



Singing Machine Reports Fiscal 2019 Annual Earnings Report

Fort Lauderdale, FL, July 1, 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 full fiscal year ended March 31, 2019.

Full Fiscal 2019 Highlights:

- Net sales for the fiscal year of \$46.5 million.
- Gross profit of \$11.8 million or 25.3% of total revenue compared to 25.8% in the prior year.
- Income from operations \$1.0 million for the fiscal year.
- Net income improved by 315% to \$0.63 million compared to \$0.15 million in the prior year.
- Inventory reduced by 30% from \$8.5 million in the prior year to \$6.0 million.

Singing Machine reports net sales of approximately \$46.5 million for the March 31, 2019 fiscal year-end period, compared to approximately \$60.8 million in the prior year. The decrease in net sales is primarily due to the loss of Toys ‘R’ Us as a major customer.

Gross profit margin held steady to 25.3% compared to 25.8% in the prior year. Due to the decrease in net sales, gross profit was reported as \$11.8 million compared to \$15.7 million in the prior year.

Total operating expenses decreased by 27% from \$14.7 million in the prior year to approximately \$10.7 million for the full fiscal year. A majority of the decrease was due to a partial recovery of the Toys ‘R’ Us bankruptcy administrative claims of approximately \$0.5 million compared to a writeoff of bad debt of \$3.1 million in the prior year. General and administrative expenses were also reduced by approximately \$0.6 million compared to the prior year due to general expense reductions and an increase in service revenue from the Company’s third-party logistics operation.

As a result of the above, income from operations held approximately the same as the prior year at \$1.0 million. Net income for the full year was reported as \$0.6 million compared to \$0.1 million in the prior year.

Management Commentary:

Gary Atkinson, Singing Machine CEO commented, “Fiscal 2019 was a challenging year. We faced numerous market disruptions, most notably the loss of Toys ‘R’ Us. The ongoing trade war between China and the United States continues to cast uncertainty on the supply chain and retail landscapes. However, despite the challenging business environment, the Company accomplished a lot of positive things including maintaining gross margins from last year, reducing inventory by over \$2.0 million to generate more cash, maintaining profitability, and signing some big licensing deals.” Atkinson added, “We’re extremely excited for our first big licensed product launch of Carpool Karaoke The Mic officially debuting this month.”

Bernardo Melo, Vice President of Sales, commented, “The overall popularity of music, singing, and karaoke could not be hotter right now. We continue to see the proliferation of singing and karaoke all throughout popular culture and media. Domestically, we had success opening up some new retailers and new departments within existing channels. While those additions did not replace the lost business from Toys ‘R’ Us, we saw them as meaningful new opportunities to grow market share. Fiscal 2019 also saw some positive developments internationally. We made

great strides to expand our distribution abroad to new countries like Australia, Sweden, Finland, and Norway, Germany, and Spain.”

Earnings Call Information:

The Company will host a conference call today, Monday, July 1, 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) 876-9173 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 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, 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
CONSOLIDATED BALANCE SHEETS

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
<u>Assets</u>		
Current Assets		
Cash	\$ 211,408	\$ 813,908
Accounts receivable, net of allowances of \$51,096 and \$82,102, respectively	1,769,404	1,066,839
Due from PNC Bank	2,236,779	6,212
Accounts receivable related party - Starlight Consumer Electronics USA, Inc.	-	7,054
Accounts receivable related party - Winglight Pacific, Ltd	288,941	1,150,104
Inventories, net	6,024,311	8,536,934
Prepaid expenses and other current assets	274,278	137,970
Deferred financing costs	13,333	13,333
Total Current Assets	10,818,454	11,732,354
Property and equipment, net	522,910	450,305
Deferred financing costs, net of current portion	3,333	16,667
Deferred tax assets	758,366	937,137
Other non-current assets	90,082	11,523
Total Assets	\$ 12,193,145	\$ 13,147,986
<u>Liabilities and Shareholders' Equity</u>		
Current Liabilities		
Accounts payable	\$ 842,708	\$ 1,614,748
Accrued expenses	950,773	701,932
Current portion of bank term note payable	125,000	500,000
Due to related party - Starlight Electronics Co., Ltd	-	210,756
Due to related party - Starlight R&D, Ltd.	-	113,116
Due to related party - Merrygain Holding Co., Ltd.	-	89,803
Refunds due to customers	31,075	445,484
Reserve for sales returns	896,154	726,000
Current portion of capital leases	14,414	-
Current portion of subordinated related party debt - Starlight Marketing Development, Ltd.	815,367	689,792
Total Current Liabilities	3,675,491	5,091,631
Bank term note payable, net of current portion	-	125,000
Capital leases, net of current portion	17,499	-
Subordinated related party debt - Starlight Marketing Development, Ltd., net of current portion	-	125,575
Total Liabilities	3,692,990	5,342,206
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; 38,464,753 and 38,282,028 shares issued and outstanding, respectively	384,648	382,820
Additional paid-in capital	19,687,263	19,624,063
Subscriptions receivable - related party	(2,200)	-
Accumulated deficit	(11,569,556)	(12,201,103)
Total Shareholders' Equity	8,500,155	7,805,780
Total Liabilities and Shareholders' Equity	\$ 12,193,145	\$ 13,147,986

