

EMERSON RADIO CORP
Form 10-K
June 28, 2018

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year ended March 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____

Commission File Number 001-07731

EMERSON RADIO CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

22-3285224
(I.R.S. Employer
Identification Number)

3 University Plaza, Suite 405, Hackensack, NJ
(Address of principal executive offices)

07601
(Zip Code)

Registrant's telephone number, including area code:

(973) 428-2000

Securities registered pursuant to Section 12(b) of the Act:

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Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$.01 per share	NYSE American

Securities registered pursuant to Section 12(g) of the Act:

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act). YES NO.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirement for the past 90 days. YES NO.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO.

Aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates of the registrant at September 30, 2017 (computed by reference to the last reported sale price of the Common Stock on the NYSE American on such date): \$12,501,554.

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Number of Common Shares outstanding at June 15, 2018: 22,571,951

DOCUMENTS INCORPORATED BY REFERENCE:

Document	Part of the
Proxy Statement for Annual Meeting of Stockholders for the fiscal year ended March 31, 2018, or an amendment to this Annual Report on Form 10-K	Form 10-K Part III

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PART I

Forward-Looking Information

This report contains forward looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements with respect to the Company’s beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond the Company’s control, and which may cause its actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through the use of words such as “may,” “will,” “can,” “anticipate,” “assume,” “show,” “indicate,” “would,” “believe,” “contemplate,” “expect,” “seek,” “estimate,” “continue,” “plan,” “project,” “predict,” “could,” “potential,” and other similar words and expressions of the future. These forward-looking statements may not be realized due to a variety of factors, including, without limitation:

- the Company’s ability to generate sufficient revenue to achieve and maintain profitability;
- the Company’s ability to obtain new customers and retain key existing customers, including the Company’s ability to maintain purchase volumes of the Company’s products by its key customers;
- the Company’s ability to obtain new licensees and distribution relationships and maintain relationships with its existing licensees and distributors;
- the Company’s ability to resist price increases from its suppliers or pass through such increases to its customers;
- changes in consumer spending for retail products, such as the Company’s products, and in consumer practices, including sales over the Internet;
- the Company’s ability to maintain effective internal controls or compliance by its personnel with such internal controls;
- the Company’s ability to successfully manage its operating cash flows to fund its operations;
- the Company’s ability to anticipate market trends, enhance existing products or achieve market acceptance of new products;
- the Company’s dependence on a limited number of suppliers for its components and raw materials;
- the Company’s dependence on third party manufacturers to manufacture and deliver its products;
- the ability of third party sales representatives to adequately promote, market and sell the Company’s products;
- the Company’s ability to maintain, protect and enhance its intellectual property;
- the effects of competition;
- the Company’s ability to distribute its products in a timely fashion, including as a result of labor disputes;
- evolving cybersecurity threats to the Company’s information technology systems or those of its customers or suppliers;
- changes in foreign laws and regulations and changes in the political and economic conditions in the foreign countries in which the Company operates;
- changes in accounting policies, rules and practices;
 - changes in tax rules and regulations or interpretations including, but not limited to the recently enacted U.S. Tax Cuts and Jobs Act of 2017;
- the level of the Company’s stock repurchase activity;
- limited access to financing or increased cost of financing;
- the effects of currency fluctuations between the U.S. dollar and Chinese renminbi relative to the dollar and increases in costs of production in China; and
- the other factors listed under “Risk Factors” in this Annual Report on Form 10-K and other filings with the SEC.

All forward-looking statements are expressly qualified in their entirety by this cautionary notice. The reader is cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this annual report or the date of the

document incorporated by reference into this annual report. The Company has no obligation, and expressly disclaims any obligation, to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise. The Company has expressed its expectations, beliefs and projections in good faith and the Company believes they have a reasonable basis. However, the Company cannot assure the reader that its expectations, beliefs or projections will result or be achieved or accomplished.

Item 1. BUSINESS

The Company — Overview

Unless the context otherwise requires, the term “the Company” and “Emerson,” refers to Emerson Radio Corp. and its subsidiaries.

Emerson Radio Corp. was incorporated in Delaware in 1994. The Company designs, sources, imports and markets a variety of houseware and consumer electronic products, and licenses its trademarks to others on a worldwide basis for a variety of products.

General

The Company, directly and through several subsidiaries, designs, sources, imports, markets, sells and licenses to certain licensees a variety of houseware and consumer electronic products, both domestically and internationally, under the Emerson® brand name.

The Company believes its competitive advantages include a combination of:

- recognition of the Emerson® brand;
- the Company’s distribution base and established customer relations;
- the Company’s sourcing expertise and established vendor relations;
- an infrastructure with personnel experienced in servicing and providing logistical support to the domestic mass merchant distribution channel, or supervising third-party logistics providers in providing same; and
- the Company’s extensive experience in establishing license and distribution agreements on a global basis for a variety of products.

The Company intends to continue leveraging its core competencies to offer a variety of current and new houseware and consumer electronic products to customers. In addition, the Company intends to continue entering into licenses for the use of its trade names and trademarks by third parties. See “Licensing Activities.”

The Company’s core business consists of selling, distributing, and licensing various low and moderately priced houseware and consumer electronic products in various categories. All of the Company’s marketing and sales efforts are currently concentrated in the United States.

For additional disclosures regarding the Company’s major customers, as well as financial information about geographical areas of the Company’s operations, see Item 8 – “Financial Statements and Supplementary Data” and Note 13 “Geographic Information”.

Products

The Company’s current product and branded categories consist primarily of the following:

Houseware Products Audio Products Other

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Microwave Ovens	Clock Radios	Mobile and Landline Telephones and Accessories
Compact Refrigerators		Tablet Computers and Accessories
Wine Products		Cameras and Video Cameras and Accessories
Toaster Ovens		Miscellaneous Electronic and Novelty Products

Sales and Distribution

The Company markets its products exclusively in the United States, primarily through mass merchandisers and online marketplaces.

In fiscal 2018, Walmart accounted for approximately 62%, Amazon.com accounted for approximately 11%, and Fred Meyer accounted for approximately 11% of the Company's net revenues. In fiscal 2017, Walmart accounted for approximately 53% and Fred Meyer accounted for approximately 17% of the Company's net revenues. No other customer accounted for more than 10% of net revenues in either period. As a percent of the Company's total trade accounts receivable, net of specific reserves, Walmart and Amazon.com accounted for 64% and 21% as of March 31, 2018, respectively. As a percent of the Company's total trade accounts receivable, net of specific reserves, Walmart and Fred Meyer accounted for 91% and nil as of March 31, 2017, respectively. Management believes that a loss, or a significant reduction, of sales to any of its key customers would have a material adverse effect on the Company's business and results of operations.

Approximately 31% and 25% of the Company's net revenues in fiscal 2018 and 2017, respectively, were made through third-party sales representative organizations that receive sales commissions and work in conjunction with the Company's own sales personnel. With the Company's permission, third-party sales representative organizations may sell competitive products in addition to the Company's products. In most instances, either party may terminate a sales representative relationship on 30 days prior notice by the Company and 90 days prior notice by the sales representative organization in accordance with customary industry practice. In fiscal 2018, the Company utilized 5 sales representative organizations, including one which represented approximately 26% of its net revenues. In fiscal 2017, the Company utilized 7 sales representative organizations, including one which represented approximately 23% of its net revenues. No other sales representative organization accounted for more than 10% of net revenues in fiscal 2018 or fiscal 2017. The remainder of the Company's sales is to customers that are serviced by its sales personnel. Although sales and operating results could be negatively impacted, management does not believe that the loss of one or more sales representative organizations would have a material adverse effect on its business and results of operations, as the Company believes that new sales representative organizations could be identified if needed, although that could be a time consuming process.

The Company primarily sells product to customers from its United States warehoused inventory, which is referred to as the Domestic Program. Under the Domestic Program, title for product typically passes at the time of shipment. The Company's Direct Import Program allows its customers to import and receive product directly from an export port in the country of manufacture outside the United States. Under the Direct Import Program, title for the Company's product passes to the customer in the country of origin when the product is shipped by the Company's subsidiary in China. Under both programs, the Company recognizes revenues at the time title passes to the customer. See Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations." During fiscal 2018, less than 1% of the Company's net product sales were sold under the Direct Import Program. During fiscal 2017, none of the Company's net product sales were sold under the Direct Import Program.

