



The Singing Machine Company, Inc.

Initiating Coverage with BUY and \$4.00 Target

Large growth opportunities for its market leading karaoke products. We believe strong growth over the next year to drive stock higher.

Initiating with BUY: We are initiating coverage of The Singing Machine Company with a BUY rating and a 12-month price target of \$4.00. The Singing Machine Company, based in Fort Lauderdale, FL, is a leader in the development and sale of consumer karaoke equipment, accessories and music.

Focused on karaoke: The Singing Machine is one of the most recognized brands in karaoke and its products incorporate the latest technology for singing, music listening, entertainment, and social sharing and gatherings.

Wide product line: The company offers the industry's widest line of at-home karaoke machines, accessories, and music-oriented toy products at affordable price points (most between \$50 – 100) as well as 20,000 songs for streaming and download with Apps available for iOS and Android.

Product development strengths: Product development is a key element of the company's strategic growth plan. The company strives to deliver many new and exciting consumer products to market every year to remain the market-leader in consumer karaoke products (including 5 new products for this fall).

Market leader: The Singing Machine's competitive strengths include its ability to develop innovative new products and features, speed to market, its relationships with major retailers and distributors, the quality and pricing of its products, and leading brand awareness.

Growth plans: The company plans to capitalize on the strong future growth in the karaoke market with a multi-prong approach: 1) improve profitability by optimizing operations and continue to expand gross margins. 2) continue to grow its global distribution and expand into new product categories that take advantage of its vast distribution relationships and sourcing abilities.

Market opportunities: Karaoke is a popular form of music entertainment in which singers sing along with prerecorded music songs stripped of vocal tracks. Music has always been an integral form of entertainment for humans since the beginning of mankind. As music entertainment has boomed and increased in popularity, so has the karaoke industry.

Expect strong growth in 2023/24: Despite a weak Q1, we believe revenues should increase significantly for the remainder of 2023. We believe that the high revenue growth in 2023/24 should provide strong operating leverage. For T2023 (9 months), we expect revenue of \$29 million (-19% y-o-y) and for 2024, we expect revenues of \$39 million (+20% y-o-y). We believe our estimates are conservative and there are significant revenue upside potential.

However, challenges exist: The Singing Machine operates in a highly competitive environment and competes against a wide range of technologies and other forms of entertainment. There is the chance that competing technologies and companies may challenge The Singing Machine technologies, features, and products.

Positive high risks versus high rewards: Overall, concerns outweighed by growth prospects and valuation. The Singing Machine karaoke products still has commercialization, growth, and profitability challenges ahead, but we believe the ~billion dollars market potential presents high rewards for the risks.

Current valuation attractive: We calculate a 12-month price target for shares of The Singing Machine to be \$4.00 based on a NPV analysis, representing significant upside from the current share price. We believe this valuation appropriately balances out the company's high risks with its high growth prospects and large upside opportunities.

Company Description

The Singing Machine Company, based in Fort Lauderdale, FL, is a leader in the development and sale of consumer karaoke equipment, accessories and music.

United States
Technology

November 13, 2023

Edward Woo, CFA
(561) 327-9435
ewoo@ascendant.com

COVERAGE INITIATION

Rating: BUY

Ticker: MICS

Price: \$0.80

Target: \$4.00

Stock Data

Exchange:	NasdaqCM
52-week Range:	0.61 – 6.55
Shares Outstanding (million):	4.2
Market cap (\$million):	\$3
EV (\$million):	\$1
Debt (\$million):	\$0
Cash (\$million):	\$2
Avg. Daily Trading Vol. (\$million):	\$0.1
Float (million shares):	2
Short Interest (million shares):	~0
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	T2023E (Cur.)	2024E (Cur.)
Q1 Mar	N/A	4E
Q2 Jun	3A	3E
Q3 Sep	15E	19E
Q4 Dec	11E	13E
Total	29E	39E
EV/Revs	N/A	~0.0x

Earnings per Share (pro forma)

	T2023E (Cur.)	2024E (Cur.)
Q1 Mar	N/A	(0.00)E
Q2 Jun	(0.64)A	(0.01)E
Q3 Sep	(0.12)E	0.03E
Q4 Dec	(0.09)E	0.02E
Total	(0.82)E	0.04E
P/E	N/A	20x

*T2023 is transition year to Dec FYE, was Mar FYE prior

*T2023 is a 9-month FYE

Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 28.

Exhibit 1: The Singing Machine Company, Inc. Stock Price (5-Years)



Source: <https://bigcharts.marketwatch.com/>

INVESTMENT THESIS

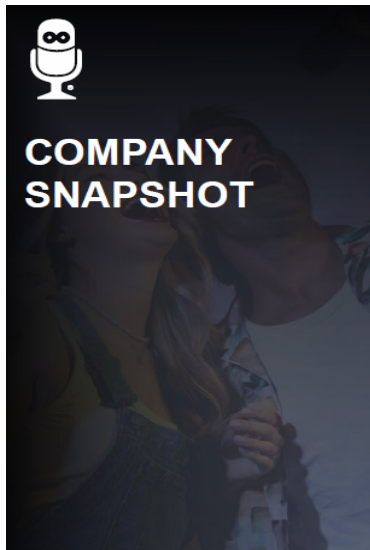
We are initiating coverage of The Singing Machine with a BUY rating and a 12-month price target of \$4.00.

The Singing Machine Company, Inc., based in Fort Lauderdale, FL, is a leader in the development and sale of consumer karaoke audio equipment, accessories, and music. The company was the first to provide karaoke systems for home entertainment in the U.S., and offers one of the widest line of karaoke products. The Singing Machine is one of the most recognized brands in karaoke and its products incorporate the latest technology for singing, music listening, entertainment, and social sharing and gatherings. The company's mission is to "create joy through music."

The company offers the industry's widest line of at-home karaoke machines, accessories, and music-oriented toy products at affordable price points (most between \$50 – 100) as well as 20,000 songs for streaming and download with Apps available for iOS and Android. The Singing Machine products are sold at major retailers mainly in North America, but also world-wide.

The company's products are sold mainly in North America, and to a much lesser extent in Europe and Australia. Its products are sold primarily through major mass merchandisers and warehouse clubs, and online retailers. Major retail customers include Amazon, Best Buy, BJ's Wholesale, Costco, Sam's Club, Target, and Wal-Mart.

Exhibit 2: The Singing Machine Company Corporate Overview (as of June 2022)



**YEAR
FOUNDED**

1982

Worldwide leader in consumer karaoke products.
Established brand in market since 1982

REVENUE

\$50M+

North American market leader with
proven, long-standing retail partnerships

**NUMBER OF
PRODUCTS**

25+

Distributes 25+ SKUs at prices from \$10 to \$300
Amazon, Best Buy, BJ's, Costco, Sam's Club,
Target, Wal-Mart

**PUBLIC
COMPANY**

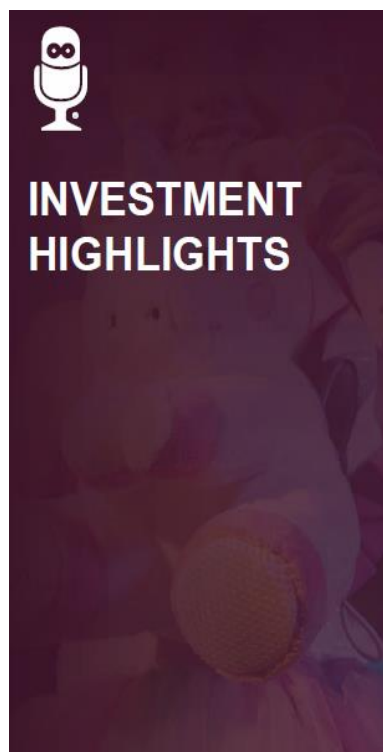
MICS

Newly listed on NASDAQ



Source: Company reports.

Exhibit 3: The Singing Machine Investment Highlights



WALMART ELECTRONICS DISTRIBUTION

- NEW
- Key topline growth driver starting May 2022.
- New distribution to Walmart Consumer Electronics Dept. to set ~3,200 stores with 4-foot karaoke section.

RECURRING REVENUE

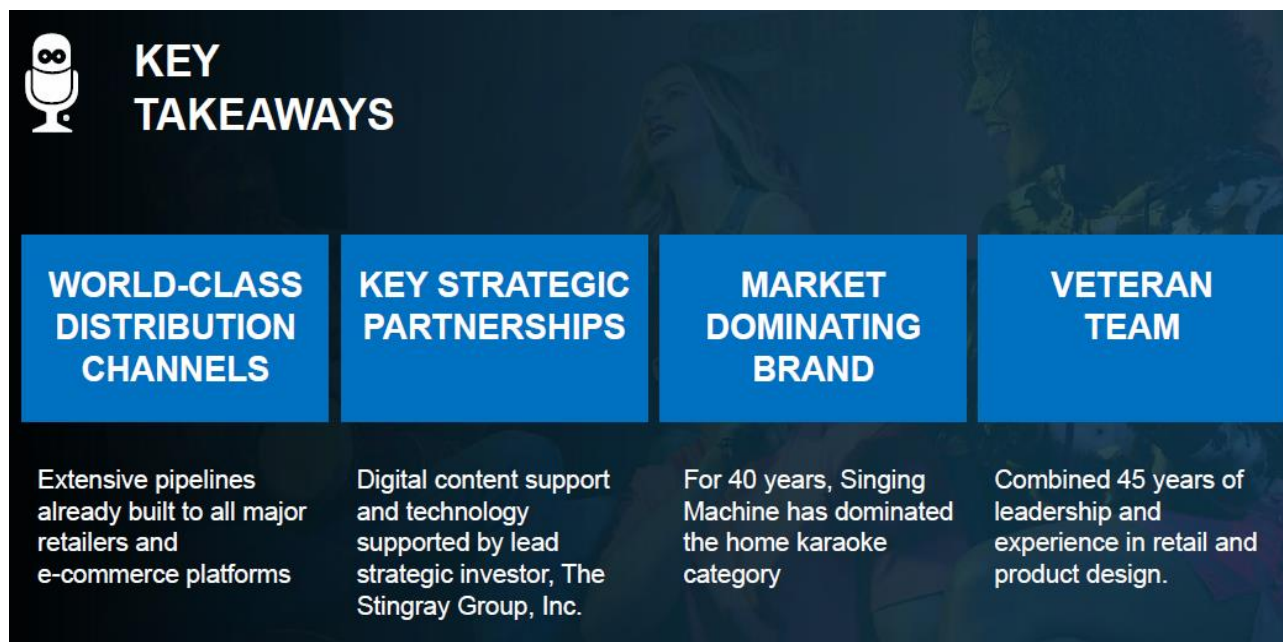
- EBITDA accelerator.
- New content subscription business, in partnership with The Stingray Group.
- 85-90% EBITDA margin.

#1 BRAND IN HOME KARAOKE

- Singing Machine is the dominant leader in an evergreen category.
- Products carried in over 25,000 retail locations.
- Strong pipelines to all major retailers for distribution.

STRONG BALANCE SHEET

- Access to non-dilutive capital through asset-based lending lines of credit.



