



Company Contact:
Gary Atkinson
(954) 596 – 1000
GaryAtkinson at singingmachine.com
www.singingmachine.com

FOR IMMEDIATE RELEASE

Singing Machine Announces Record Sales of \$18.1 Million in 3rd Quarter Earnings Report. Over 1 Million Singing Machines Sold.

Fort Lauderdale, FL, February 17, 2015 -- **The Singing Machine Company, Inc. (“Singing Machine” or the “Company”)** (OTCBB: SMDM) today announced the results for its third fiscal quarter ended December 31, 2014.

The Company reported third-quarter net sales of approximately \$18.1 million, as compared to net sales of approximately \$16.8 million in the same quarter last year (increase of approximately 8%). The Company also posted an operating profit for the QE December 2014 of \$1.7 million and net income of \$1.0 million. Gross profit margins were 22.4% of sales compared to 24.4% in the same period last year. The increase in net sales reflected the addition of Wal-Mart Stores as a nationwide customer. The reduction in gross profit margin is attributable in large part to greater participation of Singing Machine products in special promotions at lower margins as part of the Company’s strategy to grow its market for its products. Operating expenses declined in the QE December 2014 from QE December 2013 by \$0.4 million, due to reduced discretionary expenditures in marketing and G&A plus reduced banking fees, resulting in income from operations for the QE December 2014 of \$1.7 million compared to \$1.5 million in the QE December 2013. Net income for the QE December 2014 was \$1.0 million and \$0.03 per share fully diluted compared to \$0.8 million and \$0.02 per share fully diluted in the QE December 2013, respectively.

For the nine months ended, Singing Machine reported net sales of approximately \$36.6 million as compared with \$29.1 million in the same period last year (an increase of 26%) and reported total operating expenses of \$6.3 million compared to \$5.7 million over the same period in the prior year. The increase in sales primarily reflects the addition of Wal-Mart Stores as a nationwide customer. Income from operations for the nine-months ended December 2014 was \$1.5 million compared to \$1.1 million in the same period a year ago. Net income for the nine-months ended December 2014 was \$0.9 million or \$0.02 per share fully diluted compared to \$0.6 million and \$0.02 per share fully diluted in the nine-months ended December 2013, respectively.

The Company’s sales of its karaoke-systems in the nine-months ended December 2014 exceeded one million units, the highest level of unit sales in over a decade.

Bernardo Melo, VP of Sales, commented, “The large increase in Singing Machine sales for the nine months reflects a number of key successes. We have successfully absorbed the addition of Wal-Mart Stores with little effect to our longer-standing customers. Our products were carried in over 10,000 stores in North America and our online business continues to grow. The market for our products in the U.S. has expanded and so has our share of the market. Further, in many outlets our products sold out in December reinforcing the idea that there is a strong demand for home karaoke music entertainment. It also signals to our customers that our category can continue to grow.”

Gary Atkinson, CEO, commented, “The continued expansion of our Company’s sales in the December quarter is notable. We enter calendar 2015 with the industry’s best set of mass merchant retailers, most of whom carry our products exclusively, and proven products that work great and have highly favorable customer demand across a wide age of consumers. Our investors should know we plan on continuing our strategy - to offer the industry’s largest line of karaoke products; to innovate and improve our products to make them easier to use with today’s technology; to make all formats of karaoke music widely available to our products; and to create a better

experience for consumers with products that represent an excellent value while unlocking the educational and social benefits of singing for oneself and in sharing with others. We look forward to implementing our strategy in the quarters that follow.”

About The Singing Machine

Based in the US, Singing Machine® is the North American leader in consumer karaoke products. 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 download through the Singing Machine Music Channel (<http://store.singingmachine.com/>). Singing Machine products are sold through major retailers in North America and also internationally. See www.singingmachine.com for more details.

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, 2014. 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.

(Financial statements attached)

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

	December 31, 2014	March 31, 2014
	(Unaudited)	(Audited)
<u>Assets</u>		
Current Assets		
Cash	\$ 473,401	\$ 1,354,099
Restricted cash	-	138,042
Accounts receivable, net of allowances of \$253,988 and \$172,465, respectively	7,816,789	955,551
Due from Crestmark Bank	-	19,638
Due from related party - Starlight Consumer Electronics USA, Inc.	-	233,004
Due from related party - Starlight Electronics USA, Inc.	-	51,196
Due from related party - Starlight Electronics Co., Ltd	169,511	83,320
Due from related party - Cosmo Communications Canada, Ltd	184,038	-
Due from related party - Winglight Pacific, Ltd	582,133	-
Inventories, net	7,641,229	5,827,613
Prepaid expenses and other current assets	92,413	91,088
Deferred financing costs	74,077	-
Deferred tax asset, net	206,289	604,284
Total Current Assets	17,239,880	9,357,835
Property and equipment, net	500,651	561,225
Other non-current assets	11,394	17,630
Deferred financing costs, net current portion	114,202	-
Deferred tax asset, net current portion	1,793,972	1,793,972
Total Assets	\$ 19,660,099	\$ 11,730,662
<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities		
Accounts payable	\$ 4,397,407	\$ 1,918,076
Due to related party - Starlight Marketing Development, Ltd.	-	1,107,678
Subordinated related party debt - Starlight Marketing Development, Ltd.	-	816,753
Note payable related party - Ram Light Management, Ltd.	673,825	-
Subordinated related party debt - Ram Light Management, Ltd.	-	1,683,247
Due to related party - Ram Light Management, Ltd	583,247	-
Due to related party - Starfair Electronics Company, Ltd.	-	17,738
Due to related party - Starlight R&D, Ltd.	1,997,389	194,678
Due to related party - Cosmo Communications Canada, Inc.	-	50,441
Due to related party - Starlight Consumer Electronics Co., Ltd.	257,436	1,051,913
Due to related parties - Other Starlight Group Companies	-	3,534
Accrued expenses	1,326,211	446,314
Revolving line of credit	2,425,424	-
Current portion of capital lease	12,488	12,076
Obligations to clients for returns and allowances	275,258	469,838
Warranty provisions	747,210	235,172
Total Current Liabilities	12,695,895	8,007,458
Long-term capital lease, net of current portion	4,288	13,706
Note payable related party debt - Ram Light Management, Ltd. net of current portion	426,175	-
Subordinated related party debt - Starlight Marketing Development, Ltd.	1,924,431	-
Total Liabilities	15,050,789	8,021,164
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; 38,117,517 and 38,070,642 shares issued and outstanding, respectively	381,175	380,706
Additional paid-in capital	19,305,965	19,262,127
Accumulated deficit	(15,077,830)	(15,933,335)
Total Shareholders' Equity	4,609,310	3,709,498
Total Liabilities and Shareholders' Equity	\$ 19,660,099	\$ 11,730,662