During fiscal 2017, the Company initiated sales through third party online marketplaces to broaden its brand reach. The Company's website also serves as a sales channel for products, and provides search capability, detailed product information, online merchant availability, demo videos and downloadable product specification sheets. Sales through Amazon.com accounted for approximately 11% and 3% of the Company's net revenues in fiscal 2018 and 2017, respectively. The Company expects sales through online marketplaces to continue to be a growth initiative for its business.

The Company has an integrated system to coordinate the purchasing, sales and distribution aspects of its operations. The Company receives orders from its major customers via electronic data interface, facsimile, telephone or mail. The Company does not have long-term contracts with any of its customers, but rather receives orders on an ongoing basis. Products imported by the Company for the Domestic Program, generally from factories in Asia, are shipped by ocean

and/or inland freight and then stored in the Company's outsourced warehouse facilities for shipment to customers. The Company monitors its inventory levels and goods in transit through the use of an electronic inventory system. When a purchase order under the Domestic Program is received, it is filled from the Company's inventory and the warehoused product is labeled and prepared for outbound shipment to the customer by common, contract or small package carrier.

Licensing Activities

The Company is party to two license agreements with a third party licensee that allow the licensee to manufacture and/or sell various products bearing the Company's trademarks into defined geographic areas. Such activities have had a positive impact on operating results by generating income with minimal incremental costs and without any working capital requirements, and the Company intends to continue pursuing additional licensing opportunities. The Company protects its brand through careful license and product selection and control processes.

See Item 1A — “Risk Factors — Business Related Risks — “The failure to obtain new licensees and distribution relationships or to maintain relationships with its existing licensees and distributors could materially and adversely affect the Company’s revenues, earnings and business.”

Design and Manufacturing

The Company’s products are manufactured by original equipment manufacturers in accordance with the Company’s specifications. During fiscal 2018 and 2017, 100% of the Company’s purchases consisted of finished goods from foreign manufacturers located in People’s Republic of China.

The Company’s design team is responsible for product development and works closely with suppliers and determines the cosmetic and other features for new products. Accordingly, the exterior designs and operating features of the products reflect the Company’s judgment, or that of its customers, of current styles and consumer preferences.

The following summarizes the Company’s purchases from its major suppliers that provided more than 10% of the Company’s total purchases in fiscal 2018 and 2017:

Supplier	Fiscal Year	
	2018	2017
Midea	59%	75 %
Itoma	34%	16 %
Total	93%	91 %

* All other suppliers were less than 10%

The Company considers its relationships with its suppliers to be satisfactory and believes that, barring any unusual material or part shortages or economic, fiscal or monetary conditions, the Company could develop alternative suppliers. No assurance can be given that ample supply of product would be available at current prices and on current credit terms if the Company were required to seek alternative sources of supply without adequate notice by a supplier or a reasonable opportunity to seek alternate production facilities and component parts (See Item 1A — “Risk Factors — Business Related Risks — The Company depends on a limited number of suppliers for its products. If its relationships with such suppliers terminate or are otherwise impaired, the Company would likely experience increased costs, disruptions in the manufacture and shipment of its products and a material loss of net sales.” and Item 7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations”).

Warranties

The Company offers limited warranties for its consumer electronics, comparable to those offered to consumers by the Company’s competitors in the United States. Such warranties typically consist of a one year period for microwaves and compact refrigerators and a 90 day period for audio products, under which the Company pays for labor and parts, or offers a new or similar unit in exchange for a non-performing unit.

Returned Products

The Company’s customers return product for a variety of reasons, including:

- retailer return policies which allow customer returns for no reason concerning the quality of the product itself;
- damage to goods in transit and cosmetic imperfections; and
- mechanical failures.

Backlog

The Company does not believe that backlog is a significant factor. The ability of management to correctly anticipate and provide for inventory requirements is essential to the successful operation of the Company's business.

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Trademarks

The Company owns the following principal trademarks for certain consumer electronic products in the United States, Canada, Mexico and various other countries:

Emerson®
Emerson Research®
H.H. Scott®
iDEA®
iDIVA®
Olevia®
Scott®
SmartSet®

The Company's trademark registrations must be renewed at various times. The Company intends to renew all trademarks necessary for the conduct of its business. The Company considers the Emerson® trademark to be of material importance to its business and, to a lesser degree, the remaining trademarks. The Company licenses the Emerson® and certain of its other trademarks to third parties, the scope of which is on a limited product and geographic basis and for a period of time. See "Licensing Activities."

Competition

The Company primarily competes in the low-to-medium-priced sector of the housewares and consumer electronics market. Management estimates that the Company has several dozen competitors that are manufacturers and/or distributors, many of which are much larger and have greater financial resources than the Company. The Company competes primarily on the basis of:

- brand recognition;
- reliability;
- quality;
- price;
- design;
- consumer acceptance of the Company's products; and
- the quality of service and support provided to retailers and their customers.

The Company also competes at the retail level for shelf space and promotional displays, all of which have an impact on its success in established and proposed distribution channels.

Government Regulation

Pursuant to the Tariff Act of 1930, as amended, the Trade Act of 1974 and regulations promulgated there under, the United States government charges tariff duties, excess charges, assessments and penalties on many imports. These regulations are subject to continuous change and revision by government agencies and by action of the United States Trade Representative. As all of the Company's products are currently manufactured by suppliers in China, the enactment of new legislation or the administration of current international trade regulations or executive action affecting trade agreements, or changes in sourcing patterns could adversely affect the Company's operations. See Item 1A — "Risk Factors — Business Related Risks — Foreign regulations and changes in the political, social and economic conditions in the United States and the foreign countries in which the Company operates its business could affect the Company's revenues and earnings materially and adversely." A number of states have adopted statutes regulating the manner of determining the amount of payments to independent service centers performing warranty service on products such as those sold by the Company. Additional Federal legislation and regulations regarding the importation of consumer electronics products, including the products marketed by the Company, have been proposed from time to time and, if enacted into law, could adversely affect the Company's financial condition and results of operations.

Product Liability and Insurance

Because of the nature of the products it sells, the Company is periodically subject to product liability claims resulting from personal injuries. The Company may also become involved in various lawsuits incidental to its business.

Although the Company maintains product liability insurance coverage, there can be no assurance that the Company's coverage limits will be sufficient to cover any successful product liability claims made against it in the future. In management's opinion, any ultimate liability arising out of currently pending product liability claims will not have a material adverse effect on the Company's financial condition or results of operations. However, any claims substantially in excess of the Company's insurance coverage, or any substantial claim not covered by insurance, could have a material adverse effect on the Company's financial condition and results of operations.

Employees

As of June 20, 2018, the Company had 27 employees, comprised of 12 in the United States and 15 in China. None of the Company's employees are represented by unions, and the Company believes its labor relations are good.

Available Information

The Company files reports and other information with the SEC pursuant to the information requirements of the Securities Exchange Act of 1934. Readers may read and copy any document the Company files at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operations of the public reference room. The Company's filings with the SEC are also available to the public from commercial document retrieval services and at the SEC's website at www.sec.gov.

The Company makes available through its internet website free of charge its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to such reports and other filings made by the Company with the SEC, as soon as practicable after the Company electronically files such reports and filings with the SEC. The Company's website address is www.emersonradio.com. The information contained in the Company's website is not incorporated by reference in this report.

Item 1A. Risk Factors

The reader should carefully consider these risk factors in addition to those set forth in the Company's financial statements or the notes thereto. Additional risks about which the Company is not yet aware or that the Company currently believes to be immaterial also may adversely affect the Company's business operations. If any of the following occur, the Company's business, financial condition or operating results may be adversely affected. In that case, the price of the Company's common stock may decline.

Business Related Risks

The Company relies on a small number of key customers for the majority of its business, and the loss or significant reduction in business with any of these key customers would materially and adversely affect the Company's revenues and earnings.