See notes to the consolidated financial statements

The Singing Machine Company, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME

	For the Years Ended	
	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Net Sales	\$ 46,482,998	\$ 60,808,050
Cost of Goods Sold	34,709,799	45,135,272
Gross Profit	11,773,199	15,672,778
Operating Expenses		
Selling expenses	5,117,235	4,875,238
General and administrative expenses	5,790,019	6,371,541
Bad debt (recovery) expense	(442,671)	3,203,677
Depreciation	259,662	219,968
Total Operating Expenses	10,724,245	14,670,424
Income from Operations	1,048,954	1,002,354
Other Expenses		-
Interest expense	(244,593)	(273,385)
Finance costs	(13,334)	(31,606)
Total Other Expenses	(257,927)	(304,991)
Income Before Income Tax Provision	791,027	697,363
Income Tax Provision	(159,480)	(544,877)
Net Income	\$ 631,547	\$ 152,486
Net Income per Common Share		
Basic	\$ 0.02	\$ 0.00
Diluted	\$ 0.02	\$ 0.00
Weighted Average Common and Common Equivalent Shares:		
Basic	38,360,883	38,274,432
Diluted	39,244,250	39,553,649

See notes to the consolidated financial statements

The Singing Machine Company, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the Years Ended	
		March 31, 2019	March 31, 2018
Cash flows from operating activities			
	Net Income	\$ 631,547	\$ 152,486
	Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
	Depreciation	259,662	219,968
	Amortization of deferred financing costs	13,334	31,606
	Change in inventory reserve	(26,000)	(420,000)
	Change in allowance for bad debts	(31,006)	(50,481)
	Stock based compensation	52,428	211,503
	Change in net deferred tax assets	178,771	542,072
	Changes in operating assets and liabilities:		
	Accounts receivable	(671,559)	639,160
	Due from PNC Bank	(2,230,567)	236,647
	Accounts receivable - related parties	868,217	(1,157,158)
	Inventories	2,538,623	(2,314,288)
	Prepaid expenses and other current assets	(136,308)	(56,692)
	Other non-current assets	(78,559)	-
	Accounts payable	(772,040)	232,878
	Accrued expenses	248,841	75,601
	Due to related parties	(413,675)	413,675
	Refunds due to customers	(414,409)	407,024
	Reserve for sales returns	170,154	126,000
	Net cash provided by (used in) operating activities	187,454	(709,999)
Cash flows from investing activities			
	Purchase of property and equipment	(288,741)	(257,468)
	Net cash used in investing activities	(288,741)	(257,468)
Cash flows from financing activities			
	Proceeds from bank term note	-	1,000,000
	Payment of bank term note	(500,000)	(375,000)
	Proceeds from exercise of stock options	10,400	-
	Payment of deferred financing costs	-	(40,000)
	Payment on subordinated debt - related party	-	(1,109,064)
	Payments on capital leases	(11,613)	-
	Net cash used in financing activities	(501,213)	(524,064)
	Net change in cash	(602,500)	(1,491,531)
	Cash at beginning of year	813,908	2,305,439
	Cash at end of year	\$ 211,408	\$ 813,908
Supplemental disclosures of cash flow information:			
	Cash paid for interest	\$ 230,342	\$ 301,748
	Cash paid for income taxes	\$ -	\$ 30,000
	Equipment purchased under capital lease	\$ 43,526	\$ -

See notes to the consolidated financial statements