



**Q4 & FULL-YEAR 2019
EARNINGS PRESENTATION**
NASDAQ: HEAR

03/10/2020

SAFE HARBOR STATEMENT



Forward-Looking Information

This presentation includes forward-looking information and statements within the meaning of the federal securities laws. Except for historical information contained in this release, statements in this release may constitute forward-looking statements regarding assumptions, projections, expectations, targets, intentions or beliefs about future events. Statements containing the words “may”, “could”, “continue”, “would”, “should”, “believe”, “expect”, “anticipate”, “plan”, “goal”, “estimate”, “accelerate”, “target”, “project”, “intend” and similar expressions constitute forward-looking statements. Forward-looking statements involve known and unknown risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. Forward-looking statements are based on management’s current belief, as well as assumptions made by, and information currently available to, management. While the Company believes that its expectations are based upon reasonable assumptions, there can be no assurances that its goals and strategy will be realized. Numerous factors, including risks and uncertainties, may affect actual results and may cause results to differ materially from those expressed in forward-looking statements made by the Company or on its behalf. Some of these factors include, but are not limited to, risks related to the substantial uncertainties inherent in the acceptance of existing and future products, the difficulty of commercializing and protecting new technology, the impact of competitive products and pricing, general business and economic conditions, including the impact of coronavirus on consumer demands and manufacturing capabilities, the Company’s partnerships with influencers, athletes and esports teams, risks associated with the expansion of our business including the implementation of any businesses we acquire, the integration of such businesses within our internal control over financial reporting and operations, our indebtedness, the Company’s liquidity, and other factors discussed in our public filings, including the risk factors included in the Company’s most recent Annual Report on Form 10-K, Quarterly Report on Form 10-Q and the Company’s other periodic reports. Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the Securities and Exchange Commission, the Company is under no obligation to publicly update or revise any forward-looking statement after the date of this release whether as a result of new information, future developments or otherwise. This presentation also contains trademarks and trade names that are property of their respective owners.

Non-GAAP Financial Measures

In addition to its reported results, the Company has included in this presentation certain financial results, including adjusted EBITDA, adjusted net income, and constant currency revenue, that the Securities and Exchange Commission defines as “non-GAAP financial measures.” Management believes that such non-GAAP financial measures, when read in conjunction with the Company’s reported results, can provide useful supplemental information for investors analyzing period-to-period comparisons of the Company’s results. “Adjusted Net Income” is defined as net income excluding (i) integration and transaction costs related to the acquisition of the ROCCAT business, (ii) the effect of the mark-to-market requirement of the financial instrument obligation, (iii) any change in fair value of contingent consideration and (iv) the release of valuation allowances on deferred tax assets. “Adjusted EBITDA” is defined by the Company as net income (loss) before interest, taxes, depreciation and amortization, stock-based compensation (non-cash), and certain non-recurring items that we believe are not representative of core operations (e.g., the integration and transaction costs related to the ROCCAT acquisition, the mark-to-market adjustment for the financial instrument obligation and the change in fair value of contingent consideration). “Constant currency revenue” is defined by the Company as revenue excluding the impacts of fluctuations in exchange rates from prior periods. These non-GAAP financial measures are presented because management uses non-GAAP financial measures to evaluate the Company’s operating performance, to perform financial planning, and to determine incentive compensation. Therefore, the Company believes that the presentation of non-GAAP financial measures provides useful supplementary information to, and facilitates additional analysis by, investors. The presented non-GAAP financial measures exclude items that management does not believe reflect the Company’s core operating performance because such items are inherently unusual, non-operating, unpredictable, non-recurring, or non-cash. See a reconciliation of GAAP results to Adjusted Net Income and Adjusted EBITDA included in the appendix for each of the three months and years ended December 31, 2019 and 2018.

