



## **Singing Machine Announces 24% Increase in Sales and Record Earnings in Fiscal 2016 Annual Report**

**Fort Lauderdale, FL, June 29, 2016 -- The Singing Machine Company, Inc.** (“Singing Machine” or the “Company”) (OTCQB: **SMDM**) today announced financial results for its fiscal year ended March 31, 2016.

### **Fiscal Year End Highlights:**

- Earnings per share of \$0.04 for the March 31, 2016 fiscal year end.
- Net sales for the fiscal year increased by 24% to \$48.9 million.
- Gross profit margins increased by 3.3% to 24.4%.
- Gross profits increased by \$3.6 million to \$11.9 million.
- Product returns reduced to historical low of 5.5% of gross sales.
- Inventory decreased by 50% to \$3.7 million.
- Net income for the fiscal year end increased to \$1.7 million.

Singing Machine reports net sales of approximately \$48.9 million for the March 31, 2016 fiscal year end period, an increase of 24% from the prior year (\$39.3 million). The increase in net sales is attributable to an increase in sales to the Company's major retailers caused by successful marketing campaigns and increased consumer demand. The increase is also attributable to an expansion in international sales to the United Kingdom and other new territories. E-commerce sales through the Company's online platforms continue to grow, accounting for 18% of the increase.

Gross profit increased by \$3.6 million to \$11.9 million, or 24.4% of net sales compared to \$8.3 million or 21.1% of net sales reported in the prior year. The increase in gross profit margin is primarily attributable to the Company successfully negotiating price reductions on select high volume products and the Company's ability to command a higher margin on its digital download line of products.

Total operating expenses for FYE March 2016 were \$10.0 million compared to \$7.7 million in the prior year. The increase is primarily attributable to the rise in selling expenses due to the 24% increase in overall net sales.

As a result, the Company reported income from operations of \$1.9 million for the fiscal year ended March 31, 2016, compared to \$0.6 million reported in the prior year. The Company reversed its remaining deferred tax asset valuation allowance of approximately \$0.8 million based upon the Company's history of profitability and Management's assessment of the current business climate and expected future profits. As a result, the Company recognized a net income tax benefit of \$0.1 million. Consequently, net income for the year was \$1.7 million, compared to \$0.2 million for the 2015 fiscal year end and earnings per share for the fiscal year end was \$0.04 cents.

## **Management Commentary:**

Gary Atkinson, Singing Machine CEO commented, “Fiscal 2016 was a banner year for Singing Machine. The Company has now recorded profits in five consecutive years and shown the continued ability to grow. We drove improvements in all financial areas including sales growth, margin improvement, inventory reduction, and significant improvement in bottom line earnings. In addition, we realized a historically low rate of product returns (5.5% of gross sales compared to historical average of 8.0% of gross sales), signaling that our customers are thrilled with the new digital line of products.”

Atkinson added, “In Fiscal 2016 we generated heavy promotion and distribution on our Classic line of karaoke products which was carried by almost every single major big box retailer. We also successfully launched a new digital download line of products that generated an average revenue stream of approximately \$27 per user, not including recurring mobile App revenue that has increased 75% from the prior year. In addition, we currently have confirmed backlog of orders on our digital download products for this coming year that represents a 400% increase on last year’s numbers.”

“As we move into Fiscal 2017, we enter the fiscal year with the best retailers carrying Singing Machine year-round, increasing international demand, a strong cash position, significantly improved balance sheet, and a product development strategy that will focus on driving more music sales to our various music revenue platforms.”

## **Earnings Call Information:**

The Company will host a conference call on Thursday, June 30, 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 800-894-5910 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 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 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**  
**CONSOLIDATED BALANCE SHEETS**

	March 31, 2016	March 31, 2015
<b><u>Assets</u></b>		
<b>Current Assets</b>		
Cash	\$ 2,116,490	\$ 116,286
Accounts receivable, net of allowances of \$51,179 and \$174,131, respectively	1,381,789	1,466,168
Due from PNC Bank	184,392	137,415
Accounts receivable related party - Starlight Consumer Electronics USA, Inc.	2,820	-
Accounts receivable related party - Starlight R&D, Ltd.	4,255	-
Accounts receivable related party - Cosmo Communications Canada, Ltd	19,077	-
Inventories, net	3,690,975	7,448,167
Prepaid expenses and other current assets	115,601	92,609
Deferred financing costs	74,077	74,077
<b>Total Current Assets</b>	<b>7,589,476</b>	<b>9,334,722</b>
<b>Property and equipment, net</b>	430,602	466,571
<b>Other non-current assets</b>	11,394	11,394
<b>Deferred financing costs, net of current portion</b>	21,606	95,683
<b>Deferred tax asset</b>	2,408,531	2,305,555
<b>Total Assets</b>	<b>\$ 10,461,609</b>	<b>\$ 12,213,925</b>
<b><u>Liabilities and Shareholders' Equity</u></b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 722,213	\$ 2,767,180
Note payable related party - Ram Light Management, Ltd.	696,612	496,496
Due to related party - Ram Light Management, Ltd	400,000	583,247
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.	-	208,672
Accrued expenses	650,115	452,651
Current portion of capital lease	1,078	12,628
Obligations to customers for returns and allowances	121,092	399,419
Warranty provisions	292,500	197,873
<b>Total Current Liabilities</b>	<b>2,883,610</b>	<b>5,712,453</b>
<b>Long-term capital lease, net of current portion</b>	-	1,078
<b>Note payable related party debt - Ram Light Management, Ltd. net of current portion</b>	-	603,504
<b>Accrued expenses, net of current portion</b>	-	46,495
<b>Subordinated related party debt - Starlight Marketing Development, Ltd.</b>	1,924,431	1,924,431
<b>Total Liabilities</b>	<b>4,808,041</b>	<b>8,287,961</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; 38,181,635 and 38,117,517 shares issued and outstanding, respectively	381,816	381,175
Additional paid-in capital	19,337,939	19,307,966
Subscriptions receivable	(6,400)	-
Accumulated deficit	(14,059,787)	(15,763,177)
<b>Total Shareholders' Equity</b>	<b>5,653,568</b>	<b>3,925,964</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 10,461,609</b>	<b>\$ 12,213,925</b>

