



TURTLE BEACH
CORPORATION

NASDAQ: HEAR

Second Quarter 2017 Earnings Presentation
August 10, 2017

Forward-Looking Information

This presentation includes “forward-looking statements” within the meaning of the federal securities laws. These forward-looking statements are statements that are not historical facts including statements about our beliefs and expectations and statements, and may contain the words “may,” “could,” “would,” “should,” “believe,” “expect,” “anticipate,” “plan,” “estimate,” “target,” “project,” “intend,” “foresee,” and similar expressions. There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements made herein, including but not limited to, the application of quarter-end and year-end accounting procedures and adjustments, risks related to the Company’s liquidity and financial position, 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, risks associated with the expansion of our business including the implementation of any businesses we acquire, our indebtedness, the outcome of our HyperSound strategic review process, and the other factors discussed in our public filings, including the section entitled “Risk Factors” in our most recent Quarterly Report on Form 10-Q, our Annual Report on Form 10-K and other periodic reports filed with the Securities and Exchange Commission (the “SEC”) and available on the SEC’s website, www.sec.gov. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation. Except as required by law, Turtle Beach Corporation (the “Company”) undertakes no obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation. All of the forward-looking statements in this presentation are qualified by such cautionary statements, and subject to the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. This presentation also contains trademarks and trade names that are property of their respective owners.

Non-GAAP Financial Measures

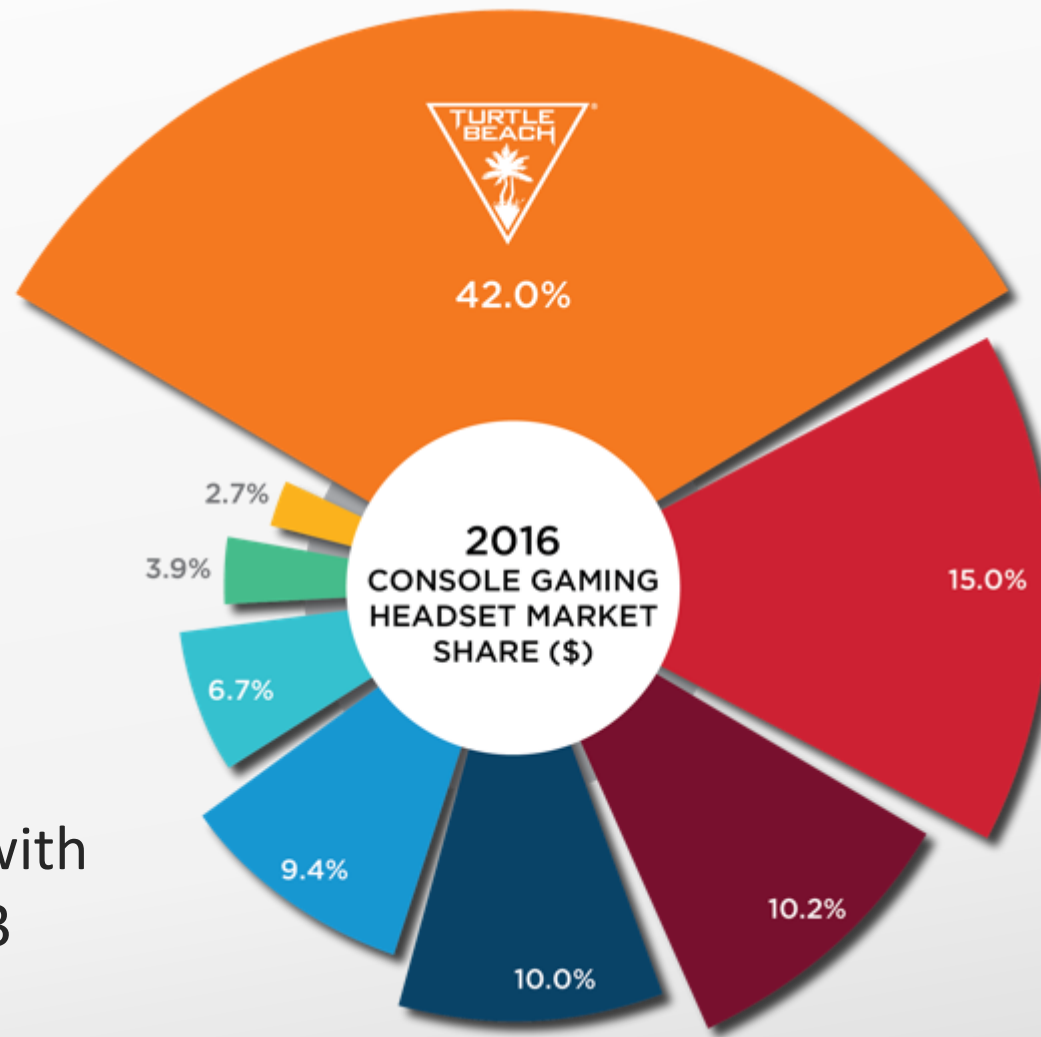
This presentation contains certain financial measures, including adjusted EBITDA and non-GAAP earnings per share (“EPS”), that are not calculated under the standards or rules of U.S. GAAP, which are referred to as “non-GAAP financial measures.” These non-GAAP financial measures, as calculated by the Company, are not necessarily comparable to similarly titled measures reported by other companies. Additionally, these non-GAAP financial measures are not measurements of financial performance or liquidity under GAAP and should not be considered an alternative to the Company’s other financial information determined under GAAP. Management believes that these 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 EBITDA” is defined by the Company as net income (loss) before interest, taxes, depreciation and amortization, stock-based compensation (non-cash), and certain special items that we believe are not representative of core operations. Non-GAAP EPS is defined as EPS less goodwill and \$0.63 per diluted share related to intangible asset impairment and \$0.01 per diluted share in business transition charges, in each case, in the second quarter of 2016. The Adjusted EBITDA outlook for the third quarter and full year 2017 has not been reconciled with the Company’s net loss outlook for the same periods because of the variability, complexity and lack of visibility with respect to certain reconciling items between adjusted EBITDA and net loss, including other income (expense), provision for income taxes and stock-based compensation. These items cannot be reasonably and accurately predicted without the investment of undue time, cost and other resources and, accordingly, a reconciliation of the Company’s adjusted EBITDA outlook to its net loss outlook for such periods is not available without unreasonable effort. These reconciling items could be material to the Company’s actual results for such periods.