TURTLE BEACH EARNINGS

Q4 2019 SUMMARY

Net revenue of **\$101.8M** (\$102.1M constant currency)

Gross margin of **35.1%**

Net income of **\$20.4M**, or **\$1.29** per diluted share

Includes **\$7.4M** benefit from the release of valuation allowances on deferred tax assets

Adjusted EBITDA of **\$16.6M**

Repurchased **65,500** shares at an average price of **\$8.91**



TURTLE BEACH EARNINGS

2019 SUMMARY

Net revenue of **\$234.7M** (\$236.5M constant currency)

Gross margin of **33.5%**

Net income of **\$17.9M**, or **\$1.04** per diluted share

Includes **\$7.4M** benefit from the release of valuation allowances on deferred tax assets

Adjusted EBITDA of **\$22.8M**

Since share repurchase program announced on April 10, 2019, 271,300 shares repurchased for **\$2.5M**, or average of **\$9.30** per share



STEALTH
600™

The best-selling headset of 2019¹

¹The NPD Group/Retail Tracking Service/Video Games/Dollars/U.S. & Canada/January-December 2019



In 2019, Turtle Beach acquired ROCCAT, a leading PC gaming accessories brand, to bring their award-winning product portfolio to more gamers globally.

#1

IN GAMING AUDIO

*The Global Market Leader In
Console Gaming Headsets for 10 years*

40 Million+
Headsets Sold Since 2010



**INNOVATION AT
EVERY PRICE POINT**



Broad Portfolio
of PC Gaming Accessories



**Award Winning Design
and Build Quality**



Industry Leading Innovations

Titan Click – Titan Switch – AIMO Intelligent Lighting

WHAT'S NEW

LATEST NEWS FROM TURTLE BEACH & ROCCAT



WELCOME CHICAGO HUNTSMEN TO THE FAMILY

Turtle Beach continues to work with an eclectic list of pro gaming teams, and recently announced a new partnership with the Chicago Huntsmen CDL Franchise. Owned by NRG Esports, this new partnership continues the years-long collaboration between Turtle Beach and Hector "H3CZ" Rodriguez, which began with Hector's first gaming headset back in 2010 and was officially inaugurated in 2016 via partnership with OpTic Gaming, resulting in multiple world championships in *Gears of War*, *Halo* and *Call of Duty*.



BEST-SELLING RECON 70 NOW AVAILABLE IN MORE COLORS

Turtle Beach launched three new colorways of the Company's best-selling¹ Recon 70 gaming headset. The latest Silver and Camo colors make nine total Recon 70 options to choose from, each one delivering the immersive sound and lightweight comfort gamers expect. Great sound, high-quality features and functionality, all for a MSRP of \$39.95 make the Recon 70 an easy choice for gamers looking for a new, affordable headset.

¹Source: The NPD Group/Retail Tracking Service/Video Games/Units/US/Jan-Dec 2019 update

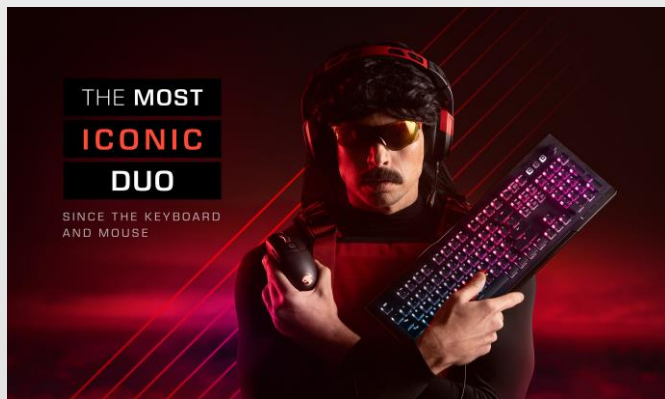
WHAT'S NEW

LATEST NEWS FROM TURTLE BEACH & ROCCAT



10 YEARS AT THE TOP

Turtle Beach has been the top console gaming headset maker for 10...years...running¹. Final NPD revenue data from 2019, combined with NPD monthly revenue data since January 2010 shows Turtle Beach has now sold over 34 million console gaming headsets in the United States and Canada, placing it atop the lists for both the number of units sold and the total revenue generated over the decade. This historic milestone once again demonstrates the strength of the brand and shows that Turtle Beach is console gamers' #1 headset choice on Xbox, PlayStation, and Nintendo.



ROCCAT X DR DISRESPECT NEW EXCLUSIVE PARTNER FOR PC ACCESSORIES

ROCCAT has become the exclusive keyboard, mouse, and mousepad provider for Dr Disrespect as he brings his signature irrepressible approach to gamers around the world on his widely viewed Twitch channel. Dr Disrespect was named Streamer of the Year twice (2019, 2017) by the Esports Awards and has over 3.8 million followers with over 150 million total views on his Twitch channel.

