does not undertake any obligation to update any forwardlooking 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, 2017	March 31, 2017
	(Unaudited)	
<u>Assets</u>		
Current Assets		
Cash	\$ 430,944	\$ 2,305,439
Accounts receivable, net of allowances of \$126,555 and \$132,853, respectively	2,762,249	1,655,518
Due from PNC Bank	-	242,859
Accounts receivable related party - Cosmo Communications Canada, Ltd	241,128	-
Accounts receivable related party - Winglight Pacific, Ltd	310,772	-
Accounts receivable related party - other	5,747	-
Inventories, net	8,661,876	5,426,346
Prepaid expenses and other current assets	397,621	81,278
Deferred financing costs	13,333	21,606
Total Current Assets	12,823,670	9,733,046
Property and equipment, net	554,928	412,805
Other non-current assets	11,523	11,523
Deferred financing costs, net of current portion	26,667	-
Deferred tax asset	1,762,335	1,479,209
Total Assets	\$ 15,179,123	\$ 11,636,583
<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities		
Accounts payable	\$ 4,522,451	\$ 1,381,870
Current portion of bank term note payable	500,000	-
Due to related party - Starlight Electronics Co., Ltd	79,824	-
Due to related party - Merrygain Holding Co.,Ltd	38,487	-
Due to related party - Starlight Consumer Electronics Co., Ltd.	31,476	-
Accrued expenses	726,287	626,331
Revolving line of credit	683,986	-
Obligations to customers for returns and allowances	108,175	38,460
Warranty provisions	93,989	223,700
Current portion of subordinated related party debt - Starlight Marketing Development, Ltd.	446,406	1,924,431
Total Current Liabilities	7,231,081	4,194,792
Bank term note payable, net of current portion	500,000	-
Subordinated related party debt - Starlight Marketing Development, Ltd., net of current portion	478,025	-
Total Liabilities	8,209,106	4,194,792
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; 38,259,303 and 38,259,303 shares issued and outstanding, respectively	382,593	382,593
Additional paid-in capital	19,468,024	19,412,787
Accumulated deficit	(12,880,600)	(12,353,589)
Total Shareholders' Equity	6,970,017	7,441,791
Total Liabilities and Shareholders' Equity	\$ 15,179,123	\$ 11,636,583
<i>See notes to the condensed consolidated financial statements.</i>		

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

	For Three Months Ended	
	June 30, 2017	June 30, 2016
Net Sales	\$ 3,939,733	\$ 4,859,392
Cost of Goods Sold	2,860,584	3,715,709
Gross Profit	1,079,149	1,143,683
Operating Expenses		
Selling expenses	463,747	424,878
General and administrative expenses	1,359,231	1,246,851
Depreciation	43,213	43,795
Total Operating Expenses	1,866,191	1,715,524
Loss from Operations	(787,042)	(571,841)
Other Expenses		
Interest expense	(283)	(16,027)
Financing costs	(21,606)	(18,519)
Total Other Expenses	(21,889)	(34,546)
Loss Before Income Tax Benefit	(808,931)	(606,387)
Income Tax Benefit	281,921	169,314
Net Loss	(527,010)	\$ (437,073)
Loss per Common Share		
Basic and Diluted	\$ (0.01)	\$ (0.01)
Weighted Average Common and Common		
Equivalent Shares:		
Basic and Diluted	38,259,303	38,181,635
<i>See notes to the condensed consolidated financial statements.</i>		

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

	For Three Months Ended	
	June 30, 2017	June 30, 2016
Cash flows from operating activities:		
Net Loss	\$ (527,010)	\$ (437,073)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	43,213	43,795
Amortization of deferred financing costs	21,606	18,519
Change in inventory reserve	(375,000)	66,000
Change in allowance for bad debts	(6,028)	23,319
Stock based compensation	55,237	9,329
Change in net deferred tax asset	(283,126)	(198,588)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(1,100,703)	(2,092,830)
Due from PNC Bank	242,859	183,531
Accounts receivable - related parties	(557,647)	(325,333)
Inventories	(2,860,530)	(4,742,982)
Prepaid expenses and other current assets	(316,343)	(33,205)
Other non-current assets	-	(129)
Increase (decrease) in:		
Accounts payable	3,140,580	5,604,524
Due to related parties	149,787	521,648
Accrued expenses	99,956	84,161
Obligations to clients for returns and allowances	69,715	(98,678)
Warranty provisions	(129,711)	(99,237)
Net cash used in operating activities	<u>(2,333,145)</u>	<u>(1,473,229)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(185,336)	(65,531)
Net cash used in investing activities	<u>(185,336)</u>	<u>(65,531)</u>
Cash flows from financing activities:		
Net proceeds from revolving line of credit	683,986	-
Proceeds from bank term note	1,000,000	-
Proceeds from exercise of stock options	-	6,400
Payment of deferred financing costs	(40,000)	-
Payment on note payable related party - Ram Light Management, Ltd.	-	(138,537)
Payment on subordinated debt - related party	(1,000,000)	-
Payments on capital lease	-	(1,078)
Net cash provided by (used in) financing activities	<u>643,986</u>	<u>(133,215)</u>
Net change in cash	<u>(1,874,495)</u>	<u>(1,671,975)</u>
Cash at beginning of period	2,305,439	2,116,490
Cash at end of period	<u>\$ 430,944</u>	<u>\$ 444,515</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 283	\$ 15,027
Cash paid for income taxes	\$ 30,000	\$ -

See notes to the condensed consolidated financial statements.