- ▶ Q2 revenues, EPS, and adjusted EBITDA beat our outlook
- ▶ 2016 holiday channel inventory that drove lower 1H revenues now fully behind us
- ▶ New Recon Chat headsets performing very well, helping propel us to #1 share in chat headsets (US NPD)
- ▶ 4 new wireless headsets with exceptional features at \$99 and \$149 price points launching September
- ▶ New esports partnerships announced with Astralis, Splyce, Eclipse Club, and SYF Gaming. New influencer partnerships announced, including Dr DisRespect.
- ▶ Industry forecasts for game launches very positive – 20% increase for top 5 console games expected
- ▶ Annual guidance being raised for revenues, EPS, and adjusted EBITDA



Dominant Market Leader in Gaming Headsets

#1 gaming headset
provider for Xbox and
PlayStation



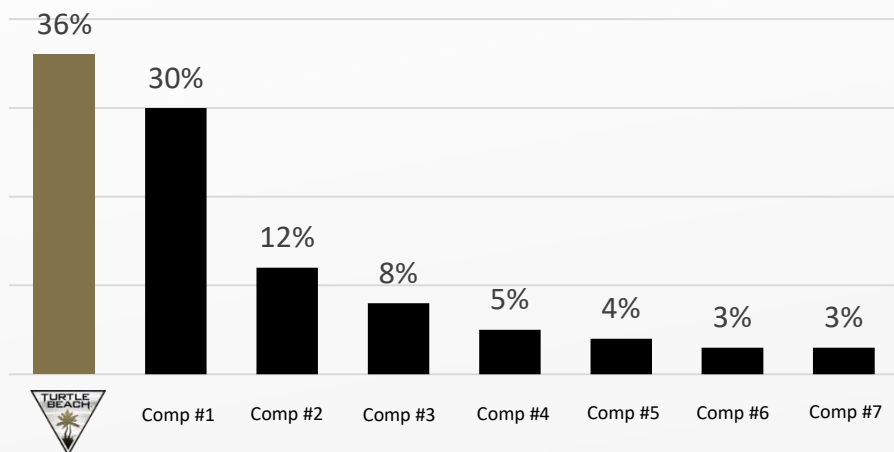
All 5 of the top 5
selling 3rd party
headsets are Turtle
Beach