¹Source: The NPD Group/Retail Tracking Service/Video Games/Units/US/Jan 2010-Dec 2019

QUARTERLY FINANCIAL OVERVIEW



\$ in millions (except per-share data)	2018 Q4	2019 Q4	Commentary
Revenue	\$111.3	\$101.8 (S102.1 constant currency)	Highest Q4 revenue other than 2018, as expected, given record new headset users driven by battle royale games last year.
Gross Margin	38.5%	35.1%	More normal level of promo activity compared to '18 when less promo needed, tariff costs and product mix, partially offset by lower standard freight.
Operating Expenses	\$17.4	\$22.3	Incremental costs associated with the ROCCAT acquisition.
Adjusted EBITDA ¹	\$25.0	\$16.6	Reflects above factors.
Net Income	\$24.6	\$20.4	The expected revenue decline YoY and ROCCAT related increase in OpEx, offset by \$7.4M tax asset benefit.
Diluted EPS	\$1.33	\$1.29	Reflects above factors; 15.7M weighted average diluted shares in Q4-19 vs. 16.2M in Q4-18.
Adjusted Diluted EPS ¹	\$1.33	\$0.83	Excludes ROCCAT transaction and integration expenses, release of tax valuation allowances and gain (loss) on financial instrument obligation.

¹See appendix for a reconciliation of non-GAAP measures.

FULL YEAR FINANCIAL OVERVIEW



\$ in millions (except per-share data)		2018	2019	Commentary
Revenue	\$287.4	\$234.7 (\$236.5 constant currency)	Highest annual revenue other than 2018, as expected, given record new headset users driven by battle royale games in 2018.	
Gross Margin	37.8%	33.5%	More normal level of promo activity compared to '18 when less promo needed, product mix, increased refurbishment & warehouse costs, decline in volume-based fixed cost leverage, partially offset by lower standard freight.	
Operating Expenses	\$54.7	\$68.3	Incremental ROCCAT operating costs, ROCCAT transaction & integration costs, media advertising & digital marketing, partially offset by declines in revenue-based compensation.	
Adjusted EBITDA ¹	\$57.7	\$22.8	Reflects above factors.	
Net Income	\$39.2	\$17.9	Lower gross profit due to revenue decline and ROCCAT related increase in OpEx.	
Diluted EPS	\$2.74	\$1.04	Reflects above factors; 15.7M weighted average diluted shares in 2019 vs. 14.3M in 2018.	
Adjusted Diluted EPS ¹	\$3.05	\$0.74	Excludes ROCCAT transaction and integration expenses, release of tax valuation allowances and gain (loss) on financial instrument obligation.	

¹See appendix for a reconciliation of non-GAAP measures.

BALANCE SHEET



Capitalization		
	At 12-31-18	At 12-31-19
Cash & Equivalents	\$7.1M	\$8.2M
Inventories	\$49.5M	\$45.7M
Revolver (asset-based)	\$37.4M	\$15.7M
Total Debt	\$37.4M	\$15.7M
<i>Leverage Ratio¹</i>	<i>0.1x</i>	<i>0.1x</i>

Balance Sheet Improvements
<ul style="list-style-type: none"> Fully repaid all term loans and subordinated notes in Dec 2018 with operating cash flow. ROCCAT purchase price of \$12.7M funded with cash and borrowings under revolver. Repurchased 271,300 shares for \$2.5M, or average of \$9.30 per share since April 2019. Inventory decline driven by revenue trends, channel inventories believed to be appropriate.

¹Defined as total term loans outstanding and average trailing twelve month revolving debt, divided by consolidated trailing twelve month adjusted EBITDA.

GEN 8 CONSOLE LAUNCH INFORMATION



Gen 7 Xbox (Nov 2013)

Gen 8 Xbox (2020)



Gen 7 PlayStation (Nov 2013)

Gen 8 PlayStation (2020)

Xbox Series X (announced E3/June 2019)

Release: Holiday 2020 (expected November)

Price: \$499 (Expected)

- Backward compatibility
- Major power increase/faster game access/reduced load times
- 3D Spatial Sound (to be confirmed by MSFT, headset required)
- Will support up to 8K resolution
- SSD drive
- Still play discs via optical drive/not completely online
- Game Pass subscription service is key/access to AAA games
- Project xCloud game streaming service
- Beefed up Game Studio acquisition for exclusive development
- Custom Zen 2 AMD chip
- Custom AMD Navi-based GPU (12 TF RDNA)

