



Singing Machine Announces 166% Increase in Sales in First Quarter 2020 Earnings Report

Fort Lauderdale, FL, August 14, 2019 – **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, 2019.

First Quarter Snapshot:

- Net sales increased 166% to \$4.8 million from \$1.8 million in the first quarter of the prior year.
- Reported gross margin of 21.3%.
- Net loss of \$0.87 million for the quarter or \$0.02 per diluted share.

Singing Machine reports net sales of approximately \$4.8 million for the quarter-ended June 30, 2019 period compared to \$1.8 million in the comparable quarter of the prior year. The increase in net sales was primarily due to earlier shipments of goods to a major retailer for its upcoming holiday promotions.

Gross profit margin decreased by 0.8% to 20.5% net sales compared to approximately 21.3% of net sales reported in the prior year. The decrease in gross margin was mainly due to a heavier mix of promotional product for a retailer’s Black Friday event.

Total operating expenses increased to \$2.1 million compared to \$1.7 million in the prior year. The increase in expenses was primarily due to an increase in variable selling expenses of \$0.2 million related to the overall increase in sales.

As a result, the Company reported a net loss of \$0.87 million compared to a net loss of \$1.1 million in the prior year.

Management Commentary:

Gary Atkinson, Singing Machine CEO, commented, “We are thrilled to see a strong start to the fiscal year with a 166% increase in YoY first quarter net sales. Our new “Carpool Karaoke Mic” has gotten off to a strong start garnering millions of digital impressions and fantastic media coverage along with overwhelming positive consumer feedback. We look forward to continuing to leverage the popularity of music and singing into the coming holiday season with anticipated stronger distribution and national exposure.”

Earnings Call Information:

The Company will host a conference call today, Wednesday, 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 877-876-9174 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.

Investor Relations Contact:

Brendan Hopkins

(407) 645-5295

investors@singingmachine.com

www.singingmachine.com

www.singingmachine.com/investors

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, 2019. 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, 2019	March 31, 2019
	(Unaudited)	
<u>Assets</u>		
Current Assets		
Cash	\$ 577,476	\$ 211,408
Accounts receivable, net of allowances of \$61,948 and \$51,096, respectively	4,861,961	1,769,404
Due from PNC Bank	-	2,236,779
Accounts receivable related party - Winglight Pacific, Ltd	367,373	288,941
Inventories, net	8,559,750	6,024,311
Prepaid expenses and other current assets	817,767	274,278
Deferred financing costs	12,222	13,333
Total Current Assets	15,196,549	10,818,454
Property and equipment, net	623,035	522,910
Deferred financing costs, net of current portion	1,111	3,333
Deferred tax assets	997,097	758,366
Operating leases - right of use assets	978,146	-
Other non-current assets	44,296	90,082
Total Assets	\$ 17,840,234	\$ 12,193,145
<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities		
Accounts payable	\$ 5,944,781	\$ 842,708
Accrued expenses	632,514	950,773
Current portion of bank term note payable	-	125,000
Due to related party - Starlight Electronics Co., Ltd	100,499	-
Revolving line of credit	627,007	-
Customer deposits	203,175	-
Refunds due to customers	300,057	31,075
Reserve for sales returns	447,677	896,154
Current portion of finance leases	14,547	14,414
Current portion of operating lease liabilities	600,793	-
Subordinated related party debt - Starlight Marketing Development, Ltd.	815,367	815,367
Total Current Liabilities	9,686,417	3,675,491
Finance leases, net of current portion	13,817	17,499
Operating lease liabilities, net of current portion	489,724	-
Total Liabilities	10,189,958	3,692,990
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; 38,497,643 and 38,464,753 shares issued and outstanding, respectively	384,977	384,648
Additional paid-in capital	19,704,436	19,687,263
Subscriptions receivable	-	(2,200)
Accumulated deficit	(12,439,137)	(11,569,556)
Total Shareholders' Equity	7,650,276	8,500,155
Total Liabilities and Shareholders' Equity	\$ 17,840,234	\$ 12,193,145
<i>See notes to the condensed consolidated financial statements</i>		

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

	For the Three Months Ended	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Net Sales	\$ 4,809,040	\$ 1,836,511
Cost of Goods Sold	3,821,334	1,445,028
Gross Profit	987,706	391,483
Operating Expenses		
Selling expenses	659,293	446,700
General and administrative expenses	1,371,056	1,208,644
Depreciation	59,461	67,571
Total Operating Expenses	2,089,810	1,722,915
Loss from Operations	(1,102,104)	(1,331,432)
Other Expenses		-
Interest expense	(2,875)	(23,385)
Finance costs	(3,333)	(3,334)
Total Other Expenses	(6,208)	(26,719)
Loss Before Income Tax Benefit	(1,108,312)	(1,358,151)
Income Tax Benefit	238,731	324,000
Net Loss	<u>\$ (869,581)</u>	<u>\$ (1,034,151)</u>
Net Loss per Common Share		
Basic & Diluted	\$ (0.02)	\$ (0.03)
Weighted Average Common and Common Equivalent Shares:		
Basic & Diluted	38,469,813	38,282,028
<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 the Three Months Ended	
	June 30, 2019	June 30, 2018
Cash flows from operating activities		
Net Loss	\$ (869,581)	\$ (1,034,151)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	59,461	67,571
Amortization of deferred financing costs	3,333	3,334
Change in inventory reserve	-	(81,780)
Change in allowance for bad debts	10,852	(18,629)
Stock based compensation	17,502	11,278
Change in net deferred tax assets	(238,731)	(323,999)
Changes in operating assets and liabilities:		
Accounts receivable	(3,103,409)	(127,637)
Due from PNC Bank	2,236,779	6,212
Accounts receivable - related parties	(78,432)	856,453
Inventories	(2,535,439)	(216,216)
Prepaid expenses and other current assets	(543,489)	(135,019)
Other non-current assets	45,786	(516)
Accounts payable	5,102,073	72,907
Accrued expenses	(192,221)	63,103
Due to related parties	100,499	133,454
Customer deposits	203,175	-
Refunds due to customers	268,982	(189,330)
Reserve for sales returns	(448,477)	(588,464)
Operating lease liabilities, net of operating leases - right of use assets	(13,667)	-
Net cash provided by (used in) operating activities	24,996	(1,501,429)
Cash flows from investing activities		
Purchase of property and equipment	(159,586)	(282,240)
Net cash used in investing activities	(159,586)	(282,240)
Cash flows from financing activities		
Net proceeds from revolving line of credit	627,007	1,089,822
Payment of bank term note	(125,000)	-
Proceeds from subscription receivable	2,200	-
Payments on finance leases	(3,549)	(2,294)
Net cash provided by financing activities	500,658	1,087,528
Net change in cash	366,068	(696,141)
Cash at beginning of period	211,408	813,908
Cash at end of period	\$ 577,476	\$ 117,767
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 1,701	\$ 194,927
Equipment purchased under capital lease	\$ -	\$ 43,526
Operating leases - right of use assets initial adoption	\$ 1,108,330	\$ -
Operating lease liabilities - initial adoption	\$ 1,234,368	\$ -
<i>See notes to the condensed consolidated financial statements</i>		