Certain customers have historically made up a significant percentage of the Company's product sales and net revenues. For the fiscal year ended March 31, 2018, Walmart, Amazon.com and Fred Meyer accounted for approximately 62%, 11% and 11%, respectively, of the Company's net revenues. For the fiscal year ended March 31, 2017 Wal-Mart and Fred Meyer accounted for approximately 53% and 17% of the Company's net revenues, respectively. The Company expects that its online marketplaces will increasingly represent a significant portion of the Company's product sales going forward. No other customer accounted for more than 10% of the Company's net revenues during these periods. All customer purchases are made through purchase orders and the Company does not have any long-term contracts

with its customers. Accordingly, sales from customers that have accounted for a significant portion of the Company's net product sales and net revenues in past periods, individually or as a group, may not continue in future periods, or if continued, may not reach or exceed historical levels in any period, which has happened in the past and could happen in the future. Some of the Company's key customers may also experience economic difficulties or otherwise default on their obligations to the Company. The complete loss of, or significant reduction in business from, or a material adverse change in the financial condition of, any of the Company's key customers would cause a material and adverse change in the Company's revenues and operating results.

The Company is dependent on a limited number of products for its sales.

We derive a substantial portion of our product revenues from a limited number of products, and we expect these products to continue to account for a large percentage of our product revenues in the near term. For the twelve months ended March 31, 2018, the Company's gross product sales were comprised of four product types within two categories — housewares products and audio

products, and two of these product types, namely microwave ovens and compact refrigerators — both within the housewares category — generated approximately 69% of the Company's gross product sales, with microwave ovens generating approximately 63% of the total and compact refrigerators generating approximately 6% of the total. Audio products generated approximately 30% of the Company's gross product sales during fiscal 2018. For the twelve months ended March 31, 2017, the Company's gross product sales were comprised of the same four product types within the same two categories — housewares products and audio products, and two of these product types, namely microwave ovens and compact refrigerators — both within the housewares category — generated approximately 82% of the Company's gross product sales, with microwave ovens generating approximately 71% of the total and compact refrigerators generating approximately 11% of the total. Audio products generated approximately 18% of the Company's gross product sales during fiscal 2017. Because the market for these product types and categories is characterized by periodic new product introductions, the Company's future financial performance will depend, in part, on the successful and timely development and customer acceptance of new and enhanced versions of these product types and other products distributed by the Company. There can be no assurance that the Company will continue to be successful in marketing these products types within these categories or any other new or enhanced products. For example, certain of the Company's key customers perform periodic line reviews to assess their product offerings, which have in the past and may in the future lead to loss of business and pricing pressures. As a result of this dependence, a significant decline in pricing of, or market acceptance of these product types and categories, either in general or specifically as marketed by the Company, would have a material adverse effect on the Company's business, financial condition and results of operation.

The loss or reduction of business of one or a combination of our houseware and audio product lines could materially adversely affect our revenues, financial condition and results of operations.

If the Company's third party sales representatives fail to adequately promote, market and sell the Company's products, the Company's revenues could significantly decrease.

A significant portion of the Company's product sales are made through third party sales representative organizations, whose members are not employees of the Company. The Company's level of sales depends on the effectiveness of these organizations, as well as the effectiveness of its own employees. Some of these third party representatives may sell (and do sell), with the Company's permission, competitive products of third parties as well as the Company's products. During the Company's fiscal years ended March 31, 2018 and March 31, 2017, these organizations were responsible for approximately 31% and 25%, respectively, of its net revenues during such periods. In addition, one of these representative organizations was responsible for a significant portion of these revenues. If any of the Company's third party sales representative organizations engaged by the Company, especially the Company's largest, fails to adequately promote, market and sell its products, the Company's revenues could be significantly decreased until a replacement organization or distributor could be retained by the Company, which has happened in the past and could happen in the future. The loss or reduction of product sales made through third party sales representative organizations could have a material adverse effect on the Company's business and results of operations. Finding replacement organizations and distributors could be a time consuming process during which the Company's revenues could be negatively impacted.

The concentration of product sales among a limited number of retailers and the trend toward private label brands could materially reduce revenues and profitability.

With the concentration of the Company's product sales among a limited number of retailers, the Company is dependent upon a small number of customers whose bargaining strength is growing. These retailers generally purchase a limited selection of houseware and consumer electronic products. As a result, there is significant competition for retail shelf space. In addition, certain of the Company's key customers use their own private label brands that compete directly with some of the Company's products. As the retailers in the houseware and consumer electronic industry become more concentrated, competition for sales to these retailers may increase, which could materially reduce the Company's revenues and profitability.

The houseware and consumer electronic industry is consolidating, which could reduce the Company's ability to successfully secure product placements at key customers and limit its ability to sustain a cost competitive position in the industry.

Over the past several years, the houseware and consumer electronic industry has undergone substantial consolidation, and further consolidation is likely. As a result of this consolidation, the houseware and consumer electronic industry primarily consists of a limited number of large retailers and distributors. The Company's ability to gain or maintain share of sales in the houseware and consumer electronic industry or maintain or enhance its relationships with key customers may be limited as a result of actions by competitors or the retailers' increasing use of private label brands.

The failure to obtain new licensees and distribution relationships or to maintain relationships with its existing licensees and distributors could materially and adversely affect the Company's revenues, earnings and business.

The Company maintains agreements that allow licensees to use the Company's trademarks for the manufacture and sale of specific consumer electronics and other products into defined geographic areas. These agreements typically are for a limited period of time and, upon expiration, the Company cannot assure that its agreements with its licensees will be renewed in the future or that the Company's relationships with its licensees or distributors will be maintained on satisfactory terms or at all. For example, as previously disclosed, the Company's relationship with Funai, historically the Company's most significant licensee, terminated in December 2016. For the fiscal year ended March 31, 2017, Funai accounted for approximately 78% of the Company's total licensing revenue. Funai also contributed substantial product volume and market presence through its manufacture and distribution of products utilizing the Emerson® brand name in the United States. If the Company is unable to maintain its relationships with its licensees and distributors on terms satisfactory to the Company, or if it fails to obtain new licensees or distribution relationships or the Company's licensees fail to protect the integrity and reputation of the Company's trademarks, the value of the Emerson brand and the Company's licensing revenues and earnings could be materially and adversely affected.

The Company depends on a limited number of suppliers for its products. If its relationships with such suppliers terminate or are otherwise impaired, the Company would likely experience increased costs, disruptions in the manufacture and shipment of its products and a material loss of net sales.

Although there are multiple potential suppliers for each of the Company's products, the Company relies and is dependent on a limited number of suppliers for its main products, all of which are located outside of the United States.

The Company does not have any long-term or exclusive purchase commitments with any of its suppliers. Midea was the Company's largest supplier and accounted for 59% of the Company's purchases of products during fiscal 2018. The Company's failure to maintain existing relationships with its suppliers or to establish new relationships on similar pricing and credit terms in the future could negatively affect the Company's ability to obtain products in a timely manner. If the Company is unable to obtain an ample supply of product from its existing suppliers or secure alternative sources of supply, it may be unable to satisfy its customers' orders, which could materially and adversely affect the Company's revenues and relationships with its customers. Finding replacement suppliers could be a time consuming process during which the Company's revenues and liquidity could be negatively impacted.

Increases in costs of products may materially reduce the Company's profitability.

Factors that are largely beyond the Company's control, such as the cost, quality and availability of the raw materials and components needed by suppliers of the Company's products, may affect the cost of such products, and the Company may not be able to pass those costs on to its customers. As an example, when the prices of petroleum increase significantly, the Company's profitability may be negatively impacted.

If the Company is unable to deliver products in the required amounts and in a timely fashion, the Company could experience delays or reductions in shipments to its customers, which could materially and adversely affect the Company's revenues and relationships with its customers.

The Company's ability to provide high quality customer service, process and fulfill orders, and manage inventory depends on the efficient and uninterrupted operation and timely and uninterrupted performance of its suppliers. The Company can provide no assurances that it will not experience operational difficulties with its suppliers, including reductions in the availability of production capacity, errors in complying with product specifications, insufficient quality control, failures to meet production deadlines, increases in manufacturing costs and increased lead times. If the Company is unable to obtain products from these factories in the required quantities and quality and in a timely fashion, the Company could experience delays or reductions in product shipments to its customers, which could negatively affect the Company's ability to meet the requirements of its customers, as well as its relationships with its

customers, which in turn could materially and adversely affect the Company's revenues and operating results.