See notes to the condensed consolidated financial statements.

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

	For Three Months Ended		For Nine Months Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Net Sales	\$ 18,086,370	\$ 16,814,794	\$ 36,583,388	\$ 29,062,931
Cost of Goods Sold	14,034,505	12,707,912	28,853,864	22,251,890
Gross Profit	4,051,865	4,106,882	7,729,524	6,811,041
Operating Expenses				
Selling expenses	1,078,905	1,218,688	2,690,939	2,401,528
General and administrative expenses	1,258,643	1,344,634	3,454,761	3,154,577
Depreciation and amortization	33,969	54,506	96,173	112,483
Total Operating Expenses	2,371,517	2,617,828	6,241,873	5,668,588
Income from Operations	1,680,348	1,489,054	1,487,651	1,142,453
Other Expenses				
Interest expense	(118,713)	(41,102)	(200,198)	(50,810)
Financing costs	(18,519)	-	(33,952)	-
Net Other Expenses	(137,232)	(41,102)	(234,150)	(50,810)
Income before income tax provision	1,543,116	1,447,952	1,253,501	1,091,643
Income tax provision	(509,252)	(627,278)	(397,995)	(488,084)
Net Income	\$ 1,033,864	\$ 820,674	\$ 855,506	\$ 603,559
Income per Common Share				
Basic	\$ 0.03	\$ 0.02	\$ 0.02	\$ 0.02
Diluted	\$ 0.03	\$ 0.02	\$ 0.02	\$ 0.02
Weighted Average Common and Common Equivalent Shares:				
Basic	38,117,517	38,070,642	38,090,756	38,053,458
Diluted	38,645,514	38,650,355	38,589,350	38,633,171

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, 2014	December 31, 2013
Cash flows from operating activities:		
Net Income	\$ 855,506	\$ 603,559
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	96,173	112,483
Amortization of deferred financing costs	33,952	-
Change in inventory reserve	(103,000)	25,000
Change in allowance for bad debts	81,523	116,426
Loss from disposal of property and equipment	-	4,479
Stock based compensation	44,307	74,953
Warranty provisions	512,038	558,495
Change in net deferred tax assets	397,995	488,084
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	(6,942,761)	(5,085,599)
Due from Crestmark Bank	-	(212,505)
Inventories	(1,710,616)	(1,625,394)
Prepaid expenses and other current assets	(1,325)	(1,877)
Other non-current assets	6,236	142,326
Increase (Decrease) in:		
Accounts payable	2,479,331	3,078,953
Net due to related parties	368,359	2,172,814
Accrued expenses	879,896	624,222
Obligations to clients for returns and allowances	(194,580)	(20,572)
Net cash (used in) provided by operating activities	<u>(3,196,966)</u>	<u>1,055,847</u>
Cash flows from investing activities:		
Purchase of property and equipment	(35,599)	(207,178)
Refund (deposit) of restricted cash	138,042	(137,967)
Net cash provided by (used by) investing activities	<u>102,443</u>	<u>(345,145)</u>
Cash flows from financing activities:		
Net proceeds from revolving line of credit	2,425,424	-
Net proceeds from Crestmark Bank credit facility	19,638	-
Payment of deferred financing costs	(222,231)	-
Payments on long-term capital lease	(9,006)	(7,670)
Net cash provided by (used in) financing activities	<u>2,213,825</u>	<u>(7,670)</u>
Net change in cash	<u>(880,698)</u>	<u>703,032</u>
Cash at beginning of year	<u>1,354,099</u>	<u>1,652,996</u>
Cash at end of period	<u>\$ 473,401</u>	<u>\$ 2,356,028</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	<u>\$ 170,729</u>	<u>\$ 50,810</u>
Supplemental Disclosures of Non-cash Investing and Financing Activities:		
Conversion of related party payables to note payable	<u>\$ 1,100,000</u>	<u>\$ -</u>
Property and equipment purchased under capital lease	<u>\$ -</u>	<u>\$ 36,388</u>

See notes to the condensed consolidated financial statements.