WORLD-CLASS DISTRIBUTION CHANNELS	KEY STRATEGIC PARTNERSHIPS	MARKET DOMINATING BRAND	VETERAN TEAM
Extensive pipelines already built to all major retailers and e-commerce platforms	Digital content support and technology supported by lead strategic investor, The Stingray Group, Inc.	For 40 years, Singing Machine has dominated the home karaoke category	Combined 45 years of leadership and experience in retail and product design.

Source: Company reports.

Karaoke (pronounced kear-ee-OH-kee) is a popular form of music entertainment in which singers sing along with prerecorded music songs stripped of vocal tracks. Music has always been an integral form of entertainment for humans since the beginning of mankind. Sing-alongs (singing your favorite music) fundamentally changed with the introduction of new technologies in the mid-1900s.

In the 1960s, the music recording industry began to pioneer new stored audible formats which revolutionized the portability and ease of use of music by musicians, entertainers, and music fans. The first karaoke venues were bars and restaurants, but home karaoke machines became popular in the 1990s. By the 1990s, karaoke would grow its popularity from Asia to the rest of the world. Internet music distribution began at the end of the 1990s, and semiconductor and electronics technology advances ushered in the era of inexpensive compact microphone karaoke and home karaoke systems for home karaoke. Cellphone karaoke opened up in the early 2000s. Shortly afterward, video streaming and video-on-demand services became commonplace, and now we are well into the smartphone and internet streaming karaoke age. As music entertainment has boomed and increased in popularity, so has the karaoke industry.

The youth electronics, toy, and music industries have many participants, none of which have a broad dominant market share. The company competes with a number of different companies in a variety of categories. The primary methods of competition in this industry consist of brand positioning, product innovation, quality, price, and timely distribution. The Singing Machine's competitive strengths include its ability to develop innovative new products and features, speed to market, its relationships with major retailers and distributors, the quality and pricing of its products, and leading brand awareness.

Product development is a key element of the company's strategic growth plan. The company strives to deliver many new and exciting consumer products to market every year to remain the market-leader in consumer karaoke products. Product development is done in-house where it identifies new potential categories, features, and price points. Products are created in conjunction with contract product designers and inventors in collaboration with contract manufacturers in China to deliver good value proposition products that drive strong consumer demand and interest.

The company plans to capitalize on the strong future growth in the karaoke market with a multi-prong approach:

- In the short-term, improve profitability by optimizing operations and continue to expand gross margins.
- In the mid-to-long-term, continue to grow its global distribution and expand into new product categories that take advantage of its vast distribution relationships and sourcing abilities.

The Singing Machine's recent financial performance is reflective of its early rebound stage from its pandemic boost and then decline. In its Q1 T2023 report (on August 18, 2023), the company reported revenues of \$2.6 million and net loss was \$2.5 million (EPS of \$(0.64)), compared with Q1 2023's revenue of \$11.7 million and net loss of ~\$0 million (EPS of \$(0.01)). Revenues declined significantly -78% y-o-y and sequentially from Q4 (-22%).

The company does not provide financial guidance but has been generally optimistic on the upcoming holiday retail season. All of its existing retail customers have committed to karaoke programs for this holiday season and the company will be launching at least five new, innovative karaoke products this fall. Despite a weak Q1, we believe revenues should increase significantly for the remainder of 2023. We also expect revenues to ramp up significantly going forward over the next several years. We believe that the high revenue growth in 2023/24 should provide operating leverage and improve gross margins and operating income (loss).

For T2023 (9 months), we expect revenue of \$29 million (-19% y-o-y), a net loss of \$3.4 million, and EPS of \$(0.82). For 2024, we expect revenues of \$39 million (+20% y-o-y), a net income of \$0.2 million, and EPS of \$0.04.

We believe our estimates are conservative and there are significant revenue upside potential. We note that our 2024 revenue estimate of \$39 million is well below the annual revenue the company reported in FY2022 (\$48 million) and FY2021 (\$46 million).

We believe investors should be focused on its progress on its karaoke product commercialization, which is rebounding and is expected to have high growth over the next several years. We believe that the biggest potential variable and challenge to our financial model is the ability of the company to successfully commercialize, develop, and grow its karaoke business platforms. If the company can make significant progress towards these goals, then revenue and earnings will likely be able to grow significantly. However, if the company has difficulties in making progress towards these goals, then revenue growth and profitability may not be achieved or will likely grow at a low rate or even not at all.

The Singing Machine's share price has been weak (and highly volatile) in the past year. Since 12/30/22, The Singing Machine's share price is -82% (was \$4.42 on 12/30/22) to the current share price of \$0.80 (as of 11/10/23).

The share price has traded between \$0.61 and \$6.55 in the past year and \$0.61 and \$1.95 in the past 3 months (since August 1, 2023). We believe the share price weakness is due to general stock price weakness and volatility with small/microcap tech stocks in 2022/2023 (Russell 2000 Index of small-cap U.S. stocks was -20% in 2022). While the Russell 2000 Index (along with the overall stock market) has improved and was positive for parts of 2023 (it is currently down YTD (-3% YTD)), it and the overall stock market has remains very volatile.

We believe that there are near term catalysts that can drive the stock (particularly for key sales, growth, and profitability milestones expected in 2023/2024). As the company is likely to make significant progress (and revenue rebounds and grows) in its product commercialization over the next several years, we believe this will result in much improved visibility into future cash flows and higher share price. Although it is likely that the company will have to raise capital to achieve its product commercialization and product development goals, we believe that positive progress will make future financings accretive to current shareholders.

Our investment thesis factors in an uncertain product commercialization and growth prospects which is offset by the very large potential upside opportunities created from successful business execution of its financial and strategic plans. We believe that the current valuation for The Singing Machine has already factored in many of its risks (principally successful commercialization, growth, and profitability) but is under valuing its overall growth prospects and market opportunities, resulting in a positive risk versus reward scenario for an investment in The Singing Machine.

We believe the current valuation is attractive.

Based on our expectations and assumptions and our NPV analysis, we calculate a 12-month price target for shares of The Singing Machine to be \$4.00, representing significant upside from current share price. We believe this valuation appropriately balances out the company's high risks with the company's high growth prospects and large upside opportunities. We acknowledge that The Singing Machine is still at an early stage in its product commercialization rebound and growth, but we believe its high growth potential and key product development and commercialization milestones over the next year should be positive catalysts for the stock.

INVESTMENT RISKS

Growth and Commercialization Risks

The Singing Machine's goal is to increase the operational and financial growth and profitability of its main karaoke products and business. The company will need to increase awareness to its target markets (consumers) and to demonstrate superiority (better brand awareness, lower costs, and/or better features and technologies) of its karaoke products, technologies, and services. The markets for karaoke products are characterized by high competition, new product and services, and evolving technology and innovations. This will require The Singing Machine to develop its products, technologies, services, expertise and reputation, and continue to improve the effectiveness and ease of use of its karaoke products and technologies. While the market opportunities are large, there are always significant risks to grow (gain new customers) and commercialize products (grow or maintain revenue).

Very Broad Competition

The Singing Machine operates in a highly competitive environment and broadly competes against a vast and wide range of other entertainment companies (including movies, music, video games, sports, television, and internet) that are all competing for the entertainment time and money of consumers. More specifically, the company also directly competes against other consumer electronic companies that have similar and competing karaoke products. These companies are attempting to replicate or have better technologies, products, and features than the company's main karaoke products. Although The Singing Machine believes that its products and services are superior to competing products and technologies, there are always the possibility of new entrants or difficulties with existing competition.

Many consumer electronics and technology companies are much larger, have greater resources, very large customer base, and proprietary technology that can be used to develop competing products; which could result in lower projected sales for The Singing Machine and at higher costs, reduced margins, and lowered profitability for the company.

Technology Risks

Consumer technologies and products are constantly changing and improving due to new technologies, and constant changes in consumer demands, trends, and interests. This requires a company like The Singing Machine to constantly invest in its technology, products, and services. The company is constantly introducing new products and refreshing older products to keep consumers interested in its products. In addition, the music industry has rapidly changing music popularity and interest so the company needs to stay on top of music, entertainment, and pop culture trends. If The Singing Machine is unable to keep its products innovative, popular, useful, and fun, it may find its technologies and products obsolete.

Concentrated Products

The company is currently focused on its one main product line (karaoke products). This product is aimed for the mass consumer entertainment market. While the company has a large and wide range of customers to target (since its customer base is still relatively small compared to the overall global market for karaoke and entertainment products), its current retail customer base is highly concentrated to the top large retailers in North America. North America is where the company gets the bulk of its revenues. Revenues from its top three customers in 2023 and 2022 were 69% and 72% of total revenue. If The Singing Machine were to experience difficulties with development and commercialization of its karaoke products, then it may have a material negative impact on its business and financials as there are no meaningful products which can offset.

Economic Uncertainties

Entertainment and consumer electronic costs tends to be correlated with economic activity and income levels due to their discretionary nature, so major deterioration in economic conditions tends to result in an overall decline in consumer and enterprise spending. This was demonstrated during the 2008 and 2009 Great Recession and global economic slowdown. While consumer and enterprise spending levels and economic conditions have rebounded since and have been strong the past several years, the global macroeconomic environment can change significantly quickly as was shown with the start of the pandemic in March 2020. Since then, due to huge government stimulus the U.S. economy has been very strong the past 3 years. However, recent macro slowdowns,

high inflation, and disrupted supply chains have caused costs to soar, inventory and product input shortages, and unreliable lead times. Further economic disruptions and weakness may result in depressed enterprise, consumer, and government spending levels; this may have a negative impact on The Singing Machine, its retailer customers, and its end consumers.

Capital Markets Risks

We believe The Singing Machine's cash position is tight and that it will likely need to raise money sometime in the next year. We believe that it may be at least a year before the company can be cash flow self-sufficient from operations. Many small cap companies fund their operations from the sale of equity or debt capital until their products reach commercial success or until they sell off the commercial rights to other companies. Early stage technology companies valuations tend to fluctuate widely, and they were very weak in 2022 (mainly due to a weak general stock market and larger weakness and volatility for small/microcap stocks), there is always the chance that market interests and valuations for companies in this industry to further decline significantly. Although the company has been successful raising cash so far in 2023 (~\$2 million from its ATM), the share price volatility in the past year (with a stock price range of \$0.61 – 6.55) in The Singing Machine's share price may make capital raising much more difficult and expensive.

VALUATION

We are initiating coverage of The Singing Machine with a BUY rating and a 12-month price target of \$4.00, which is based on a NPV analysis. The company currently generates revenue, but its recent financial results have been volatile due to the wide swings in consumer demand and retail inventory from the pandemic era effects, so we believe traditional valuation metrics using current results are not useful. We believe a more accurate valuation should take into consideration the potential future value of its businesses. We do acknowledge that this valuation is complex and requires a large number of forward assumptions that we have to estimate that may be imprecise and may vary significantly from actual results. This is particularly so for a company like The Singing Machine which is still in early in its rebound and high growth phase with its main business.