All the Company's suppliers are based in China and as a result the Company is subject to risks associated with international operations and global manufacturing and sourcing including, among others:

- currency fluctuations;
- labor disputes and union actions that can disrupt our ability to ship products to customers;
- potential political, economic and social instability;
- inclement weather and natural disasters;
- possible acts of terrorism;

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- restrictions on transfers of funds;
- changes in import and export duties and quotas;
- changes in domestic and international customs and tariffs;
- uncertainties involving the costs to transport products;
 - disruptions in the global transportation network;
- unexpected changes in regulatory environments;
- regulatory issues involved in dealing with foreign suppliers and in exporting and importing products;
- protection of intellectual property;
- difficulty in complying with a variety of foreign laws;
- difficulty in obtaining distribution and support; and
- potentially adverse tax consequences.

Furthermore, any material disruption, slowdown or shutdown of the operation of the Company's principal logistics providers and shippers, including without limitation as a result of labor disputes, inclement weather, natural disasters, possible acts of terrorism, availability of shipping containers and increased security restrictions, could cause delays in the Company's ability to receive, process and fulfill customer orders and may cause orders to be canceled, lost or delivered late, goods to be returned or receipt of goods to be refused. As a result, the Company's relationships with its customers, revenues and operating results could be materially and adversely affected.

The Company relies on a third-party logistics provider for the storage and distribution of its products in the United States and, if such third party logistics provider incurs any damage to the facilities where the Company's products are stored or is unable to distribute its products as needed, it could have a material adverse effect on the Company's results of operations and business.

The Company relies on a third-party logistics provider for the storage and distribution of its products. The facilities where the Company's products are stored by such provider may also be harmed or rendered inoperable by natural or man-made disasters, including earthquakes, power outages, communications failure or terrorism. Any material damage to the facilities where the Company's products are stored could adversely affect its inventory and the ability of such third-party logistics provider to meet the needs of its customers. In addition, an inability to maintain the Company's contracts with such third-party logistics providers or a disruption or slowdown in the operations of such third-party logistics providers, including as a result of damage to the facilities of such providers or a strike by such providers, could cause delays in the Company's ability to fulfill customer orders and may cause orders to be canceled, lost or delivered late, the Company's products to be returned or receipt of products to be refused, any of which could adversely affect the Company's business and results of operations. The Company's contract with its third-party logistics provider is terminable upon written notice by either party for convenience without cause. If the Company is unable to maintain its contract with its third-party logistics provider, the Company would be required to retain a new third party logistics provider and the Company may be unable to retain such third party at a cost that is acceptable to the Company. If the Company's shipping costs were to increase as a result of an increase by such third-party logistics providers or as a result of obtaining a new third-party logistics provider and if the Company is unable to pass on these higher costs to its customers, it could have a material adverse effect on the Company's results of operations and business.

The Company's business could be materially and adversely affected if it cannot protect its intellectual property rights or if it infringes on the intellectual property rights of others.

The Company's ability to compete effectively depends on its ability to maintain and protect its proprietary rights. The Company owns the Emerson® and other trademarks, which are materially important to its business, as well as other trademarks, patents, licenses and proprietary rights that are used for certain of the products that it markets and sells. The Company's trademarks are registered throughout the world, including the United States and other countries. The Company also has two patents in the United States on its SmartSet® technology, both of which expire in September 2018. However, based on the Company's current product mix, the Company does not expect any material loss of

revenues to occur as a result of the expiration of these patents. The laws of some foreign countries in which the Company operates may not protect the Company's proprietary rights to the same extent as do laws in the United States. The protections afforded by the laws of such countries may not be adequate to protect the Company's intellectual property rights.

Third parties may seek to challenge, invalidate, circumvent or render unenforceable any trademarks, patents or proprietary rights owned by or licensed to the Company. In addition, in the event third party licensees fail to protect the integrity of the Company's trademarks, the value of these marks could be materially and adversely affected. The Company's inability to protect its proprietary

rights could materially and adversely affect the license of its trade names, trademarks and patents to third parties as well as its ability to sell its products. Litigation has been and may in the future be necessary to enforce the Company's intellectual property rights, protect the Company's trade secrets; and determine the scope and validity of such intellectual property rights. Any such litigation, whether or not successful, could result in substantial costs and diversion of resources and management's attention from the operation of the Company's business.

The Company may receive notices of claims of infringement of other parties' proprietary rights. Such actions could result in litigation and the Company could incur significant costs and diversion of resources in defending such claims. The party making such claims could secure a judgment awarding substantial damages, as well as injunctive or other equitable relief. Such relief could effectively block the Company's ability to make, use, sell, distribute or market its products and services in such jurisdiction. The Company may also be required to seek licenses to such intellectual property. The Company cannot predict, however, whether such licenses would be available or, if available, that such licenses could be obtained on terms that are commercially reasonable and acceptable to the Company. The failure to obtain the necessary licenses or other rights could delay or preclude the sale, manufacture or distribution of its products and could result in increased costs to the Company.

The Company's revenues and earnings could be materially and adversely affected if it cannot anticipate market trends or enhance existing products or achieve market acceptance of new products.

The Company's success is dependent on its ability to anticipate and respond to changing consumer demands and trends in a timely manner, as well as expanding into new markets and sourcing new products that are profitable to the Company. In addition, to increase the Company's penetration of current markets and gain footholds in new markets for its products, the Company must maintain its existing products and integrate them with new products. The Company may not be successful in sourcing, marketing and releasing new products that respond to technological developments or changing customer needs and preferences. The Company may also experience difficulties that could delay or prevent the successful development, introduction and sale of these new products. These new products may not adequately meet the requirements of the marketplace and may not achieve any significant degree of market acceptance. If release dates of any future products or enhancements to the Company's products are delayed, or if these products or enhancements fail to achieve market acceptance when released, the Company's sales volume may decline and earnings could be materially and adversely affected. In addition, new products or enhancements by the Company's competitors may cause customers to defer or forgo purchases of the Company's products, which could also materially and adversely affect the Company's revenues and earnings.

Cash generated by operating activities represents the Company's principal source of funding and therefore the Company depends on its ability to successfully manage its operating cash flows to fund its operations.

The Company does not maintain any credit facilities (other than, from time to time, certain letters of credit) in connection with the operation of its business. The Company has relied on, and continues to rely on, its cash on hand and cash generated by operations to manage its business. Certain of the Company's major factory suppliers, including Midea, extend credit lines to the Company in amounts based on various factors, including the amounts of the Company's purchases and their internal credit criteria, and in the past have reduced the maximum amount of open credit lines available to the Company. The loss of, or reduction in, credit lines from the Company's principal suppliers could reduce the Company's liquidity, increase its working capital needs or limit its ability to purchase products which could adversely affect its financial condition or results of operations. If the Company is unable to generate sufficient cash from operations, the Company may need to secure alternative means of financing or reorganize its operations to continue to maintain the current business.

Foreign regulations and changes in the political, social and economic conditions in the United States and the foreign countries in which the Company operates its business could affect the Company's revenues and earnings materially and adversely.

The Company has operations in China and derives a significant portion of its revenue from sales of products manufactured by third parties located in China. In addition, third parties located in China and other countries located in the same region produce and supply many of the components and raw materials used in the Company's products. Conducting an international business inherently involves a number of difficulties and risks that could materially and adversely affect the Company's ability to generate revenues and could subject the Company to increased costs. For example, the current U.S. administration has publicly supported potential trade proposals, including import tariffs and other tariffs, including the U.S. administration's recent introduction of tariffs on China and China's retaliatory tariffs on certain products from the United States, as well as modifications to international trade policy and other changes that may affect U.S. trade relations with other countries. As all of the Company's products are currently manufactured by suppliers in China, any tariffs or other trade restrictions affecting the import of these products from China could have a material adverse effect on the Company's results of operations. The Company's dependency on its overseas suppliers could exacerbate these and other risks. Among the factors that may adversely affect the Company's revenues and increase its costs are:

- currency fluctuations which could cause an increase in the price of the components and raw materials used in the Company's products and a decrease in its profits;
- Chinese labor laws;
- labor shortages affecting the Company's facilities and its suppliers' manufacturing facilities located in China;
- the elimination or reduction of value-added tax refunds to Chinese factories that manufacture products for export;
- the rise of inflation and substantial economic growth in China;
- more stringent export restrictions in the countries in which the Company operates which could adversely affect its ability to deliver its products to its customers;
 - tariffs and other trade barriers which could make it more expensive for the Company to obtain and deliver its products to its customers;
- political instability and economic downturns in these countries which could adversely affect the Company's ability to obtain its products from its manufacturers or deliver its products to its customers in a timely fashion;
- new restrictions on the sale of electronic products containing certain hazardous substances; and
- the laws of China are likely to govern many of the Company's supplier agreements.