*See notes to the consolidated financial statements.*

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

	For the Years Ended		
	March 31, 2016	March 31, 2015	March 31, 2014
<b>Net Sales</b>	\$ 48,856,544	\$ 39,308,281	\$ 31,379,629
<b>Cost of Goods Sold</b>	36,937,654	30,997,211	24,273,038
<b>Gross Profit</b>	11,918,890	8,311,070	7,106,591
<b>Operating Expenses</b>			
Selling expenses	4,656,003	3,104,598	2,402,153
General and administrative expenses	5,153,950	4,507,606	4,257,335
Depreciation	171,785	130,254	168,138
<b>Total Operating Expenses</b>	9,981,738	7,742,458	6,827,626
<b>Income from Operations</b>	1,937,152	568,612	278,965
<b>Other Expenses</b>			
Interest expense	(261,061)	(253,282)	(53,446)
Financing costs	(74,077)	(52,471)	-
<b>Net Other Expenses</b>	(335,138)	(305,753)	(53,446)
<b>Income before income tax (provision ) benefit</b>	1,602,014	262,859	225,519
<b>Income tax benefit (provision)</b>	101,376	(92,701)	778,797
<b>Net Income</b>	<u>\$ 1,703,390</u>	<u>\$ 170,158</u>	<u>\$ 1,004,316</u>
<b>Income per Common Share</b>			
Basic	\$ 0.04	\$ 0.00	\$ 0.03
Diluted	\$ 0.04	\$ 0.00	\$ 0.03
<b>Weighted Average Common and Common Equivalent Shares:</b>			
Basic	38,146,391	38,097,226	38,057,628
Diluted	38,597,862	38,602,577	38,647,290

*See Notes to the consolidated financial statements.*

<b>The Singing Machine Company, Inc. and Subsidiaries</b>			
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>			
	For the Years Ended		
	March 31, 2016	March 31, 2015	March 31, 2014
<b>Cash flows from operating activities:</b>			
Net Income	\$ 1,703,390	\$ 170,158	\$ 1,004,316
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation	171,785	130,254	168,138
Amortization of deferred financing costs	74,077	52,471	-
Change in inventory reserve	339,000	(217,000)	135,000
Change in allowance for bad debts	(122,952)	1,666	(7,841)
Loss from disposal of property and equipment	-	-	4,479
Stock-based compensation	24,214	46,308	107,351
Change in net deferred tax assets	(102,976)	92,701	(778,797)
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	207,331	(512,283)	152,765
Due from Crestmark Bank	-	19,638	(19,638)
Due from PNC Bank	(46,977)	(137,415)	-
Accounts receivable related parties	(26,152)		
Inventories	3,418,192	(1,403,554)	(1,839,206)
Prepaid expenses and other current assets	(22,992)	(1,521)	(6,647)
Other non-current assets	-	6,236	142,326
Increase (decrease) in:			
Accounts payable	(2,044,967)	849,104	782,951
Due to related parties	(986,206)	(147,825)	345,679
Accrued expenses	150,969	52,832	(239,698)
Warranty provisions	94,627	(37,299)	19,701
Obligations to customers for returns and allowances	(278,327)	(70,419)	93,549
Net cash provided by (used in) operating activities	<u>2,552,036</u>	<u>(1,105,948)</u>	<u>64,428</u>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(135,816)	(35,600)	(214,677)
Refund (deposit) of restricted cash	-	138,042	(138,042)
Net cash (used in) provided by investing activities	<u>(135,816)</u>	<u>102,442</u>	<u>(352,719)</u>
<b>Cash flows from financing activities:</b>			
Payment on note payable related party - Ram Light Management, Ltd.	(403,388)	-	-
Payment of deferred financing costs	-	(222,231)	-
Payments on long-term capital lease	(12,628)	(12,076)	(10,606)
Net cash used in financing activities	<u>(416,016)</u>	<u>(234,307)</u>	<u>(10,606)</u>
<b>Net change in cash</b>	<u>2,000,204</u>	<u>(1,237,813)</u>	<u>(298,897)</u>
<b>Cash at beginning of year</b>	<u>116,286</u>	<u>1,354,099</u>	<u>1,652,996</u>
<b>Cash at end of year</b>	<u>\$ 2,116,490</u>	<u>\$ 116,286</u>	<u>\$ 1,354,099</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>			
Cash paid for interest	\$ 270,193	\$ 180,371	\$ 53,446
Cash paid for income taxes	\$ -	\$ -	\$ 13,348
<b>Supplemental Disclosures of Non-cash Investing and Financing Activities:</b>			
Conversion of related party payables to note payable	\$ -	1,100,000	\$ -
Property and equipment purchased under capital lease	\$ -	36,388	\$ -
<i>See notes to the consolidated financial statements.</i>			