However, we believe our assumptions are fair and provide a reasonable basis for our valuation analysis. Our analysis considers future estimated profits from its major business segment (based on estimated future revenue and profits and discounted this back to a current value), currently focused on its karaoke products. We apply a discount rate (16.5%) to capture the high uncertainties associated generally with small and early stage companies. We then added up the values and allocated the value based on current share count. Based on our NPV analysis, we arrived at our 12-month price target of \$4.00, which we believe appropriately balances out the company's high risks with its high growth prospects.

The Singing Machine's share price has been weak (and highly volatile) in the past year. Since 12/30/22, The Singing Machine's share price is -82% (was \$4.42 on 12/30/22) to the current share price of \$0.80 (as of 11/10/23).

The share price has traded between \$0.61 and \$6.55 in the past year and \$0.61 and \$1.95 in the past 3 months (since August 1, 2023). We believe the share price weakness is due to general stock price weakness and volatility with small/microcap tech stocks in 2022/2023 (Russell 2000 Index of small-cap U.S. stocks was -20% in 2022). While the Russell 2000 Index (along with the overall stock market) has improved and was positive for parts of 2023 (it is currently down YTD (-3% YTD)), it and the overall stock market has remains very volatile.

We believe that there are near term catalysts that can drive the stock (particularly for key sales, growth, and profitability milestones expected in 2023/2024). As the company is likely to make significant progress (and revenue rebounds and grows) in its product commercialization over the next several years, we believe this will result in much improved visibility into future cash flows and higher share price. Although it is likely that the company will have to raise capital to achieve its product commercialization and product development goals, we believe that positive progress will make future financings accretive to current shareholders.

Exhibit 4: The Singing Machine Company, Inc. Stock Price (since May 24, 2022 uplisting to NASDAQ)



Source: <https://bigcharts.marketwatch.com/>

We expect valuations for The Singing Machine to improve as visibility into cash flow generation becomes clearer, resulting in significant upside to the current share price. We want to note that investor’s interest in consumer electronic and technology companies are still high (even with recent market volatility and pullbacks) with many companies in this area attributed high valuations due to the large market and growth opportunities. We also note that M&A (mergers and acquisitions) in the technology sector remains solid with high premiums and valuations given to companies with strong, innovative, or complementary products for major technology companies.

Exhibit 5: Company Valuation (DCF) (in millions)

Valuation of Business Segments (in millions)

Product	Calculated NPV	Discount Rate	Estimated Annual Profits	Estimated Net Income Margin	Estimated Annual Revenues
Karaoke Products	\$ 15	16.5%	\$ 3	5.0%	\$ 50
Total	\$ 15				
Net cash	\$ 2				
Current Value for existing shareholders	\$ 17				
Shares Outstanding (mils)	4.3				
Estimated Value per share	\$ 4.00				

Source: Ascendant Capital Markets estimates

COMPANY

The Singing Machine Company, Inc., based in Fort Lauderdale, FL, is a leader in the development and sale of consumer karaoke audio equipment, accessories, and music. The company was the first to provide karaoke systems for home entertainment in the U.S., and offers one of the widest line of karaoke products. The Singing Machine is one of the most recognized brands in karaoke and its products incorporate the latest technology for singing, music listening, entertainment, and social sharing and gatherings. The company's mission is to "create joy through music."

The Singing Machine was founded in 1982 in California as a manufacturer of professional and semi-professional karaoke machines. In 1988, its founder Eddie Steele saw potential in home karaoke machines and the company has been a leader in the North American home karaoke industry since. As of March 31, 2023, the company had 37 employees.

The Singing Machine went public on the American Stock Exchange in May 1994. In May 2022, the company effected a 1-for-30 reverse stock split of its common stock. Also, in May 2022, its common stock was uplisted and began trading on the Nasdaq Capital Market under the symbol "MICS". Prior to May 2022, its common stock traded on the OTC Markets, Inc.'s OTCQX under the symbol "SMDM."

In June 2022, Ault Alliance, Inc. (lead by Milton C. Ault III), reported that it had acquired 53% of the outstanding shares of the company. Due to recent capital raises (share sales) by the company, Ault's ownership has declined to ~43% of the company. Milton C. Ault, III, was appointed to the Board of Directors as Executive Chairman of the company in April 2023.

Exhibit 6: The Singing Machine Management Team



 <p>GARY ATKINSON CEO & Director</p> <p>14 years experience karaoke, toy and consumer electronics. Consistent track record of growth and profits. Licensed Attorney in Florida and Georgia. JD/MBA, Case Western Reserve University. BA Economics, University of Rochester.</p>	 <p>BERNARDO MELO CHIEF REVENUE OFFICER</p> <p>18 years experience in karaoke field and consumer electronics. Personal relationships with Buyers at every major big box retailer. Responsible for double-digit sales growth per year between FY2011-2015</p>	 <p>LIONEL MARQUIS CFO</p> <p>30 years experience in distribution and manufacturing companies in South Florida. 15 years experience with public accounting, preparing SEC quarterly and yearly documents. Certified Public Accountant in Florida</p>	<p>THE BOARD</p> <p>JAY FOREMAN Founder & CEO, Basic Fun! Leading Toy Company, makers of Tonka™ trucks, Carebears™, K'Nex™, and Playhut™</p> <p>MATHIEU PELOQUIN SVP Communications, The Stingray Group, Inc. Leading Technology & Content Company and key strategic partner</p> <p>JOSEPH KLING Toy Veteran and former CEO of Viewmaster</p> <p>HARVEY JUDKOWITZ CPA, former CEO & Chairman of UniPro Financial Services</p>
---	--	---	--

Source: Company reports.

Gary Atkinson (age 41) joined the company in January 2008 and served as General Counsel and Corporate Secretary. In November 2009, Mr. Atkinson was appointed as Interim Chief Executive Officer and was promoted as permanent CEO in May 2012. Since taking over as CEO, Mr. Atkinson has led the strategic direction of the company focusing on product innovation, profitability, and brand positioning. Mr. Atkinson is a licensed attorney in the State of Florida and Georgia. He graduated from the University of Rochester with a Bachelors Degree in Economics and has a dual-degree J.D./M.B.A. from Case Western Reserve University School of Law and Weatherhead School of Management.

Lionel Marquis (age 70) joined the company in June 2008 as Controller and Principal Accounting Officer and was appointed as Chief Financial Officer in May 2012. For the past 20 years, Mr. Marquis has served as Controller and/or Chief Financial Officer for several manufacturing and distribution companies in the South Florida area. Some of these companies include Computer Products, Inc. (Artesyn Technologies Inc.), US Plastic Lumber Corporation, Casi-Rusco (division of Interlogix Inc.), DHF Industries, Inc., and Ingear Fashions, Inc. Mr. Marquis graduated from Bryant College with a Bachelors Degree in Business Administration. Mr. Marquis is a Certified Public Accountant in the state of Florida.

PRODUCT

The Singing Machine is a music entertainment company that specializes in the design, production, and sales of karaoke and music related consumer products for people of all ages. Its products are among the most widely available and recognizable home and consumer karaoke products in North America.

The company offers the industry's widest line of at-home karaoke machines, accessories, and music-oriented toy products at affordable price points (most between \$50 – 100) as well as 20,000 songs for streaming and download with Apps available for iOS and Android. The Singing Machine products are sold at major retailers mainly in North America, but also world-wide. The company is continuously introducing the innovative karaoke technology, features, and products every year.

The company's products are sold mainly in North America, and to a much lesser extent in Europe and Australia. Its products are sold directly to distributors and retailer customers as well as direct to end consumers through its online e-commerce website. Its products are sold primarily through major mass merchandisers and warehouse clubs, online retailers, and to a lesser extent department stores, lifestyle merchants, direct mail catalogs and showrooms, music and record stores, and specialty stores. Major retail customers include Amazon, Best Buy, BJ's Wholesale, Costco, Sam's Club, Target, and Wal-Mart.

Exhibit 7: The Singing Machine Products



PRODUCT OVERVIEW

1M Over 1 Million karaoke machines sold in 2021!

- Streaming** **NEW**
 - Flagship product line with integrated access to content subscriptions.
- Casting** **NEW**
 - SingCast technology to facilitate higher engagement with karaoke content in our app.
- Traditional**
 - Dominant retail presence.
 - High fun, high value product line.
 - Low-tech.
- Kids**
 - Emerging category captures new, younger demographic.
 - Access to more retail shelf space.

Source: Company reports.

Exhibit 8: The Singing Machine Popular Products

OUR MOST POPULAR PRODUCTS



QUICK VIEW

Carpool Karaoke Mic 2.0

From \$59.99



+ ADD TO CART

Premium WiFi Karaoke System

\$299.99



+ ADD TO CART

Groove Cube Hype

\$99.99



+ ADD TO CART

Sing Cast K-Box

\$129.99



+ ADD TO CART

The Studio

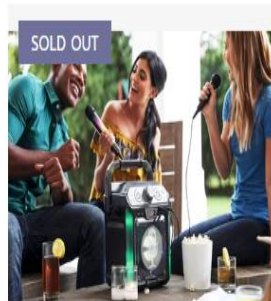
\$269.99



+ ADD TO CART

Home Stage

\$229.99



Groove Cube

From \$79.99



+ ADD TO CART

Sing Cast Ultimate

\$249.99



Source: Company reports.

PRODUCT LINES

Karaoke (~73% of FY2023 sales)

This includes its flagship brand Singing Machine. All of its karaoke products are Bluetooth enabled to allow access to digital music content via its mobile apps available on iOS and Android platforms. The company believes its core karaoke line offers best-in-class advanced features, including enabling customers to output video to a TV screen, correcting singer's pitch in real-time with its proprietary PitchLab technology, streaming karaoke content directly to the machine via WiFi, casting karaoke songs from a mobile device to its karaoke machines through its SingCast casting technology, singing duets, and displaying scrolling lyrics in-time with the song.

Licensed Products (<~1% of FY2023 sales)

This includes brands such as Carpool Karaoke. In 2019, the company entered into a 3-year license agreement with CBS for its Carpool Karaoke brand, made popular by James Corden on The Late Show with James Corden. The company launched an innovative Carpool Karaoke Microphone that works specifically in the car. In February 2023, the company renewed this license agreement for an additional three years. In March 2023, the company entered into a three-year license agreement with Sesame Street Workshop for its Sesame Street brand for karaoke and singalong toy products. Through this license agreement, the company will be able to develop and offer for sale all the iconic and beloved Sesame Street characters like Elmo, Big Bird, Cookie Monster, Abby Cadabby, and many more.

Microphones and Accessories (~20% of FY2023 sales)

This includes a line of traditional microphone accessories that are compatible with the company's karaoke machines. These microphones feature an assortment of colors, come wired or wireless, and includes features like party lighting and voice changing effects. The company also is seeing growth in portable Bluetooth microphones which are marketed under its Party Machine brand.

Singing Machine Kids Youth Electronics (~5% of FY2023 sales)

This includes the brand Singing Machine Kids. Its kids' line of products offers fun music entertainment features designed specifically for children. Its kids' products provide a high-quality introduction to singing and music entertainment for young singers and offer advanced features, such as voice changing effects, recording, Bluetooth compatibility, and portability.