PlayStation 5/PS5 (announced April 2019)

Release: Holiday 2020 (expected November)

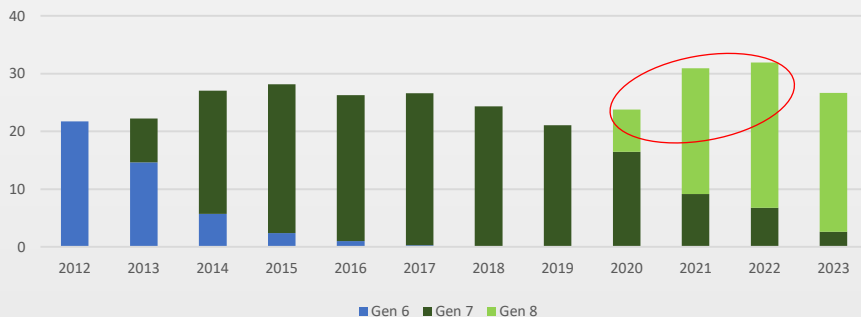
Price: \$499

- Backwards compatibility (to be confirmed by Sony)
- Major power increase/faster game access/reduced load times
- Significant focus on high-quality 3D Spatial Sound (headset required)
- Will support up to 8K resolution
- SSD drive
- Still play discs/not completely online
- Ray tracing technology
- PlayStation Now streaming/focus on AAA titles
- AMD 8-core chip based on third generation Ryzen line with 7nm Zen 2

XBOX AND PLAYSTATION CONSOLE OUTLOOK

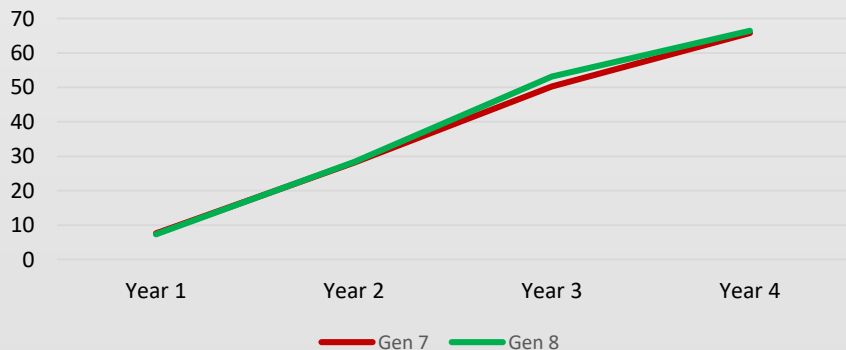


PlayStation and Xbox Console Sales



Source : DFC Intelligence September 2019 Worldwide Video Game Market Forecasts; Hardware unit sales (In Millions)

Active Installed Base



Source : DFC Intelligence September 2019 Worldwide Video Game Market Forecasts; Active Installed Base (In Millions). Year 1 for Gen 7 : 2013 & Year 1 for Gen 8 : 2020

"With the launch of new systems and continued sales for existing console we forecast Microsoft and Sony combined hardware sales will set records in 2021 and 2022"

David Cole, Head DFC Intelligence, Video games industry analyst

- Console transition has typically created a market decline the year prior to transition, an increase late in the year of new console launch, and then several years of accelerated growth post-launch
- Accessories typically also follow same pattern with some lag as some users will wait on new accessory purchases, particularly at the high-end prior to launch and then upgrading accelerates post-launch
- **Turtle Beach expects the console gaming headset market to be down roughly 11% in 2020, followed by mid to high single digit growth in 2021 and 2022**
- DFC predicts the combined XB and PS hardware unit sales for Gen 7 and Gen 8 in the first three years of launch to be higher than the combined sales of Gen 6 and Gen 7 in the first three years, setting another record
- Active Installed Base (AIB) of Gen 8 in the first four years of launch is expected to be slightly higher than AIB of Gen 7
- Nintendo is not included; a new system core from Nintendo could substantially increase overall market potential

Q1 2020 OUTLOOK¹



	Q1-2020	Q1 Commentary
Net Revenue	\$29-\$31M	Soft console gaming headset market ahead of new console launches
Gross Margin	21%-23%	Incremental tariffs & more normal level of promotions vs. Q1 2019, higher NRE/certifications associated with new product development (lower revenue quarters typically have lower gross margins)
Adj. EBITDA	\$(6.5)-\$(7.5)M	OpEx includes Q1 ROCCAT costs, incremental marketing investments in PC brand development
Diluted Shares	~14.5	
GAAP EPS	\$(0.73)-\$(0.81)	Reflects above factors including growth investments, also anticipates modest provision for income taxes.
Adj. EPS ²	\$(0.72)-\$(0.80)	Reflects above factors, excludes ROCCAT transaction & integration costs, also anticipates modest provision for income taxes.