Any of the factors described above may materially and adversely affect the Company's revenues and/or increase its operating expenses.

The Company is subject to intense competition in the industry in which it operates, which could cause material changes in the selling price of its products or losses of its market share.

The housewares and consumer electronics industry is highly competitive, especially with respect to pricing and the introduction of new products and features. The Company's products compete in the low to medium-priced sector of the housewares and consumer electronics market and compete primarily on the basis of reliability, brand recognition, quality, price, design, consumer acceptance of the Emerson® trademark and quality service and support to retailers and its customers. The Company and many of its competitors are subject to factory cost increases, and the Company expects these pressures to continue. If these pressures are not mitigated by increases in selling price or cost reductions from the Company's suppliers or changes in product mix, or if the consumers of the Company's products change their buying habits as a result of the Company's actions, the Company's revenues and profits could be substantially reduced. In addition, the Company recently expanded its marketing plan to include sales through online marketplaces, including Amazon.com, and the success of this plan depends on the Company's ability to increase its visibility and continue to distribute its products through these online marketplaces. As compared to the Company, many of its competitors have significantly greater managerial, financial, marketing, technical and other competitive resources and greater brand recognition. As a result, the Company's competitors may be able to (i) adapt more quickly to new or

emerging technologies and changes in customer requirements; (ii) devote greater resources to the promotion and sale of their products and services; and (iii) respond more effectively to pricing pressures. Competition could increase if new companies enter the market, existing competitors expand their product mix or the Company expands into new markets. An increase in competition could result in material price reductions or loss of the Company's market share.

In addition, the industry in which the Company competes generally has low barriers to entry that allow the introduction of new products or new competitors at a fast pace. Some retailers have begun to introduce their own private label products, which could reduce the volume of product they buy from the Company, as well as decrease the shelf space they allocate to the Company's

products. If the Company is unable to protect the Company's brand image and authenticity, the Company may be unable to effectively compete with these new market entrants or new products.

Changes in consumer spending and economic conditions may cause the Company's operating results to fluctuate and cause its stock price to decline.

The Company's net revenue and operating results may vary significantly from year to year, which may adversely affect its results of operations and the market price for its common stock. Factors that may cause these fluctuations include:

- changes in market and economic conditions;
- the discretionary nature of consumers' demands and spending patterns;
- variations in the sales of the Company's products to its significant customers;
- variations in manufacturing and supplier relationships;
- if the Company is unable to correctly anticipate and provide for inventory requirements, it may not have sufficient inventory to deliver its products to its customers in a timely fashion or the Company may have excess inventory that it is unable to sell;
- new product developments or introductions;
- product reviews and other media coverage;
- competition, including competitive price pressures; and
- political instability, war, acts of terrorism or other disasters.

The Company could be exposed to product liability or other claims for which its product liability or other insurance may be inadequate.

A failure of any of the products marketed by the Company may subject it to the risk of product liability claims and litigation arising from injuries allegedly caused by the improper functioning or design of its products. Although the Company currently maintains product liability insurance in amounts which the Company considers adequate, the Company cannot assure that:

- its insurance will provide adequate coverage against potential liabilities;
- adequate product liability insurance will continue to be available in the future; or
- its insurance can be maintained on acceptable terms.

To the extent product liability or other litigation losses are beyond the limits or scope of the Company's insurance coverage, the Company's expenses could materially increase.

An information systems interruption or breach in security, including as a result of cyber-attacks, could adversely affect the Company's business, results of operations and reputation.

In the ordinary course of business, the Company electronically maintains sensitive data, including intellectual property, its proprietary business information and that of its customers and suppliers, and some personally identifiable information of employees, in its facilities and on its networks. In addition, the Company sells its products through online marketplaces, including Amazon.com, which rely upon third-party online payment platform service providers that maintain personal information collected from customers. The secure processing, maintenance and transmission of this information is important to the Company's operations. A breach of the Company's security systems and procedures or those of its vendors could result in significant data losses or theft of the Company's customers' or the Company's employees' intellectual property, proprietary business information or personally identifiable information. A cybersecurity breach could negatively affect the Company's reputation.

Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, the Company may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software or applications the Company procures from third parties or uses in its online marketplaces may contain defects in design or manufacture or other

problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to the Company's systems or facilities through fraud, trickery or other forms of deceiving its employees. Accordingly, the Company may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, or if such measures are implemented, and even with appropriate training conducted in support of such measures, human errors may still occur. It is virtually impossible for the Company to entirely mitigate this risk. A

party, whether internal or external, who is able to circumvent the Company's security measures or those of its vendors could misappropriate information.

If the Company or the online payment platforms it uses fail to reasonably maintain the security of confidential information, the Company may suffer significant reputational and financial losses and the Company's results of operations, cash flows, financial condition, and liquidity may be adversely affected. In addition, a system breach could result in other negative consequences, including disruption of internal operations, and may subject the Company to private litigation, government investigations, enforcement actions, and cause the Company to incur potentially significant liability, damages, or remediation costs.

Fluctuations in the Company's tax obligations and effective tax rate and realization of deferred tax assets, including net operating loss carryforwards, may result in volatility of the Company's operating results.

The Company is subject to income taxes in various U.S. and certain foreign jurisdictions. The Company records tax expense based on its estimates of future payments, which may include reserves for uncertain tax positions in multiple tax jurisdictions, and valuation allowances related to certain net deferred tax assets, including net operating loss carryforwards. In addition, tax laws in certain jurisdictions may limit the ability to use net operating loss carryforwards upon a change in control. At any one time, many tax years may be subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues. In addition, the Company's effective tax rate in a given financial statement period may be materially affected by a variety of factors including but not limited to changes in the mix and level of revenues, varying tax rates in the different jurisdictions in which the Company operates, fluctuations in the valuation allowance, timing of the utilization of net operating loss carryforwards, or by changes to existing accounting rules or regulations. Further, tax legislation or changes in tax rules and regulations or the interpretations thereof, including but not limited to the recently enacted U.S. Tax Cuts and Jobs Act of 2017, may be enacted in the future which could negatively affect the Company's current or future tax structure and effective tax rates.

Stock Ownership Risks

There is a limited trading market for the Company's common stock and the market price of the Company's common stock is subject to volatility.

The Company's common stock, which trades on the NYSE American, has experienced, and may experience in the future, significant price and volume fluctuations, which could adversely affect the market price of the Company's common stock. The market price of the Company's common stock could fluctuate significantly in response to various factors and events, including:

- actual or anticipated variations in operating results and cash flows;
- loss of a key customer, licensee or supplier;
- announcements or events that affect the Company's products, customers, competitors or markets;
- general business conditions in the markets and industry in which the Company competes;
- the Company's stock repurchase program;
- concentration of holdings of the Company's common stock; and
- other events or factors, including those listed under this section entitled "Risk Factors."

In addition, the securities markets have experienced significant price and volume fluctuations over the past several years that have often been unrelated to the operating performance of particular companies. These market fluctuations may also have a material adverse effect on the market price of the Company's common stock.

The Company is a "controlled company" within the meaning of the NYSE American rules and, as a result, qualifies for, and relies on, exemptions from certain corporate governance requirements. As a result, the Company's shareholders do not have the same protections afforded to shareholders of companies that are subject to such requirements.

Nimble Holdings Company Limited (“Nimble”), formerly known as The Grande Holdings Limited (“Grande”), through one of its indirect subsidiaries, is the beneficial owner of approximately 67.5% of the Company’s outstanding common stock as of June 15, 2018. As a result, the Company is a “controlled company” within the meaning of the NYSE American Company Guide. Under the NYSE American rules, a company of which more than 50% of the voting power is held by another person or group of persons acting together is a controlled company and may elect not to comply with certain NYSE American corporate governance requirements, including the requirements that:

• a majority of the Company’s Board of Directors consist of independent directors;

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- the Company has a nominating committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the Company has a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

The Company has elected to use certain of these exemptions and the Company may continue to use all or some of these exemptions in the future for so long as the Company is a controlled company. The Company's Board of Directors acts as the nominating committee and compensation committee and determines the compensation and benefits of the Company's executive officers, administers its employee stock and benefit plans, as may be in effect from time to time, and reviews policies relating to the compensation and benefits of its employees. Although all board members have fiduciary obligations in connection with compensation matters, the Company's lack of an independent compensation committee presents the risk that any executive officers who are also directors may have influence over their personal compensation and benefits levels that may not be commensurate with the Company's financial performance. Accordingly, shareholders of the Company do not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of the NYSE American.