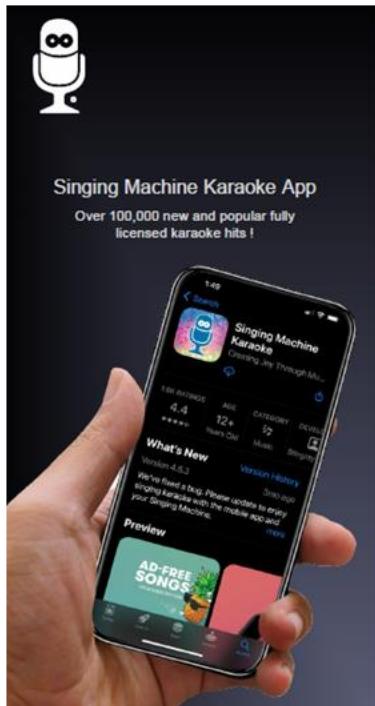
Automotive (~0% of FY2023 sales)

In January 2023, the company announced at the Consumer Electronics Show (CES) that it will be entering the connected vehicle karaoke device market in partnership with Stingray Group, Inc. The company has developed microphone hardware utilizing its PitchLab technology to offer integrated wireless microphones for connection with major automotive brand's vehicles. The company is currently in discussion with many automotive brands to offer its products.

Music Subscriptions (~2% of FY2023 sales)

In conjunction with its music partner, Stingray, the company offer karaoke music subscription services for the iOS and Android platforms as well as a web-based download store and integrated streaming services for its hardware. The company currently offers almost 20,000 licensed karaoke songs in the catalog.

Exhibit 9: Music Subscriptions and Streaming



Singing Machine Karaoke App
Over 100,000 new and popular fully licensed karaoke hits!

MUSIC CONTENT SUBSCRIPTION MODEL

STRATEGIC PARTNERSHIP



Leading media & technology company & content partner. Large shareholder with Board seat representation.

RECURRING REVENUE

App & integrated music services are recurring revenue subscription plans.

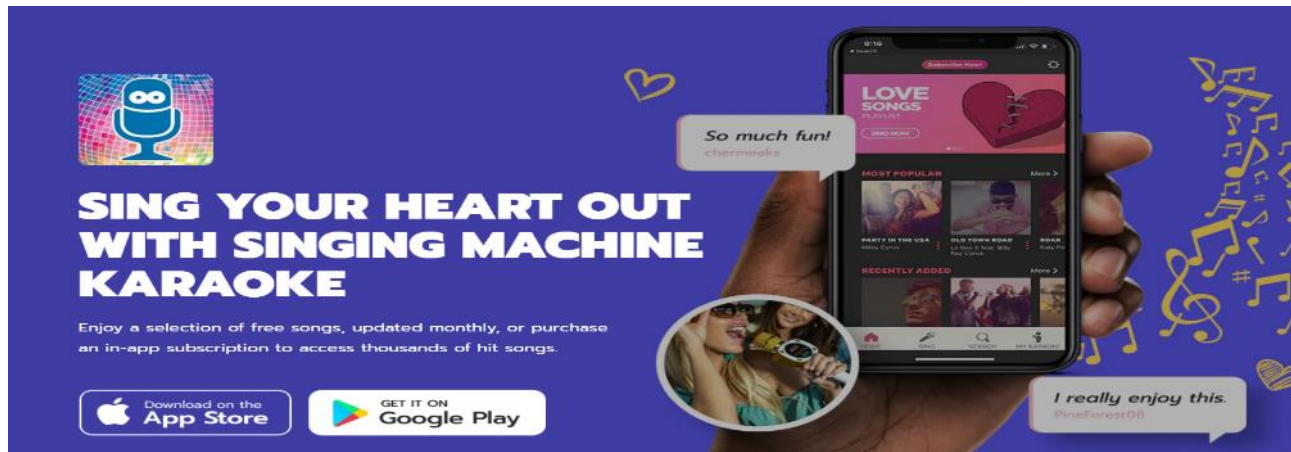
Monthly: \$14.99
Quarterly: \$24.99
Annual: \$79.99

MARGINS

Music Content Subscription margins: 85-90%
Hardware margins: 25-30%
Music content 3x more profitable than hardware sale.

Source: Company reports.

Exhibit 10: Singing Machine Karaoke App



APP FEATURES

Pair the app to your karaoke machine for the ultimate singing experience!

- AD-FREE SONGS**
Don't let ads interrupt the party!
- HIGH-QUALITY KARAOKE VIDEOS**
Engaging videos that keep the party going.
- OPTIONAL LEAD VOCAL TRACK**
Want to sing support? We got you!
- PAIRS EASILY**
Quick and easy pairing to your karaoke machine.

Source: Company reports.

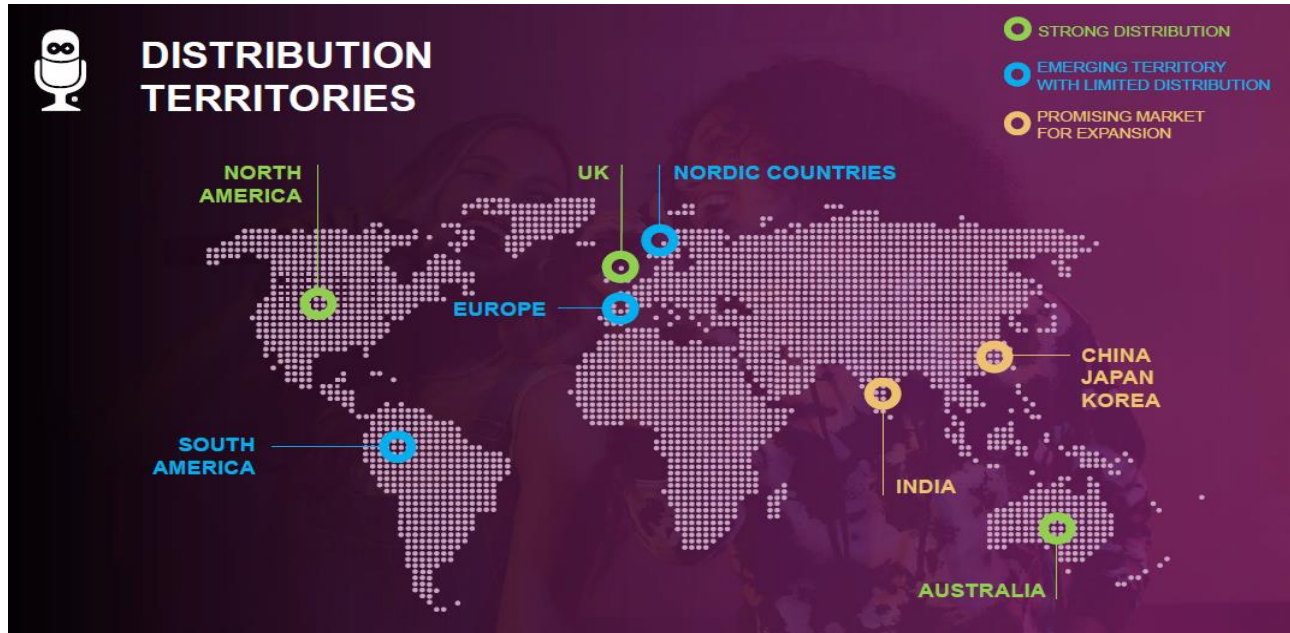
Product Development

Product development is a key element of the company's strategic growth plan. The company strives to deliver many new and exciting consumer products to market every year to remain the market-leader in consumer karaoke products. Product development is done in-house where it identifies new potential categories, features, and price points. Products are created in conjunction with contract product designers and inventors in collaboration with contract manufacturers in China to deliver good value proposition products that drive strong consumer demand and interest.

Competition

The youth electronics, toy, and music industries have many participants, none of which have a broad dominant market share. The company competes with a number of different companies in a variety of categories. Some of its largest direct competitors are Singsation, Singtrix, eKids, Bonaok, Karaoke USA, and Ion Audio. The primary methods of competition in this industry consist of brand positioning, product innovation, quality, price, and timely distribution. The Singing Machine's competitive strengths include its ability to develop innovative new products and features, speed to market, its relationships with major retailers and distributors, the quality and pricing of its products, and leading brand awareness.

Exhibit 11: Distribution Territories



Source: Company reports.

Exhibit 12: Retail Partnerships

DEEP RETAIL PARTNERSHIP

- Available in over 25,000 stores nationwide.
- Over 75,000 linear feet of shelf space representation in North America (our moat around the business)
- Exclusive, year-round karaoke supplier
- Products available in over 10 countries world-wide.

World Class Retail Partnerships:

- amazon
- Walmart
- TARGET
- COSTCO WHOLESALE
- Sams CLUB
- B's

Source: Company reports.

Exhibit 13: History of Karaoke

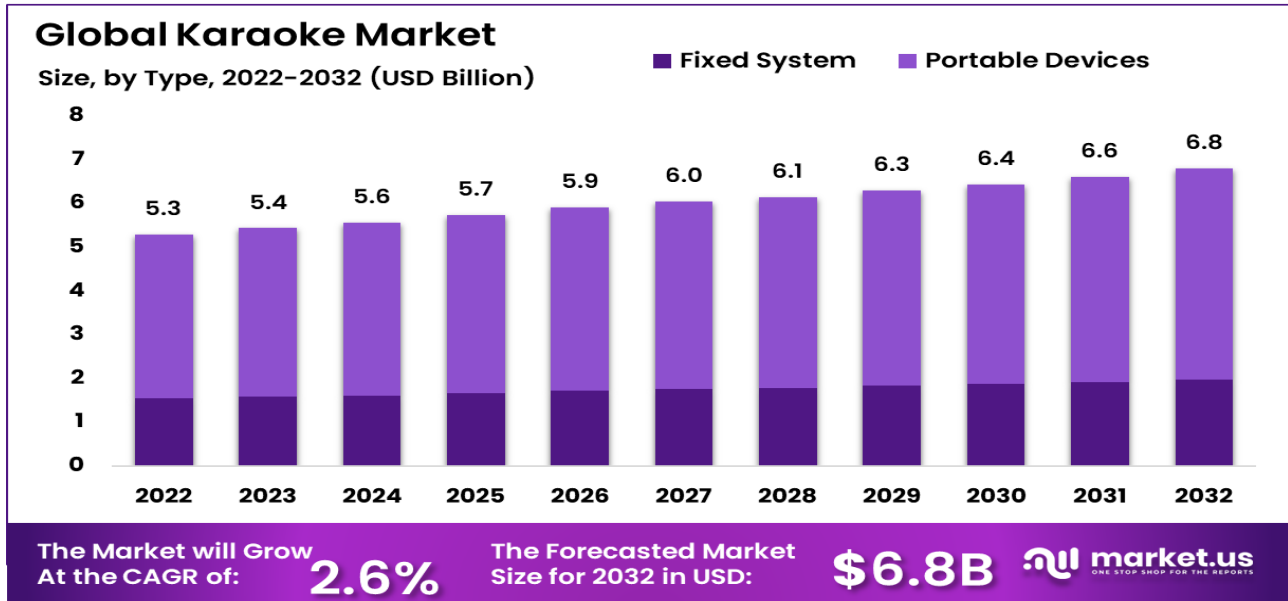


Source: <https://singa.com/blog/50-years-of-karaoke-history-the-essential-milestones/>