¹Guidance updated on March 10, 2020.

2020 OUTLOOK¹



	2020	2020 Commentary
Net Revenue	\$214-\$224M	Console gaming headset market decline ahead of new console launches, partially offset by continued growth in our PC & other gaming accessory revenues
Gross Margin	Low 30%	Increased freight, continued tariffs on some products, & ~1% impact of NRE/certification costs for new product development
Adj. EBITDA	\$5M-\$10M	Includes ~\$9M investment to expand PC product portfolio, continue ROCCAT brand development & expansion into new geographies
Diluted Shares	~15.0	
GAAP EPS	\$(0.13)-\$(0.46)	Reflects above factors including growth investment, also anticipates modest provision for income taxes.
Adj. EPS²	\$(0.12)-\$(0.45)	Reflects above factors, excludes ROCCAT transaction & integration costs, also anticipates modest provision for income taxes.

Overall Assumptions:

- Console gaming headset market declines roughly 11% with softer market ahead of expected new Xbox and PlayStation console launches and then growth in Q4 after launch (and into 2021-2022)
- Expected supply recovery from Coronavirus based on current, forward-looking supply commitments with some cushion for increased freight costs factored in
- Gross margins reflect increased freight, continued tariffs impacting some products, and accommodate higher NRE and certifications for new product launches
- Investment of roughly \$9 million to expand PC portfolio 2020 to 2021 and build ROCCAT brand

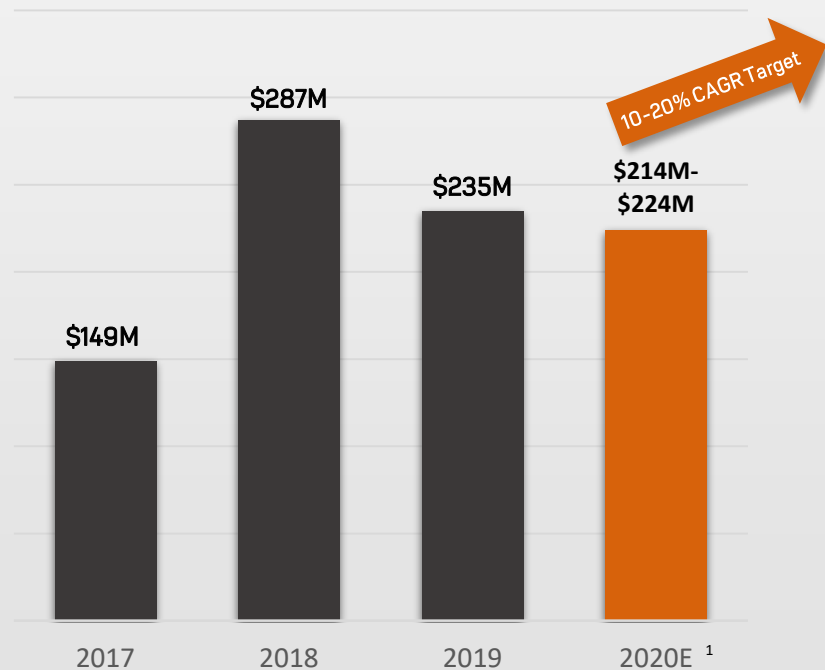
¹Guidance updated on March 10, 2020.