The controlling ownership of the Company's common stock by an indirect subsidiary of Nimble substantially reduces the influence of other stockholders, and the interests of Nimble may conflict with the interests of the Company's other stockholders.

Nimble, through one of its indirect subsidiaries, is the beneficial owner of approximately 67.5% of the Company's outstanding common stock as of June 15, 2018. As a result, Nimble will be able to exert significant influence over the Company's business and have the ability to control the approval process for actions by the Company that require stockholder approval, including: the election of the Company's directors and the approval of mergers, sales of assets or other significant corporate transactions or matters submitted for stockholder approval. Nimble may have interests that differ from your interests and may cause the shares in the Company beneficially owned by Nimble to be voted in a way with which you disagree and that may be adverse to your interests. In addition, several provisions of the Company's organizational documents and Delaware law may deter or prevent a takeover attempt, including a takeover attempt in which the potential purchaser offers to pay a per share price greater than the current market price of its common stock. Under the terms of the Company's certificate of incorporation, its board of directors has the authority, without further action by the stockholders, to issue shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. These provisions could discourage potential acquisition proposals and could delay or prevent a change in control transaction. They could also have the effect of discouraging others from making tender offers for the Company's common stock, including transactions that may be in your best interests.

The Company's board of directors has formed a Special Committee of independent directors to explore strategic alternatives. However, there can be no assurances that any transaction will occur, or if such a transaction does occur, the value of that transaction to the Company or its shareholders.

The Company's board of directors formed an ad hoc Special Committee consisting solely of independent directors in March 2013 to evaluate possible strategic alternatives intended to enhance stockholder value. These alternatives could include, among others, possible joint ventures, strategic partnerships, marketing alliances, sale of all or some of our assets or other possible transactions. However, there can be no assurance that any such strategic transaction will occur. In addition, if such a transaction occurs, there can be no assurances as to the value of any such transaction to the Company or its stockholders.

Item 2. PROPERTIES

The following table sets forth the material properties leased by the Company:

Approximate

Square

Facility Purpose	Footage	Location	Lease Expires
Corporate headquarters	5,541	Hackensack, NJ	July 2018
Corporate headquarters (As of July 2018)	5,693	Parsippany, NJ	January 2023
Hong Kong office	6,162	Hong Kong, China	July 2019
Macao office	960	Macao, China	May 2020

The Company presently relies on warehouse space from its third party logistics provider.

The Company believes that the properties used for its operations are in satisfactory condition and adequate for its present and anticipated future operations. The Company does not currently own any of the properties it occupies.

Item 3. LEGAL PROCEEDINGS

The Company is not currently a party to any legal proceedings other than litigation matters, in most cases involving ordinary and routine claims incidental to its business. Management cannot estimate with certainty the Company's ultimate legal and financial liability with respect to such pending litigation matters. However, management believes, based on its examination of such matters, that the Company's ultimate liability will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER REPURCHASES OF EQUITY SECURITIES

(a) Market Information

The Company's common stock began trading on the American Stock Exchange under the symbol MSN on December 22, 1994, and currently trades on the NYSE American under the same symbol, as a result of NYSE Euronext's acquisition of the American Stock Exchange in 2008. The following table sets forth the range of high and low sales prices for the Company's common stock as reported by the NYSE American during the last two fiscal years.

	Fiscal 2018		Fiscal 2017	
	High	Low	High	Low
First Quarter	\$1.44	\$1.15	\$0.87	\$0.55
Second Quarter	1.43	1.07	1.10	0.58
Third Quarter	1.89	1.33	1.05	0.69
Fourth Quarter	1.60	1.25	1.40	1.00

There is no established trading market for the Company's Series A convertible preferred stock, whose conversion feature expired as of March 31, 2002.

(b) Holders

At June 11, 2018, there were 188 stockholders of the Company's common stock whose shares were registered with the Company's transfer agent. The Company believes that the number of beneficial owners is substantially greater than the number of registered shareholders, because a large portion of the Company's common stock is held of record in broker "street names".

(c) Dividends

The Company has not paid cash dividends on its common stock since an extraordinary dividend paid on September 30, 2014, and does not currently plan to declare dividends on its common stock in the foreseeable future. The payment of dividends, if any, would be at the discretion of the Company's Board of Directors and would depend on the Company's results of operations, capital requirements, financial condition, prospects, contractual arrangements, and

other factors that the Board of Directors may deem relevant.

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(d) Issuer Purchases of Equity Securities

The following table reports information regarding repurchases by the Company of its common stock during the three months ended March 31, 2018:

Issuer Purchases of Equity Securities (1)

Period	Total Number of Shares Purchased as Part of Publicly	Average Price Paid per Share	Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased
				Under the Plans or Programs
January 1 through January 31, 2018	44,959	\$ 1.46	44,959	\$ 5,223,956
February 1 through February 28, 2018	383,893	\$ 1.49	383,893	\$ 4,652,787
March 1 through March 31, 2018	675,504	\$ 1.50	675,504	\$ 3,640,762
Total	1,104,356	\$ 1.49	1,104,356	\$ 3,640,762

⁽¹⁾In December 2016, the Company's Board of Directors approved the repurchase of up to \$5 million of the Company's common stock under a new stock repurchase plan. The repurchases may be effected from time to time at prevailing market prices, through open market or in privately negotiated transactions, which may include, in whole or in part, the establishment of a purchase program pursuant to the safe harbor provided by Rule 10b5-1 under the Exchange Act, through block purchases or through accelerated or forward or similar stock purchases. Repurchased shares are held in treasury. In September 2017, the Company's Board of Directors approved an additional \$5 million, bringing the total authorized stock repurchases under the program to \$10 million, and in June 2018 extended the repurchase program to December 31, 2018.

Item 6. SELECTED CONSOLIDATED FINANCIAL DATA

Not applicable.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company's operations and financial condition should be read in conjunction with the Financial Statements and notes thereto included elsewhere in this Annual Report on Form 10-K. In addition to historical information, the following discussion contains forward-looking statements that reflect the Company's plans, estimates and beliefs. The Company's actual results could differ materially from those contained in or implied by any forward-looking statements. Factors that could cause or contribute to these differences include those under Item 1A – "Risk Factors" or in other parts of this Annual Report on Form 10-K.

In the following discussions, most percentages and dollar amounts have been rounded to aid presentation. As a result, all figures are approximations.

Results of Operations:

The following table summarizes certain financial information for the fiscal years ended March 31 (in thousands):

	2018	2017
Net product sales	\$14,363	\$17,635
Licensing revenue	659	3,616
Net revenues	15,022	21,251
Cost of sales	13,921	16,277
Other operating costs and expenses	60	199
Selling, general and administrative expenses	4,923	5,101
Operating (loss)	(3,882)	(326)
Interest income, net	492	261
(Loss) before income taxes	(3,390)	(65)
Provision for income taxes	3,461	172
Net (loss)	\$(6,851)	\$(237)

Results of Operations — Fiscal 2018 compared with Fiscal 2017

Net product sales — Net product sales for fiscal 2018 were \$14.4 million as compared to \$17.6 million for fiscal 2017, a decrease of \$3.2 million, or 18.6% as detailed below. The Company's sales were highly concentrated among three customers - Walmart, Amazon.com and Fred Meyer - in fiscal 2018 and two customers - Walmart and Fred Meyer - in fiscal 2017, where gross product sales to these customers were approximately 87.9% and 85.8% of the Company's total gross product sales in fiscal 2018 and fiscal 2017, respectively. Net product sales may be periodically impacted by adjustments made to the Company's sales allowance and marketing support accrual to record unanticipated customer deductions from accounts receivable or to reduce the accrual by any amounts which were accrued in the past but not taken by customers through deductions from accounts receivable within a certain time period. In the aggregate, these adjustments had the effect of increasing net product sales and operating income by \$0.2 million and \$0.3 million for fiscal 2018 and fiscal 2017, respectively. Net product sales are comprised primarily of the sales of houseware and audio products which bear the Emerson® brand name. The major elements which contributed to the overall decrease in net product sales were as follows:

- i) Houseware product net sales decreased \$4.3 million, or 30.0%, to \$10.1 million in fiscal 2018 as compared to \$14.4 million in fiscal 2017, principally driven by a decrease in sales of microwave ovens and compact refrigerators, partially offset by an increase in wine products and toaster ovens. The year-over-year decreases were driven by

lower year-over-year retail sell through on existing models and competitive pricing activity.

ii) Audio product net sales were \$4.3 million in fiscal 2018 compared to \$3.2 million in fiscal 2017, an increase of \$1.1 million, or 32.9%, resulting from increased net sales of clock radios.