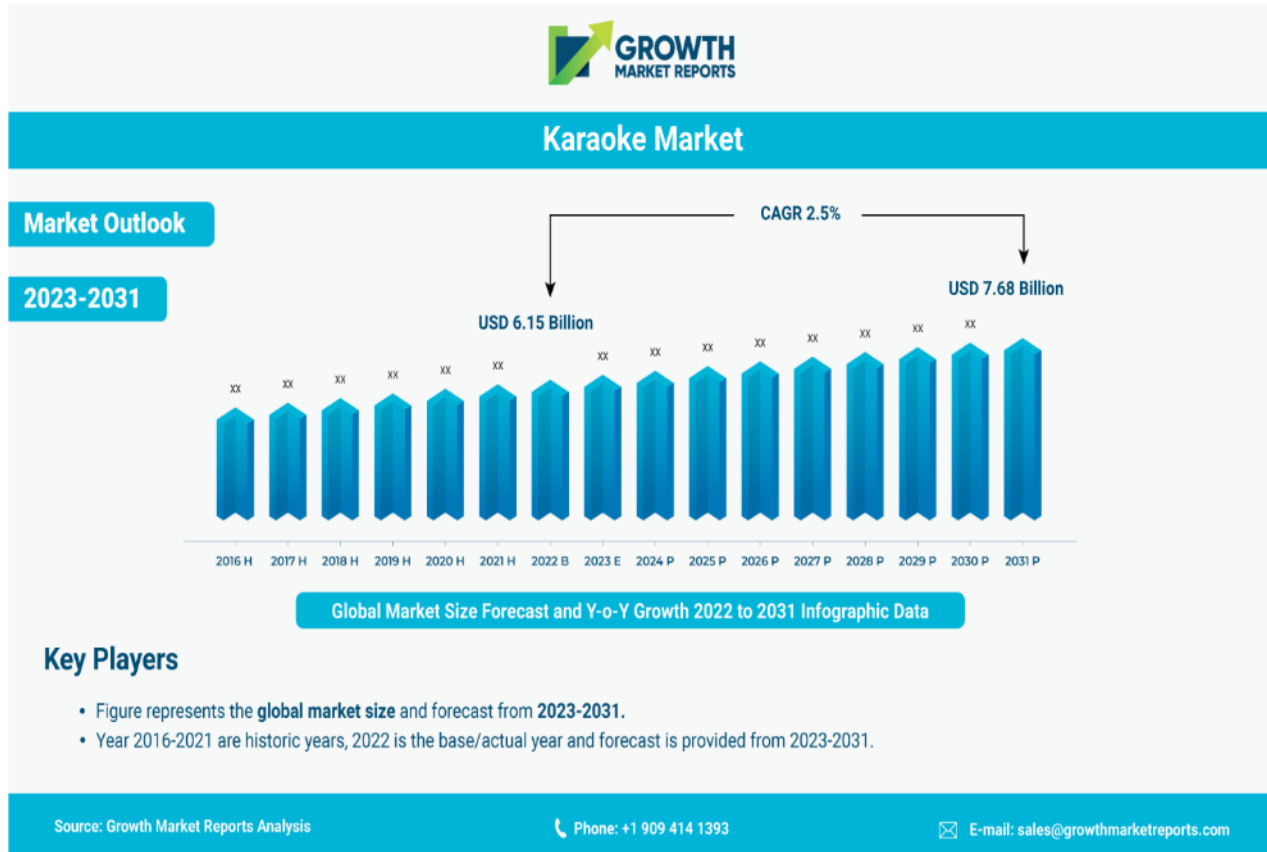
Karaoke (pronounced kear-ee-OH-kee) is a popular form of music entertainment in which singers sing along with prerecorded music songs stripped of vocal tracks. Music has always been an integral form of entertainment for humans since the beginning of mankind. Sing-alongs (singing your favorite music) fundamentally changed with the introduction of new technologies in the mid-1900s. Karaoke and karaoke machine and technologies were first developed in Japan where they were first popularized. In karaoke, the music is an instrumental version of a popular song. Lyrics are typically displayed on a video screen, along with a moving symbol, changing color, or music video images, to guide the singer.

The word "karaoke" is a combination of two Japanese words: kara, meaning empty, and oke, meaning orchestra. The word karaoke origin is traced to the Takarazuka Revue theater troupe in Japan. In 1956, the group's orchestra went on strike, and with public performances about to be canceled, the theater management asked Matsushita Electric Company (now known as Panasonic) to provide recorded materials to supply music for the performance. The show went on, but the orchestra pit was empty. In other words, it was a kara (empty) oke (orchestra). (Source: <https://www.nippon.com/en/japan-topics/g01173/>)

Exhibit 14: Global Karaoke Market



Source: <https://market.us/report/karaoke-market/>



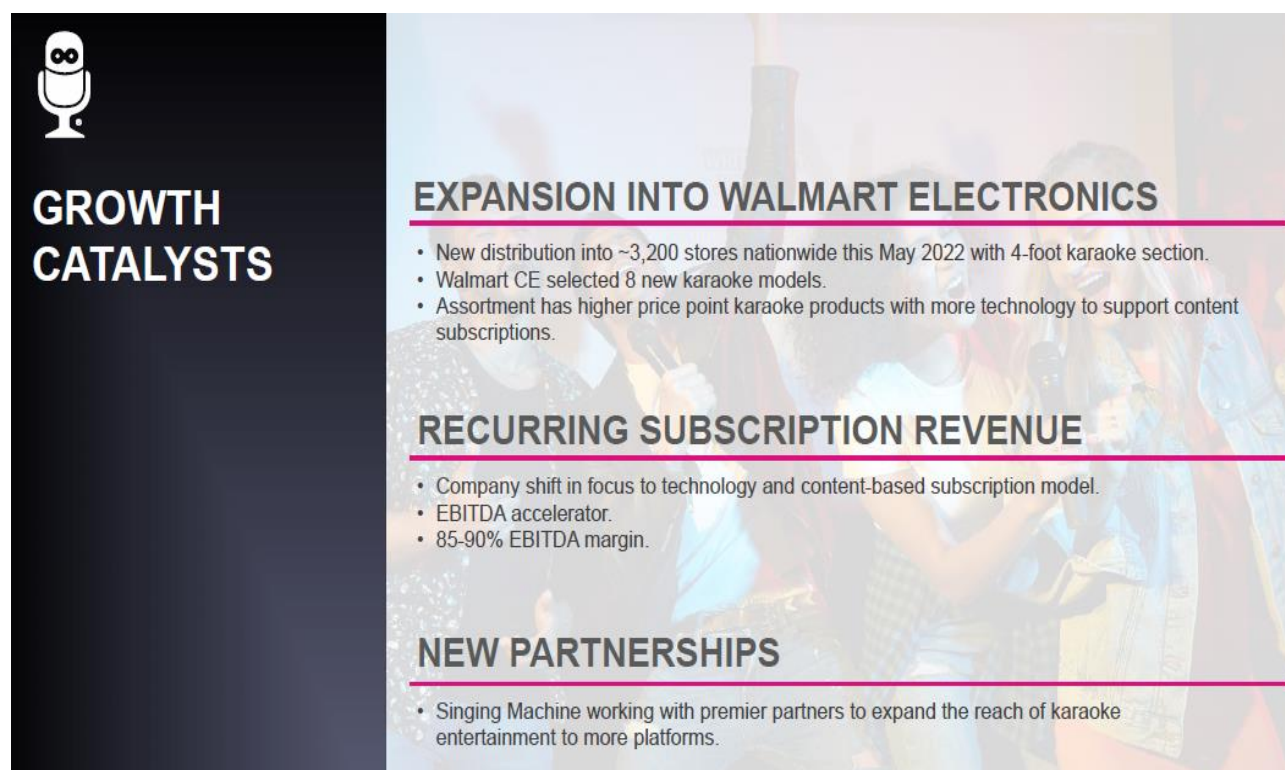
Source: <https://growthmarketreports.com/report/karaoke-market-global-industry-analysis>

In the 1960s, the music recording industry began to pioneer new stored audible formats which revolutionized the portability and ease of use of music by musicians, entertainers, and music fans. The first karaoke venues were bars and restaurants, but home karaoke machines became popular in the 1990s. By the 1990s, karaoke would grow its popularity from Asia to the rest of the world. Internet music distribution began at the end of the 1990s, and semiconductor and electronics technology advances ushered in the era of inexpensive compact microphone karaoke and home karaoke systems for home karaoke. Cellphone karaoke opened up in the early 2000s. Shortly afterward, video streaming and video-on-demand services became commonplace, and now we are well into the smartphone and internet streaming karaoke age. As music entertainment has boomed and increased in popularity, so has the karaoke industry.

The company plans to capitalize on the strong future growth in the karaoke market with a multi-prong approach:

- In the short-term, improve profitability by optimizing operations and continue to expand gross margins.
- In the mid-to-long-term, continue to grow its global distribution and expand into new product categories that take advantage of its vast distribution relationships and sourcing abilities.

Exhibit 15: The Singing Machine and Future Growth Plans



GROWTH CATALYSTS

EXPANSION INTO WALMART ELECTRONICS

- New distribution into ~3,200 stores nationwide this May 2022 with 4-foot karaoke section.
- Walmart CE selected 8 new karaoke models.
- Assortment has higher price point karaoke products with more technology to support content subscriptions.

RECURRING SUBSCRIPTION REVENUE

- Company shift in focus to technology and content-based subscription model.
- EBITDA accelerator.
- 85-90% EBITDA margin.

NEW PARTNERSHIPS

- Singing Machine working with premier partners to expand the reach of karaoke entertainment to more platforms.

Source: Company reports.

Exhibit 16: Revenue By Products and By Geography

Product Line	Revenue by Product Line	
	Fiscal Years Ended	
	March 31, 2023	March 31, 2022
Karaoke Machines	\$ 28,800,000	\$ 38,900,000
Microphones and Accessories	7,800,000	4,200,000
SMC Kids Toys	1,900,000	2,300,000
Licensed Products	100,000	1,600,000
Music Subscriptions	700,000	500,000
Total Net Sales	\$ 39,300,000	\$ 47,500,000

	FOR THE FISCAL YEARS ENDED	
	March 31, 2023	March 31, 2022
North America	\$ 38,300,000	\$ 46,400,000
Australia	700,000	700,000
United Kingdom	300,000	200,000
Europe	-	100,000
Others	-	100,000
	\$ 39,300,000	\$ 47,500,000

Source: Company reports.

FINANCIALS

The Singing Machine fiscal year ends on December 31. Recently, in September 2023, the company changed its fiscal year end (FYE) from March 31 to December 31. The company will file a 10-K for this current transitional year end of December 31, 2023 (T2023) which will consist of only 9-months. We expect its next earnings report (for Q2 T2023 ending September) to be soon (this week in mid-November).