REVENUE & ADJUSTED EBITDA PROFILE



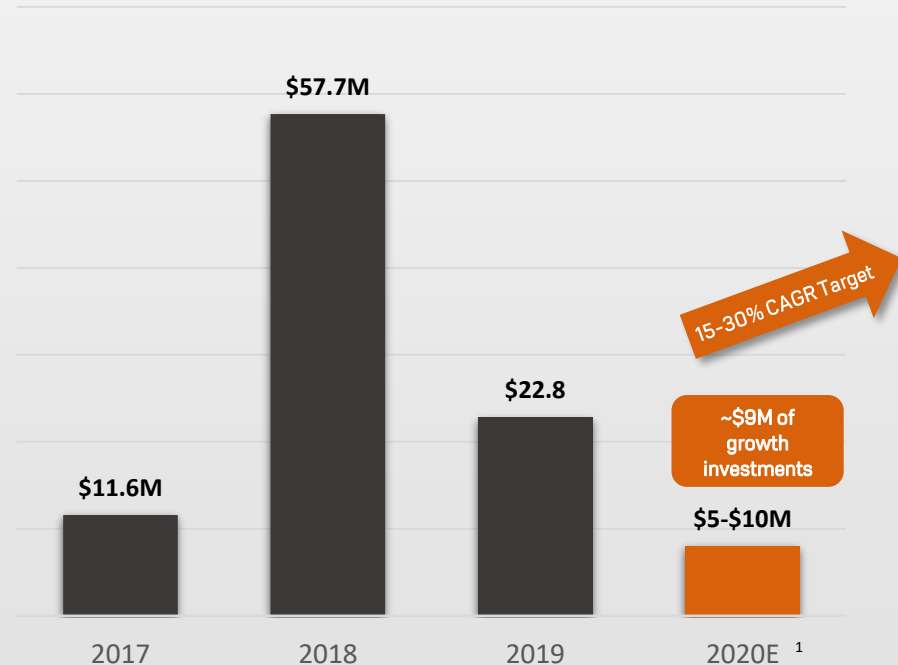
Company Revenues¹

Millions



Adjusted EBITDA²

Millions



¹Guidance updated on March 10, 2020.

²See appendix for a reconciliation of non-GAAP measures.

TURTLE BEACH EARNINGS

SUMMARY KEY TAKEAWAYS

- 2019 largely played out as we expected
- Continued **leadership** in the **\$1.4B¹ console gaming headset market** with tenth year of **over 40% market share**
- Added capability to fully pursue **growth in \$2.7B¹ market for PC accessories** with acquisition of leading German PC gaming accessory maker ROCCAT
- **Investing to drive future PC share** and revenue growth by expanding PC portfolio and further developing ROCCAT brand
- Healthy balance sheet with **no long-term debt**
- Authorization of up to \$15M share repurchase with \$2.5M in shares purchased in 2019

¹Newzoo 2019 Peripheral Market estimates – updated in October 2019



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APPENDIX



GAAP TO ADJUSTED EBITDA RECONCILIATION

THREE MONTHS ENDED DECEMBER 31, 2019



Three Months Ended December 31, 2019

	As Reported	Adj Depreciation	Adj Amortization	Adj Stock Compensation	Other ¹	Adj EBITDA
Net revenue	\$ 101,764	\$ -	\$ -	\$ -	\$ -	\$ 101,764
Cost of revenue	66,052	(601)	-	(74)	-	65,377
Gross Profit	35,712	601	-	74	-	36,388
Operating expenses	22,260	(478)	(229)	(929)	(555)	20,070
Operating income	13,452	1,079	229	1,003	555	16,317
Interest expense	334					
Other non-operating expense (income), net	(780)				471	(309)
Income before income tax	13,897					
Income tax benefit	(6,489)					
Net income	\$ 20,386					
					Adjusted EBITDA	\$ 16,626

¹Other includes certain business acquisition costs, a gain (loss) on financial instrument obligation and change in fair value of contingent consideration.

GAAP TO ADJUSTED EBITDA RECONCILIATION

THREE MONTHS ENDED DECEMBER 31, 2018



Three Months Ended December 31, 2018

	As Reported	Adj Depreciation	Adj Amortization	Adj Stock Compensation	Other ¹	Adj EBITDA
Net revenue	\$ 111,319	\$ -	\$ -	\$ -	\$ -	\$ 111,319
Cost of revenue	68,428	(260)	-	111	-	68,278
Gross Profit	42,891	260	-	(111)	-	43,040
Operating expenses	17,427	(750)	(73)	(578)	-	16,025
Operating income	25,464	1,010	73	468	-	27,015
Interest expense	979					
Other non-operating expense (income), net	(1,104)				3,119	2,015
Income before income tax	25,589					
Income tax expense	975					
Net income	\$ 24,614					
					Adjusted EBITDA	\$ 25,000

¹Other includes unrealized gain (loss) on financial instrument obligation.