Business operations — The Company expects to continue to expand its existing distribution channels and to develop and promote new products to regain shelf spaces in these and other retailers in the USA. The Company is also investing in products and marketing activities to expand its sales through internet and ecommerce channels. These efforts require investments in appropriate human resources, media marketing and development of products in various categories in addition to the traditional home appliances and audio products that the Company has offered. The Company also is continuing its efforts to identify strategic courses of action related to its licensing activities, including seeking new licensing relationships.

Emerson has taken active steps to further streamline its operations to reduce and control its operating costs. The operating costs for fiscal 2018 were reduced to \$4.9 million, which included \$489,000 in legal fees related to a trademark infringement suit initiated by the Company, as compared to \$5.1 million for fiscal 2017.

Licensing revenue — Licensing revenue in fiscal 2018 was \$0.7 million as compared to \$3.6 million for fiscal 2017, a decrease of \$2.9 million, or 81.8%, driven by lower year-over-year sales by the Company's licensees of Emerson® branded product.

Historically, the Company's largest license agreement was with Funai which accounted for \$2.8 million, or approximately 78% of the Company's total fiscal 2017 licensing revenue. As previously disclosed, the Funai licensing agreement was terminated effective as of December 31, 2016.

Net revenues — As a result of the foregoing factors, the Company's net revenues were \$15.0 million for fiscal 2018 as compared to \$21.3 million for fiscal 2017, a decrease of \$6.3 million, or 29.3%.

Cost of sales — Cost of sales includes those components as described in Note 1 "Cost of Sales" of the Notes to the Consolidated Financial Statements. In absolute terms, cost of sales decreased \$2.4 million, or 14.5%, to \$13.9 million in fiscal 2018 as compared to \$16.3 million in fiscal 2017. Cost of sales as a percentage of net product sales was 96.9% in fiscal 2018 as compared to 92.3% in fiscal 2017. The decrease in absolute terms for fiscal 2018 as compared to fiscal 2017 was primarily related to the reduced net product sales and lower year-over-year gross cost of sales as a percentage of gross sales.

Other operating costs and expenses — Other operating costs and expenses include those components as described in Note 1 "Other Operating Costs and Expenses" of the Notes to the Consolidated Financial Statements. Other operating costs and expenses as a percentage of net product sales was 0.4% in fiscal 2018 and 1.1% in fiscal 2017. In absolute terms, other operating costs and expenses was \$0.1 million in fiscal 2018 as compared to \$0.2 million in fiscal 2017.

Selling, general and administrative expenses ("S,G&A") — S,G&A, as a percentage of net revenues, was 32.8% in fiscal 2018 as compared to 24.0% in fiscal 2017. Fiscal 2018 S,G&A, in absolute terms, was \$4.9 million and fiscal 2017 S,G&A, in absolute terms, was \$5.1 million, a decrease of \$0.2 million, or 3.5%. The decrease in S,G&A was due to reductions in compensation costs, directors fees, consulting fees, IT costs and tax counsel partially offset by increased legal fees as mentioned above in "Business operations".

Analysis of S,G&A

Fiscal 2018 S,G&A included approximately \$0.5 million in legal fees related to a trademark infringement suit and \$88,000 in legal and advisory fees pertaining to work performed for the Special Committee of the Company's Board of Directors.

Fiscal 2017 S,G&A included approximately \$0.2 million in legal and advisory fees pertaining to work performed for the Special Committee of the Company's Board of Directors.

Excluding the aforementioned items, the fiscal 2018 S,G&A was \$4.3 million and the fiscal 2017 S,G&A was \$4.9 million, a decrease of \$0.6 million, or 12.2%, primarily due to lower year-over-year compensation and corporate costs.

Interest income, net — Interest income, net, was \$492,000 in fiscal 2018 as compared to \$261,000 in fiscal 2017, resulting from an increase in interest rates earned on its investments in Certificates of Deposit during fiscal 2018.

Provision for income tax expense — In fiscal 2018, the Company recorded income tax expense of \$3.5 million, of which approximately \$3.1 million was recorded in the fourth quarter of fiscal 2018 resulting from the enactment of the Tax

Cuts and Jobs Act and a one-time transition tax on the deemed repatriation of the Company's undistributed earnings of its foreign subsidiaries. The Company recorded income tax expense of \$0.2 million in fiscal 2017. See Note 5 "Income Taxes".

Net (loss) — As a result of the foregoing factors, the Company recorded a net loss of \$6.9 million for fiscal 2018 as compared to a net loss of \$0.2 million for fiscal 2017.

Liquidity and Capital Resources

General

As of March 31, 2018, the Company had cash and cash equivalents of approximately \$25.1 million as compared to approximately \$27.5 million at March 31, 2017. Working capital decreased to \$46.0 million at March 31, 2018 as compared to \$56.0 million at March 31, 2017. The decrease in cash and cash equivalents of approximately \$2.4 million was due to the below factors.

Net cash used by operating activities was approximately \$5.2 million for fiscal 2018 resulting from a \$6.9 million loss generated during the period, a \$2.3 million increase in inventory, a \$0.5 million increase in accounts receivable, a \$0.2 million increase in asset allowances, partially offset by a \$3.0 million increase in income taxes payable, a \$1.0 million decrease in prepaid expenses and other current assets, a \$0.4 million decrease in prepaid purchases and a \$0.3 million decrease in deferred tax assets.

Net cash provided by investing activities was \$9.1 million primarily due to redemptions of investments in short term certificates of deposit.

Net cash used by financing activities was approximately \$6.3 million resulting from treasury stock purchases made during fiscal 2018 under the Company's \$10.0 million stock repurchase program authorized by the Company's Board of Directors. The current repurchase program is scheduled to expire on June 30, 2018, unless extended further.

Credit Arrangements

Letters of Credit — The Company has utilized Hang Seng Bank in the past to issue letters of credit on behalf of the Company, as needed, on a 100% cash collateralized basis, although no letter of credit agreement is in place between the Company and Hang Seng Bank or any financial institution. The last letter of credit placed with Hang Seng Bank on this basis was in May 2014. At March 31, 2018, the Company had no outstanding letters of credit. In the event that the Company does have outstanding letters of credit with Hang Seng Bank, a like amount of cash is posted by the Company as collateral against such outstanding letters of credit, and is classified as Restricted Cash on the balance sheet.

Short-term Liquidity

The Company's principal existing sources of cash are generated from operations. The Company believes that its cash on hand and existing sources of cash will be sufficient to support its existing operations over the next 12 months.

Historically, a significant percentage of the Company's product sales were made under the Direct Import Program. The direct importation of product by the Company to its customers can significantly benefit the Company's liquidity because this inventory does not need to be financed by the Company. In fiscal 2018, however, there were no product sales imported directly to the Company's customers due to changes in the Company's key customers.

As of March 31, 2018, there were no capital expenditure or other commitments other than the normal purchase orders used to secure product.

Off-Balance Sheet Arrangements

As of March 31, 2018, the Company did not have any off-balance sheet arrangements as defined under the rules of the Securities and Exchange Commission.

Critical Accounting Policies

The discussion and analysis of the Company's financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles that are generally accepted within the United States. The preparation of the Company's financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management considers certain accounting policies related to inventories, trade accounts receivables, impairment of long-lived assets, valuation of deferred tax assets, sales return reserves and sales allowance accruals to be critical policies due to the estimation processes involved in each.

Revenue Recognition. Revenues from product distribution are recognized at the time title passes to the customer. Under the Direct Import Program, title passes in the country of origin. Under the Domestic Program, title passes primarily at the time of shipment. Estimates for possible returns are based upon historical return rates and netted against revenues. Except in connection with infrequent sales with specific arrangements to the contrary, returns are not permitted unless the goods are defective.