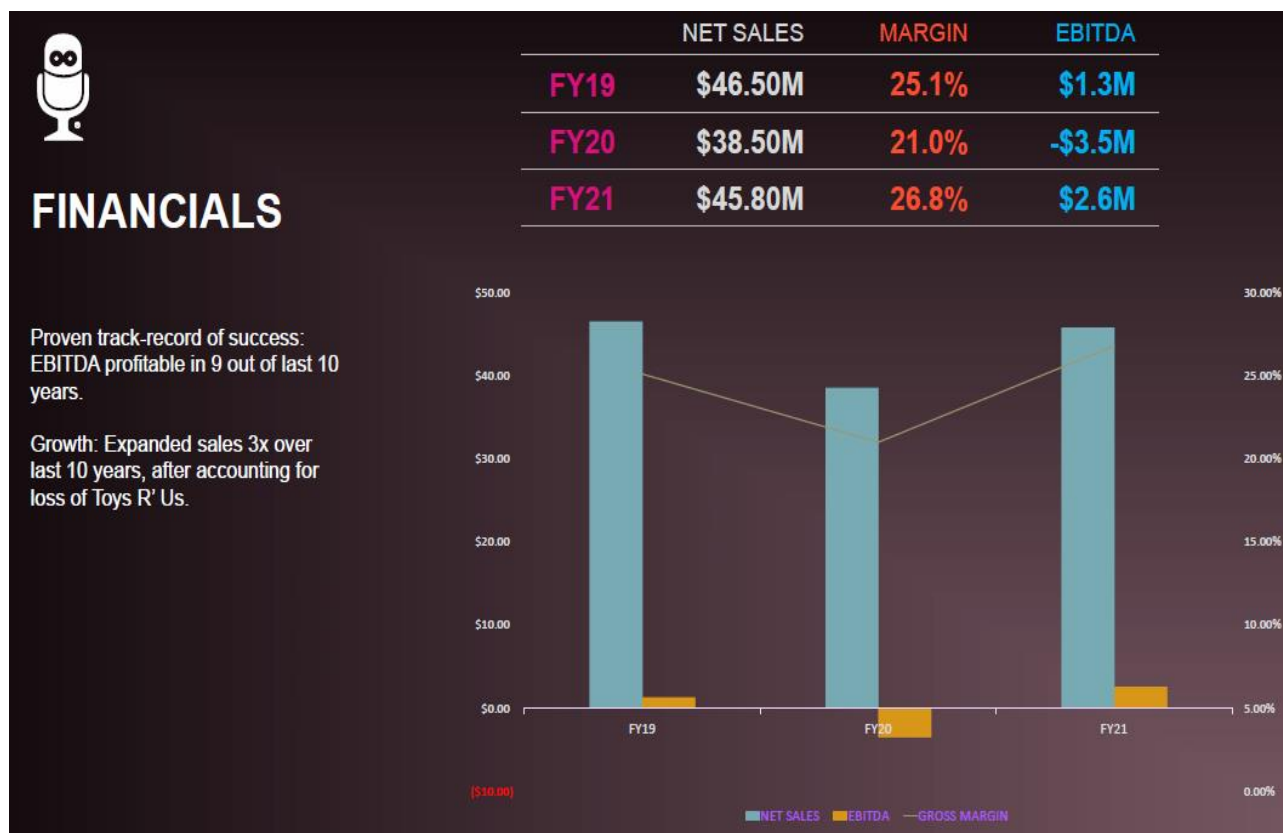
Sales of consumer electronics and toy products in the retail channel (to retailer customers and to end consumers) are highly seasonal, with a majority of sales occurring during the period from September through December in anticipation of the holidays and Christmas season. Sales in the company's Q2 (September) and Q3 (December), accounted for approximately 62% and 81% of sales in fiscal 2023 and 2022.

Exhibit 17: The Singing Machine Historical and Projected Financials

FYE Dec 31*					
(in millions except EPS)	2021A	2022A	2023A	T2023E	2024E
Total Revenue	45.8	47.5	39.3	29.0	39.0
Growth % (y/y)		4%	-17%	N/A	N/A
Gross Profit	12.3	10.8	9.2	7.7	11.3
Operating income (loss)	1.4	0.1	(3.7)	(3.3)	0.2
Net income (pro forma)	2.2	0.2	(4.6)	(3.4)	0.2
EPS	\$ 1.67	\$ 0.14	\$ (1.65)	\$ (0.82)	\$ 0.04

*T2023 is transition year to Dec FYE, was Mar FYE prior

*T2023 is a 9-month FYE



Source: Company reports and Ascendant Capital Markets estimates.

Recent Results (fiscal Q1 ending June 2023)

The Singing Machine's recent financial performance is reflective of its early rebound stage from its pandemic boost and then decline. In its Q1 T2023 report (on August 18, 2023), the company reported revenues of \$2.6 million and net loss was \$2.5 million (EPS of \$(0.64)), compared with Q1 2023's revenue of \$11.7 million and net loss of ~\$0 million (EPS of \$(0.01)). Revenues declined significantly -78% y-o-y and sequentially from Q4 (-22%). Operating expenses were \$3.3 million, compared to Q1 2023's \$3.0 million and \$2.9 million in Q4 2023.

The significant decrease in sales was primarily due to very tough comps from an usually strong Q1 2023 that had: 1) a very large order for initial setup in a new department from its largest single customer Walmart, and 2) accelerated direct import sales by another of its largest customers (Sam's Club). In general, sales in Q1 T2023 were in line or slightly below management's internal expectations.

Exhibit 18: Q1 T2023 (June 2023) and Recent Corporate Highlights (as of August 18, 2023)

- Revenues for the three months ended June 30, 2023 were \$2.6 million, as compared to \$11.7 million for the same period in the prior year. The \$9.1 million decrease was largely due to the distortive effects of \$6.7 million in purchase orders from Walmart and Sam's Club in the first quarter of the prior year.
- These orders were in part due to the launch of Singing Machine products in the Walmart Consumer Electronics department in mid-2022, and a direct import shipment that accelerated revenues normally booked in the second quarter into the tail end of our first quarter of fiscal 2022. Overall, first quarter of fiscal 2024 sales were consistent with the Company's historical record for customer purchases.
- Gross margins improved to 32.3% for the first quarter of fiscal 2024, as compared to 27.2% for the same period in the prior year. The improvement was largely the result of more sales of higher margin products and efficiencies in shipping that resulted in slightly lower overall shipping expenses.
- Operating expenses were \$3.3 million for the three months ended June 30, 2023, as compared to \$3.0 million for the same period in the prior year. The increase was almost entirely due to a \$0.3 million one-time expense relating to the closure of the Company's logistics facility in Ontario, CA. The Company has migrated to an outsourced third-party logistics warehouse that is expected to convert fixed annual overhead expenses to variable expenses and help insulate the Company from rising occupancy and labor costs in the southern California market.
- The Company maintained a strong balance sheet with \$8.6 million in working capital as of June 30, 2023. Cash on hand was \$1.9 million, and additional \$2.0 million was available under a revolving credit agreement as of June 30, 2023.

Source: Company reports.

The company does not provide financial guidance but has been generally optimistic on the upcoming holiday retail season. All of its existing retail customers have committed to karaoke programs for this holiday season and the company will be launching at least five new, innovative karaoke products this fall. Despite a weak Q1, we believe revenues should increase significantly for the remainder of 2023. We also expect revenues to ramp up significantly going forward over the next several years. We believe that the high revenue growth in 2023/24 should provide operating leverage and improve gross margins and operating income (loss).

For T2023 (9 months), we expect revenue of \$29 million (-19% y-o-y), a net loss of \$3.4 million, and EPS of \$(0.82). For 2024, we expect revenues of \$39 million (+20% y-o-y), a net income of \$0.2 million, and EPS of \$0.04.

We believe our estimates are conservative and there are significant revenue upside potential. We note that our 2024 revenue estimate of \$39 million is well below the annual revenue the company reported in FY2022 (\$48 million) and FY2021 (\$46 million).

We believe investors should be focused on its progress on its karaoke product commercialization, which is rebounding and is expected to have high growth over the next several years. We believe that the biggest potential variable and challenge to our financial model is the ability of the company to successfully commercialize, develop, and grow its karaoke business platforms. If the company can make significant progress towards these goals, then revenue and earnings will likely be able to grow significantly. However, if the company has difficulties in making progress towards these goals, then revenue growth and profitability may not be achieved or will likely grow at a low rate or even not at all.

The company's balance sheet has \$2 million in cash and no debt as of June 2023. In Q1 (ending June 2023), the company raised ~\$1.7 million selling stock (1.1 million shares at ~\$1.64/share) from its ATM stock sales. In May 2022, the company as a part of its uplisting to NASDAQ raised ~\$4 million (1.0 million shares at \$4.00/share) selling stock. We believe the company has enough cash through 2024, but that it is likely to raise capital over the next year to strengthen its balance sheet as well as to invest in its business and on new initiatives.

Exhibit 19: The Singing Machine Financial Metrics

Recent Share Price (11/10/23)	\$	0.80
52-Weeks Share Price (Low - High)		\$0.61 - 6.55
Shares Outstanding		4.2 million
Market Capitalization		\$3 million
Enterprise Value		\$1 million
Cash (6/30/23)		\$2 million
Debt (6/30/23)		\$0
2023A Revenue		\$39 million
2023A Net loss		\$(5) million
2023A EPS	\$	(1.65)
T2023E Revenue		\$29 million
T2023E Net loss		\$(3) million
T2023E EPS	\$	(0.82)
2024E Revenue		\$39 million
2024E Net income		\$0.2 million
2024E EPS	\$	0.04

*T2023 is transition year to Dec FYE, was Mar FYE prior

*T2023 is a 9-month FYE

Source: Company reports and Ascendant Capital Markets estimates.

FINANCIAL MODEL

The Singing Machine Company, Inc.