GAAP TO ADJUSTED EBITDA RECONCILIATION

YEAR ENDED DECEMBER 31, 2019



	Year ended December 31, 2019					
	As Reported	Adj Depreciation	Adj Amortization	Adj Stock Compensation	Other ¹	Adj EBITDA
Net revenue	\$ 234,663	\$ -	\$ -	\$ -	\$ -	\$ 234,663
Cost of revenue	155,950	(1,950)	-	(150)	-	153,850
Gross Profit	78,713	1,950	-	150	-	80,813
Operating expenses	68,286	(2,605)	(642)	(3,408)	(3,516)	58,114
Operating income	10,427	4,556	642	3,558	3,516	22,699
Interest expense	929					
Other non-operating expense (income), net	(2,209)				2,072	(137)
Income before income tax	11,707					
Income tax benefit	(6,237)					
Net income	\$ 17,944					
					Adjusted EBITDA	\$ 22,836

¹Other includes certain business acquisition costs, a gain (loss) on financial instrument obligation and change in fair value of contingent consideration.

GAAP TO ADJUSTED EBITDA RECONCILIATION

YEAR ENDED DECEMBER 31, 2018



	Year ended December 31, 2018					
	As Reported	Adj Depreciation	Adj Amortization	Adj Stock Compensation	Other ¹	Adj EBITDA
Net revenue	\$ 287,437	\$ -	\$ -	\$ -	\$ -	\$ 287,437
Cost of revenue	178,738	(627)	-	(290)	-	177,821
Gross Profit	108,699	627	-	290	-	109,616
Operating expenses	54,658	(3,327)	(303)	(1,587)	-	49,441
Operating income	54,041	3,954	303	1,877	-	60,175
Interest expense	5,335					
Other non-operating expense (income), net	7,779				(5,291)	2,488
Income before income tax	40,927					
Income tax expense	1,737					
Net income	\$ 39,190					
					Adjusted EBITDA	\$ 57,687

¹Other includes unrealized gain (loss) on financial instrument obligation.

GAAP TO ADJUSTED DILUTED EPS RECONCILIATION

THREE AND TWELVE MONTHS ENDED DECEMBER 31ST



	Three Months Ended		Year ended	
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Net Income (Loss)</u>				
GAAP Net Income (Loss)	\$ 20,386	\$ 24,614	\$ 17,944	\$ 39,190
Adjustments, net of tax:				
Loss (gain) on financial instrument obligation	—	(3,119)	(1,601)	5,291
Release of valuation allowance	(7,439)	—	(7,439)	—
Change in contingent consideration	(422)	—	(422)	—
Acquisition integration costs	499	—	3,154	—
Non-GAAP Earnings	<u>\$ 13,023</u>	<u>\$ 21,495</u>	<u>\$ 11,636</u>	<u>\$ 44,481</u>
Diluted Earnings Per Share				
GAAP- Diluted	\$ 1.29	\$ 1.33	\$ 1.04	\$ 2.74
Loss (gain) on financial instrument obligation	—	—	—	0.31
Release of valuation allowance	(0.47)	—	(0.47)	—
Change in contingent consideration	(0.03)	—	(0.03)	—
Acquisition integration costs	0.03	—	0.20	—
Non-GAAP- Diluted	<u>\$ 0.83</u>	<u>\$ 1.33</u>	<u>\$ 0.74</u>	<u>\$ 3.05</u>

GAAP TO ADJUSTED EBITDA RECONCILIATION

FULL YEARS



	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Consolidated				
Net Income (Loss)	17,944	39,190	(3,248)	(87,182)
Depreciation	4,556	3,954	4,074	5,066
Amortization of intangibles	642	303	348	4,128
Interest	929	5,335	7,916	7,447
Taxes	(6,237)	1,737	593	(387)
Stock Compensation	3,558	1,877	1,430	3,960
Restructuring Expense	-	-	533	664
Goodwill Impairment	-	-	-	63,236
Business Transaction Expense	3,516	-	(79)	7,079
Change in Fair Value of Contingent Consideration	(471)	-	-	-
Unrealized loss on financial instrument obligation	(1,601)	5,291	-	-
Adj EBITDA	22,836	57,687	11,567	4,011