In addition to the distribution of products, the Company grants licenses for the right to use the Company's trademarks for a stated term for the manufacture and/or sale of consumer electronics and other products under agreements which require payment of either i) a non-refundable minimum guaranteed royalty or, ii) the greater of the actual royalties due (based on a contractual calculation, normally comprised of actual product sales by the licensee multiplied by a stated royalty rate, or "Sales Royalties") or a minimum guaranteed royalty amount. In the case of (i), such amounts are recognized as revenue on a straight-line basis over the term of the license agreement. In the case of (ii), Sales Royalties in excess of guaranteed minimums are accounted for as variable fees and are not

recognized as revenue until the Company has ascertained that the licensee's sales of products have exceeded the guaranteed minimum. In effect, the Company recognizes the greater of Sales Royalties earned to date or the straight-line amount of minimum guaranteed royalties to date. In the case where a royalty is paid to the Company in advance, the royalty payment is initially recorded as a liability and recognized as revenue as the royalties are deemed to be earned according to the principles outlined above.

Inventories. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out basis. The Company records inventory reserves to reduce the carrying value of inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory reserves may be required. Conversely, if market conditions improve, such reserves are reduced.

Trade Accounts Receivable. The Company extends credit based upon evaluations of a customer's financial condition and provides for any anticipated credit losses in the Company's financial statements based upon management's estimates and ongoing reviews of recorded allowances. If the financial condition of a customer deteriorates, resulting in an impairment of that customer's ability to make payments, additional reserves may be required. Conversely, reserves are reduced to reflect credit and collection improvements.

Income Taxes. The Company records a valuation allowance to reduce the amount of its deferred tax assets to the amount that management estimates is more likely than not to be realized. While management considers future taxable income and ongoing tax planning strategies in assessing the need for the valuation allowance, in the event that management determines that a deferred tax asset will likely be realized in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, if it is determined that all or part of a net deferred tax asset will likely not be realized in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

Sales Return Reserves. Management must make estimates of potential future product returns related to current period product revenue. Management analyzes historical returns, current economic trends and changes in customer demand for our products when evaluating the adequacy of the reserve for sales returns. Management judgments and estimates must be made and used in connection with establishing the sales return reserves in any accounting period. Additional reserves may be required if actual sales returns increase above the historical return rates. Conversely, the sales return reserve could be decreased if the actual return rates are less than the historical return rates, which were used to establish the reserve.

Sales Allowance and Marketing Support Accruals. Sales allowances, marketing support programs, promotions and other volume-based incentives which are provided to retailers and distributors are accounted for on an accrual basis as a reduction to net revenues in the period in which the related sales are recognized in accordance with ASC topic 605, "Revenue Recognition", subtopic 50 "Customer Payments and Incentives" and Securities and Exchange Commission Staff Accounting Bulletins 101 "Revenue Recognition in Financial Statements," and 104 "Revenue Recognition, corrected copy" ("SAB's 101 and 104").

At the time of sale, the Company reduces recognized gross revenue by allowances to cover, in addition to estimated sales returns as required by ASC topic 605, "Revenue Recognition.", subtopic 15 "Products", (i) sales incentives offered to customers that meet the criteria for accrual under ASC topic 605, subtopic 50 and (ii) under SAB's 101 and 104, an estimated amount to recognize additional non-offered deductions it anticipates and can reasonably estimate will be taken by customers which it does not expect to recover. Accruals for the estimated amount of future non-offered deductions are required to be made as contra-revenue items because that percentage of shipped revenue fails to meet the collectability criteria within SAB 104's and 101's four revenue recognition criteria, all of which are required to be met in order to recognize revenue.

If additional marketing support programs, promotions and other volume-based incentives are required to promote the Company's products subsequent to the initial sale, then additional reserves may be required and are accrued for when such support is offered.

Recently-Issued Financial Accounting Pronouncements

The following Accounting Standards Updates (“ASUs”) were issued by the Financial Accounting Standards Board during the twelve months ended March 31, 2018 or during the interim period between March 31, 2018 and June 28, 2018 which relate to or could relate to the Company as concerns the Company’s normal ongoing operations or the industry in which the Company operates:

Accounting Standards Update 2016-13 “Financial Instruments – Credit Losses” (Issued June 2016)

In June 2016, the FASB issued ASU 2016-13 "Financial Instruments - Credit Losses" to introduce new guidance for the accounting for credit losses on instruments within its scope. ASU 2016-13 requires among other things, the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 is effective for fiscal years and interim periods beginning after December 15, 2019. Early adoption is permitted. The Company does not expect these amendments to have a material impact on its financial statements.

Accounting Standards Update 2016-02 “Leases” (Issued February 2016)

In February 2016, the FASB issued ASU 2016-02 "Leases" to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 creates a new Accounting Standards Codification Topic 842 "Leases" to replace the previous Topic 840 "Leases." ASU 2016-02 affects both lessees and lessors, although for the latter the provisions are similar to the previous model, but updated to align with certain changes to the lessee model and also the new revenue recognition provisions contained in ASU 2014-09 (see above). ASU 2016-02 is effective for fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted. The Company is assessing the standard to determine if ASU 2016-02 will have a material impact on its financial statements.

Accounting Standards Update 2014-09 “Revenue from Contracts with Customers” (Issued May 2014)

In May 2014, the FASB issued ASU 2014-09 “Revenue from Contracts with Customers” in order to ensure that revenue recognition requirements are the same under both US GAAP and International Financial Reporting Standards (“IFRS”). ASU 2014-09 removes inconsistencies and provides a more robust framework for addressing revenue issues. ASU 2014-09 was effective for reporting periods and interim periods beginning on or after December 15, 2016. In August 2015, the FASB issued ASU 2015-14 "Deferral of the Effective Date" to delay the implementation of ASU 2014-09 by one year, in response to feedback from preparers, practitioners and users of financial statements. Accordingly, ASU 2014-09 is now effective for reporting periods and interim periods beginning on or after December 15, 2017. Early adoption is permitted for reporting and interim periods beginning on or after December 15, 2016. The Company has elected to adopt the amendments in ASU 2014-09 on a modified retrospective basis; whereas any cumulative effect of adopting this guidance will be recognized as an adjustment to its opening balance of retained earnings. Prior periods will not be retrospectively adjusted. The Company does not expect these amendments to have a material impact on its financial statements, as it is primarily a seller of tangible personal property whose contracts with customers and the related transaction prices and performance obligations will be minimally affected by the amendments.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: the Board of Directors and Stockholders
of Emerson Radio Corp. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Emerson Radio Corp. and Subsidiaries (the "Company") as of March 31, 2018 and 2017, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended March 31, 2018, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2018 and 2017, and the results of their operations and their cash flows for each of the years in the two-year period ended March 31, 2018, in conformity with accounting principles generally accepted in the United States of America

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ MSPC

Certified Public Accountants and Advisors,

A Professional Corporation

We have served as the Company's auditor since 2005.

New York, New York

June 28, 2018

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EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For The Years Ended March 31, 2018 and 2017

	2018	2017
	(In thousands, except per share data)	
Net revenues:		
Net product sales	\$ 14,363	\$ 17,635
Licensing revenue	659	3,616
Net revenues	15,022	21,251
Costs and expenses:		
Cost of sales	13,921	16,277
Other operating costs and expenses	60	199
Selling, general and administrative expenses	4,923	5,101
	18,904	21,577
Operating (loss)	(3,882)	(326)
Other income:		
Interest income, net	492	261
(Loss) before income taxes	(3,390)	(65)
Provision for income tax expense	3,461	172
Net (loss)	(6,851)	(237)
Basic (loss) per share	\$ (0.27)	\$ (0.01)
Diluted (loss) per share	\$ (0.27)	\$ (0.01)
Weighted average shares outstanding		
Basic	25,282	27,115
Diluted	25,282	27,115

The accompanying notes are an integral part of the consolidated financial statements.

EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of March 31, 2018 and 2017

	2018	2017
	(In thousands, except share data)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$25,096	\$27,471
Short term investments	16,000	25,078
Accounts receivable, net	1,884	1,208
Royalty receivable	63	99
Inventory	3,164	838
Prepaid purchases	360	750
Prepaid expenses and other current assets	497	1,494
Total Current Assets	47,064	56,938
Property, plant, and equipment, net	14	18
Deferred tax assets, net	528	791
Other assets	151	101
Total Non-current Assets	693	910
Total Assets	\$47,757	\$