Income Statement (\$ mils)	2021	Jun-21	Sep-21	Dec-21	Mar-22	2022	Jun-22	Sep-22	Dec-22	Mar-23	2023	Jun-23	Sep-23	Dec-23	T2023	Mar-24	Jun-24	Sep-24	Dec-24	2024
Fiscal Year End: December 31	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	TFY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Total Revenue	45.8	6.1	17.4	21.2	2.8	47.5	11.7	17.1	7.1	3.4	39.3	2.6	15.4	11.0	29.0	3.9	3.3	18.6	13.2	39.0
Cost of Revenues	33.5	4.5	14.0	15.9	2.2	36.7	8.5	13.1	5.8	2.6	30.1	1.8	11.4	8.2	21.3	2.8	2.3	13.2	9.4	27.7
Gross Profit	12.3	1.6	3.3	5.3	0.6	10.8	3.2	4.0	1.3	0.8	9.2	0.8	4.0	2.9	7.7	1.1	1.0	5.4	3.8	11.3
Selling expenses	4.0	0.6	0.7	1.4	0.9	3.6	0.6	0.9	1.1	0.8	3.4	0.4	1.4	1.0	2.8	0.4	0.3	1.7	1.2	3.5
General and administrative	6.6	1.4	1.8	2.2	1.6	6.9	2.4	2.4	2.4	2.1	9.2	2.7	3.1	2.2	7.9	0.7	0.6	3.5	2.5	7.4
Depreciation	0.3	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.3	0.1	0.1	0.1	0.1	0.2
Restructuring and other						0.0					0.0				0.0					0.0
Total operating expenses	10.9	2.1	2.6	3.6	2.5	10.7	3.0	3.4	3.6	2.9	12.9	3.3	4.5	3.2	11.0	1.1	1.0	5.3	3.8	11.1
Operating income (loss)	1.4	(0.5)	0.8	1.7	(1.9)	0.1	0.1	0.6	(2.3)	(2.1)	(3.7)	(2.4)	(0.5)	(0.4)	(3.3)	(0.0)	(0.0)	0.1	0.1	0.2
Interest income (expense)	(0.5)	(0.1)	(0.1)	(0.2)	(0.2)	(0.6)	(0.2)	(0.2)	(0.1)	(0.0)	(0.5)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Other income (expense)	1.7	0.5	0.2	0.1	0.8	0.8	0.0	0.1	(0.1)	0.7	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income before income taxes	2.6	(0.1)	0.9	1.5	(2.0)	0.3	(0.0)	0.4	(2.5)	(1.5)	(3.6)	(2.5)	(0.5)	(0.4)	(3.4)	(0.0)	(0.0)	0.1	0.1	0.2
Income taxes	0.5	(0.0)	0.2	0.1	(0.2)	0.1	(0.0)	0.1	(0.6)	1.5	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	2.2	(0.1)	0.7	1.4	(1.8)	0.2	(0.0)	0.3	(1.9)	(3.0)	(4.6)	(2.5)	(0.5)	(0.4)	(3.4)	(0.0)	(0.0)	0.1	0.1	0.2
Nonrecurring/noncash adjustments						0.0					0.0				0.0					0.0
Net income (pro forma)	2.2	(0.1)	0.7	1.4	(1.8)	0.2	(0.0)	0.3	(1.9)	(3.0)	(4.6)	(2.5)	(0.5)	(0.4)	(3.4)	(0.0)	(0.0)	0.1	0.1	0.2
EBITDA	1.7	(0.4)	0.8	1.8	(1.8)	0.4	0.2	0.8	(2.2)	(2.0)	(3.1)	(2.2)	(0.4)	(0.3)	(2.8)	0.1	0.1	0.2	0.2	0.6
Shares, Basic	1.3	1.3	1.6	1.8	1.8	1.6	1.9	3.1	3.1	3.1	2.8	3.9	4.2	4.3	4.1	4.3	4.4	4.5	4.6	4.5
Shares, Diluted	1.3	1.3	1.6	1.8	1.8	1.6	1.9	3.6	3.1	3.1	2.8	3.9	4.2	4.3	4.1	4.3	4.4	4.5	4.6	4.5
EPS Basic (pro forma)	\$1.68	(\$0.09)	\$0.43	\$0.80	(\$0.99)	\$0.14	(\$0.01)	\$0.10	(\$0.62)	(\$0.96)	(\$1.65)	(\$0.64)	(\$0.12)	(\$0.09)	(\$0.82)	(\$0.00)	(\$0.01)	\$0.03	\$0.02	\$0.04
EPS Diluted (pro forma)	\$1.67	(\$0.09)	\$0.43	\$0.80	(\$0.99)	\$0.14	(\$0.01)	\$0.08	(\$0.62)	(\$0.96)	(\$1.65)	(\$0.64)	(\$0.12)	(\$0.09)	(\$0.82)	(\$0.00)	(\$0.01)	\$0.03	\$0.02	\$0.04
Margins																				
Gross margin	27%	26%	19%	25%	21%	23%	27%	23%	18%	23%	23%	32%	26%	26%	27%	29%	29%	29%	29%	29%
Selling expenses	9%	10%	4%	7%	31%	8%	5%	5%	16%	24%	9%	17%	9%	9%	10%	9%	9%	9%	9%	9%
General and administrative	14%	23%	10%	10%	55%	15%	20%	14%	34%	61%	24%	101%	20%	20%	27%	19%	19%	19%	19%	19%
Operating margin	3%	-8%	4%	8%	-67%	0%	1%	3%	-32%	-63%	-9%	-93%	-3%	-3%	-11%	0%	-1%	1%	1%	0%
Tax rate, GAAP	17%	19%	20%	7%	10%	20%	24%	26%	23%	-101%	-29%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	5%	-2%	4%	7%	-62%	0%	0%	2%	-27%	-88%	-12%	-94%	-3%	-4%	-12%	0%	-1%	1%	1%	0%
Y/Y % change																				
Total Revenue	19%					4%	93%	-1%	-67%	19%	-17%	-78%	-10%	55%		15%	25%	21%	20%	
Gross margin	50%					-12%	102%	19%	-76%	29%	-15%	-73%	1%	122%		46%	12%	35%	34%	
Selling expenses	-7%					-10%	5%	23%	-20%	-7%	-4%	-26%	54%	-12%		-57%	-34%	21%	20%	
General and administrative	-4%					5%	67%	36%	11%	32%	34%	12%	27%	-8%		-64%	-76%	15%	14%	
Operating income (loss)	-144%					-95%	-130%	-22%	-235%	14%	-5442%	-1755%	-188%	-83%		-99%	-99%	-127%	-122%	
Net income (loss)	-176%					-89%	-87%	-57%	-236%	69%	-2113%	15270%	-275%	-80%		-99%	-99%	-125%	-120%	
EPS Diluted (pro forma)	-175%					-91%	-91%	-81%	-177%	-4%	-1262%	7487%	-250%	-85%		-100%	-99%	-123%	-118%	

Source: Company reports and Ascendant Capital Markets estimates.

Reflects a 1:30 reverse stock split in May 2022

T2023 is transition year to Dec FYE, was Mar FYE prior

The Singing Machine Company, Inc.

Balance Sheet (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Fiscal Year End: December 31	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	0.4	1.4	3.3	7.4	2.3	2.3	3.0	2.8	2.9	1.9	1.7	1.2	10.3	5.8	0.8	0.4
Short term investments											0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable, net	2.2	5.6	11.6	12.3	2.8	9.6	10.6	7.0	2.1	0.7	10.3	6.4	3.8	3.0	12.4	7.6
Due from Bank	4.6	0.3			0.1	0.4	1.1	0.0			0.0	0.0	0.0	0.0	0.0	0.0
A/R related party	0.1		0.1	0.2	0.2	0.2	0.1	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Inventory	5.5	8.4	19.2	11.1	14.2	13.0	16.0	11.0	9.6	10.6	15.6	5.7	4.2	4.3	18.1	6.6
Deferred income taxes											0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses and other	0.2	0.2	0.2	0.3	0.4	0.2	0.2	0.2	0.4	0.6	0.2	0.2	0.5	0.1	0.2	0.2
Total current assets	13.0	15.9	34.4	31.2	19.8	25.8	31.0	21.3	15.2	14.0	27.9	13.6	19.1	13.5	31.7	14.9
Property and equipment, net	0.7	0.7	0.6	0.6	0.6	0.5	0.5	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.4
Operating lease	2.1	1.9	1.7	1.5	1.3	1.1	0.9	0.6	0.6	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Intangibles, net											0.0	0.0	0.0	0.0	0.0	0.0
Deferred income tax	0.9	0.9	0.7	0.6	0.9	0.9	0.8	1.4			0.0	0.0	0.0	0.0	0.0	0.0
Other	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total assets	16.8	19.5	37.5	34.1	22.7	28.4	33.4	24.2	16.6	15.0	28.9	14.7	20.1	14.5	32.8	16.0
Liabilities and stockholders' equity																
Accounts payable	2.5	6.3	18.6	6.0	5.4	6.8	10.1	2.1	1.8	2.6	16.5	3.1	7.4	3.4	20.0	3.7
Accounts payable - related party	0.1	0.1	0.1	0.1							0.0	0.0	0.0	0.0	0.0	0.0
Accrued expenses	1.7	1.4	2.0	2.4	1.7	2.2	2.5	3.2	2.3	1.3	1.8	1.3	2.4	0.7	2.2	1.5
Refunds due to customers	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Reserve for sales returns	1.0	0.7	1.9	2.9	1.0	0.9	1.7	2.9	0.9	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Leases	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.7	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Deferred income tax											0.0	0.0	0.0	0.0	0.0	0.0
Warrant liabilities											0.0	0.0	0.0	0.0	0.0	0.0
Other	0.1	0.0	0.1	0.0							0.0	0.0	0.0	0.0	0.0	0.0
Short term debt	0.8	0.9	2.4	9.1	2.9	2.9	2.9	1.8	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total current liabilities	7.0	10.3	26.1	21.4	12.0	13.8	18.2	10.9	6.1	5.3	19.7	5.7	11.2	5.5	23.5	6.6
Deferred income taxes											0.0	0.0	0.0	0.0	0.0	0.0
Warrant liabilities											0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities											0.0	0.0	0.0	0.0	0.0	0.0
Leases	1.3	1.1	0.9	0.7	0.5	0.2	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Long term debt	0.5	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total other liabilities	1.8	1.3	1.1	0.9	0.6	0.4	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Preferred stock											0.0	0.0	0.0	0.0	0.0	0.0
Common stock	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.3	0.4	0.4
Additional paid-in capital	19.8	19.8	24.5	24.5	24.9	29.1	29.5	29.7	29.8	31.5	31.5	31.5	31.5	31.5	31.5	31.5
Retained earnings	(12.3)	(12.4)	(14.5)	(13.1)	(14.9)	(14.9)	(14.6)	(16.5)	(19.5)	(22.0)	(22.5)	(22.9)	(22.9)	(22.9)	(22.8)	(22.7)
Other											0.0	0.0	0.0	0.0	0.0	0.0
Accumulated other comprehensive income											0.0	0.0	0.0	0.0	0.0	0.0
Total stockholders' equity	7.9	7.8	10.4	11.8	10.0	14.2	14.9	13.2	10.3	9.5	9.1	8.8	8.8	8.9	9.0	9.2
Total stockholders' equity and liabili	16.8	19.5	37.5	34.1	22.7	28.4	33.4	24.2	16.6	15.0	28.9	14.7	20.1	14.5	32.8	16.0

Balance Sheet Drivers

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	2%	4%	1%	1%	12%	2%	1%	3%	10%	21%	1%	1%	12%	4%	1%	1%
A/P as % of total rev	21%	103%	107%	28%	190%	58%	59%	29%	52%	101%	107%	28%	190%	103%	107%	28%
Accrued exp related as % of total rev	14%	23%	12%	11%	61%	19%	15%	45%	67%	49%	12%	11%	61%	23%	12%	11%
Activity Ratios																
A/R Days Sales Outstanding	17	83	60	52	88	74	56	89	55	24	60	52	88	83	60	52
Inventory Turnover	6.1x	2.1x	2.9x	5.7x	0.6x	2.6x	3.3x	2.1x	1.1x	0.7x	2.9x	5.7x	2.6x	2.1x	2.9x	5.7x
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$6.06	\$5.99	\$6.45	\$6.63	\$5.62	\$7.45	\$4.14	\$4.22	\$3.30	\$2.46	\$2.16	\$2.06	\$2.05	\$2.01	\$2.01	\$2.00
Cash per Share (diluted)	\$0.30	\$1.06	\$2.08	\$4.14	\$1.28	\$1.19	\$0.83	\$0.89	\$0.93	\$0.49	\$0.40	\$0.29	\$2.41	\$1.32	\$0.18	\$0.08
Net cash per Share (diluted)	-\$0.69	\$0.19	\$0.48	-\$1.03	-\$0.43	-\$0.40	-\$0.01	\$0.28	\$0.88	\$0.46	\$0.37	\$0.26	\$2.38	\$1.30	\$0.15	\$0.06

Source: Company reports and Ascendant Capital Markets estimates

T2023 is transition year to Dec FYE, was Mar FYE prior

The Singing Machine Company, Inc.

Cash Flow Statement (\$ mils)	2021	Jun-21	Sep-21	Dec-21	Mar-22	2022	Jun-22	Sep-22	Dec-22	Mar-23	2023	Jun-23	Sep-23	Dec-23	T2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	
Fiscal Year End: December 31	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	TFY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																					
Net income	2.2	(0.1)	0.7	1.4	(1.8)	0.2	(0.0)	0.3	(1.9)	(3.0)	(4.6)	(2.5)	(0.5)	(0.4)	(3.4)	(0.0)	(0.0)	0.1	0.1	0.2	
Depreciation	0.3	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.3	0.1	0.1	0.1	0.1	0.2	
Amortization						0.0					0.0				0.0					0.0	
Debt related amortization exper	0.1	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0		0.0						0.0	
Inventory reserves	0.2		0.1	0.2	(0.6)	(0.3)		(0.1)	0.5	0.1	0.5	0.1		0.1						0.0	
A/R reserves	(0.2)	(0.0)	0.1	0.1	(0.2)	(0.0)	0.1	0.0	(0.1)	0.0	0.0			(0.0)	(0.0)					0.0	
Stock comp	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1	0.4	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.3	
Deferred income taxes	0.4	(0.0)	0.2	0.1	(0.3)	(0.0)	(0.0)	0.1	(0.6)	1.4	0.9			0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in fair value of warrant liability						0.0					0.0				0.0					0.0	
Writedowns and impairments			0.0			0.0				0.0	0.0				0.0					0.0	
Other gains/losses	0.6	(0.4)	(0.2)	0.0	0.6	(0.1)			0.1	0.0	0.1				0.0					0.0	
Other		(0.0)			0.0	0.0					0.0				0.0					0.0	
Changes in operating assets and liabilities:																					
Accounts receivable	(0.2)	(3.3)	(6.2)	(0.7)	9.6	(0.6)	(7.0)	(1.0)	3.8	4.9	0.7	1.4	(9.6)	3.9	(4.3)	2.5	0.8	(9.4)	4.8	(1.3)	
Due from Crestmark Bank	(2.2)	4.2	0.3		(0.1)	4.5	(0.3)	(0.6)	1.1	0.0	0.1				0.0					0.0	
A/R related party	0.0	(0.1)	(0.1)	(0.1)	0.1	(0.1)	(0.1)	0.2	(0.2)	0.0	(0.1)	0.0			0.0					0.0	
Inventory	1.9	(2.9)	(10.8)	7.8	(2.5)	(8.4)	1.2	(3.0)	4.5	1.2	4.0	(1.1)	(4.9)	9.9	3.8	1.4	(0.1)	(13.7)	11.5	(0.9)	
Prepaid expenses & other curre	0.0	0.0	(0.0)	(0.1)	(0.1)	(0.1)	0.1	0.1	0.0	(0.1)	0.1	(0.2)	0.4	0.0	0.2	(0.3)	0.4	(0.1)	0.1	(0.0)	
Other assets	1.3	(0.1)	0.1	(0.0)	0.1	0.1	0.0	(0.1)	0.1	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts payable	(3.2)	3.8	12.6	(12.6)	(1.3)	2.5	1.4	3.4	(8.0)	(0.3)	(3.5)	0.9	13.9	(13.4)	1.3	4.3	(4.0)	16.6	(16.3)	0.6	
Accrued expenses	0.1	(0.3)	0.7	0.4	(0.7)	0.1	0.4	0.4	0.7	(1.0)	0.5	(1.0)	0.5	(0.6)	(1.0)	1.1	(1.6)	1.4	(0.7)	0.3	
Refunds and reserves	(0.9)	(0.3)	1.1	1.1	(1.9)	(0.0)	(0.1)	0.8	1.2	(1.5)	0.4	(0.5)			(0.5)					0.0	
Deferred revenue						0.0					0.0				0.0					0.0	
Other liabilities	(0.3)	0.0	(0.1)	(0.1)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	
Net cash (used in) provided by	0.2	0.8	(1.4)	(2.5)	1.1	(2.0)	(4.1)	0.6	1.3	1.9	(0.3)	(2.5)	(0.2)	(0.4)	(3.1)	9.2	(4.5)	(5.0)	(0.4)	(0.7)	
Cash flow from investing activities																					
Purchases of property and equi	(0.2)	(0.1)	(0.0)		(0.0)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	
Purchases of short-term investments						0.0					0.0				0.0					0.0	
Acquisitions						0.0					0.0				0.0					0.0	
Other						0.0					0.0				0.0					0.0	
Net cash used in investing activ	(0.2)	(0.1)	(0.0)	0.0	(0.0)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	
Cash flow from financing activities																					
Issuance of debt	0.5	0.3	1.7	6.6	(6.1)	2.4					0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Repayment of debt	(0.5)	(0.1)	(0.2)	(0.0)	(0.0)	(0.3)	(0.0)	(0.0)	(1.5)	(1.8)	(3.4)	(0.0)			(0.0)					0.0	
Issuance of stock			9.0		(0.0)	9.0	3.4	0.0	(0.0)	0.0	3.4	1.6	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0	
Proceeds from stock option exe	0.0	0.0		0.0		0.0	0.8	0.2	0.1	0.0	1.2				0.0					0.0	
Other			(7.2)			(7.2)					0.0				0.0					0.0	
Dividends and distributions						0.0					0.0				0.0					0.0	
Cash provided by (used in) fina	0.1	0.2	3.3	6.6	(6.1)	4.0	4.2	0.2	(1.4)	(1.7)	1.2	1.6	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0	
Effect of exchange rate on cash						0.0					0.0				0.0					0.0	
Net increase (decrease) in cash	0.1	1.0	2.0	4.0	(5.1)	1.9	(0.0)	0.7	(0.2)	0.1	0.6	(1.0)	(0.2)	(0.5)	(1.7)	9.1	(4.5)	(5.0)	(0.4)	(0.8)	
Beginning cash and equivalents	0.3	0.4	1.4	3.3	7.4	0.4	2.3	2.3	3.0	2.8	2.3	2.9	1.9	1.7	2.9	1.2	10.3	5.8	0.8	1.2	
Ending cash and equivalents	0.4	1.4	3.3	7.4	2.3	2.3	2.3	3.0	2.8	2.9	2.9	1.9	1.7	1.2	1.2	10.3	5.8	0.8	0.4	0.4	

Source: Company reports and Ascendant Capital Markets estimates

T2023 is transition year to Dec FYE, was Mar FYE prior

ANALYST CERTIFICATION

Each analyst hereby certifies that the views expressed in this report reflect the analyst's personal views about the subject securities or issuers. Each analyst also certifies that no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The analyst who prepared this report is compensated based upon the overall profitability of Ascendant Capital Markets, LLC, which may, from time to time, include the provision of investment banking, financial advisory and consulting services. Compensation for research is based on effectiveness in generating new ideas for clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

The Singing Machine Company, Inc.

- Ascendant Capital Markets, LLC has not received compensation for advisory or investment banking services from the company in the past 12 months.

IMPORTANT DISCLOSURES

This report has been distributed by Ascendant Capital Markets, LLC and is for the sole use of our clients. This report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. This report contains information from various sources, including United States government publications, The Wall Street Journal and other periodicals, Yahoo! Finance and other sources, and is for informational purposes only and is not a recommendation to trade in the securities of the companies mentioned within the report. We seek to update our research and recommendations as appropriate, but the large majority of reports are published at irregular intervals as we consider appropriate and, in some cases, as constrained by industry regulations.

We may have a business relationship with companies covered in this report. Ascendant Capital Markets, LLC may make a market in the securities of the subject company. We and our affiliates, officers, directors, and employees will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this report. This report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any information in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to in this report may fluctuate.

Following are some general risks that can adversely impact future operational and financial performance and share price valuation: (1) industry fundamentals with respect to legislation, mandates, incentives, customer demand, or product pricing; (2) issues relating to competing companies or products; (3) unforeseen developments with respect to management, financial condition or accounting policies or practices; or (4) external factors that affect the interest rates, currency, the economy or major segments of the economy. Past performance is not a guide to future performance, future returns are not guaranteed, and loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Our report is disseminated primarily electronically, and, in some cases, in printed form. The information contained in this report is not incorporated into the contents of our website and should be read independently thereof. Copyright Ascendant Capital Markets, LLC. No part of this material may be copied, photocopied or duplicated by any means or redistributed without the prior written consent of Ascendant Capital Markets, LLC.

Risks & Considerations

Risks to attainment of our share price target include balance sheet/liquidity risks, ability to commercialize product, product features and technologies changes, competition, changing macroeconomic factors, investor sentiment for investing in technology/consumer electronic stocks, and changes in consumer demand or interest in consumer electronics.

Ascendant Capital Markets, LLC Rating System

BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.

HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of October 13, 2023)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	51	98%	19	37%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	52	100%	19	37%

Other Important Disclosures

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

Dissemination of Research

Ascendant Capital Markets, LLC research is distributed electronically via the Thomson Reuters platforms, Bloomberg, Capital IQ and FactSet. Please contact your investment advisor or institutional salesperson for more information.

General Disclaimer

The information and opinions in this report were prepared by Ascendant Capital Markets, LLC. This information is not intended to be used as the primary basis of investment decisions and because of individual client objectives it should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer or solicitation with respect to the purchase or sale of any security. The reader should assume that Ascendant Capital Markets, LLC may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The opinions, estimates, and projections contained in this report are those of Ascendant Capital Markets, LLC as of the date of this report and are subject to change without notice. Ascendant Capital Markets, LLC endeavors to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, Ascendant Capital Markets, LLC makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein, and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to Ascendant Capital Markets, LLC, or its affiliates that is not reflected in this report. This report is not to be construed as an offer or solicitation to buy or sell any security.

Additional Disclosures

Ascendant Capital Markets, LLC is a broker-dealer registered with the United States Securities and Exchange Commission (SEC) and a member of the FINRA and SIPC. Ascendant Capital Markets, LLC is not a Registered Investment Advisor nor is it an investment advisor registered with the Securities and Exchange Commission or with the securities regulators of any state, and at the present time is not eligible to file for federal registration.