Longstanding position with
higher share than next 3
players combined

5 of the top 10 sellers
overall (1st & 3rd party)
are Turtle Beach

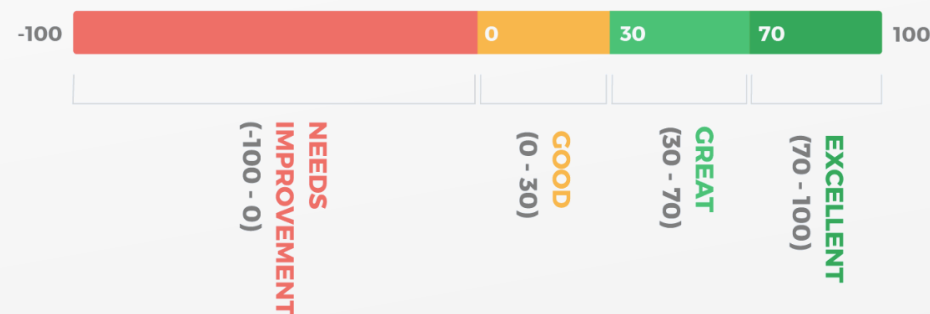
Strong Brand with High Consumer Loyalty

Consumers' Favorite Gaming Headset Brand¹

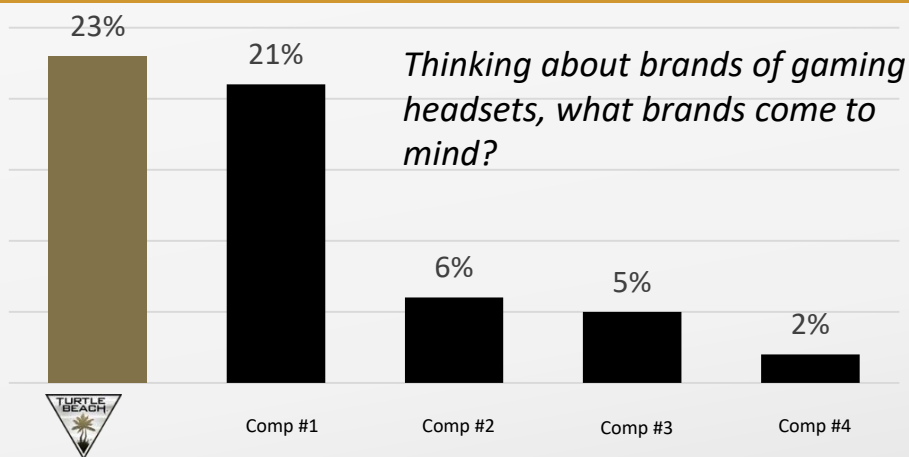


**#1 rated
headset based
on audio
quality¹**

+52 Net Promoter Score²

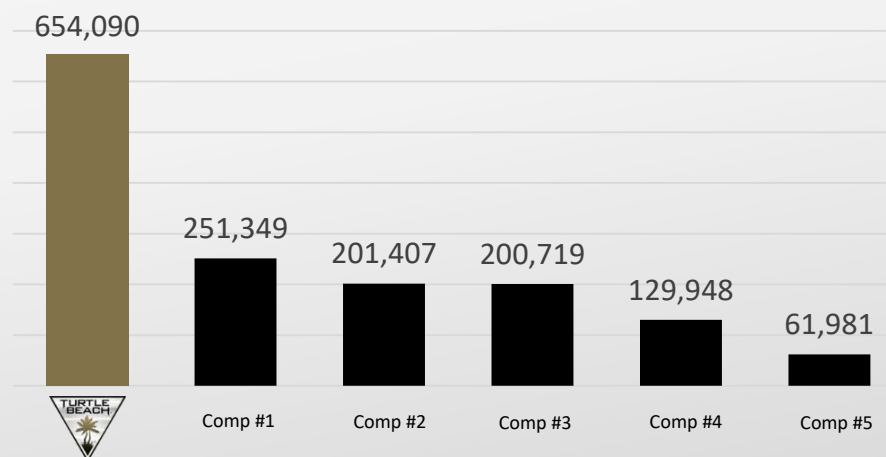


Unaided Brand Awareness²






















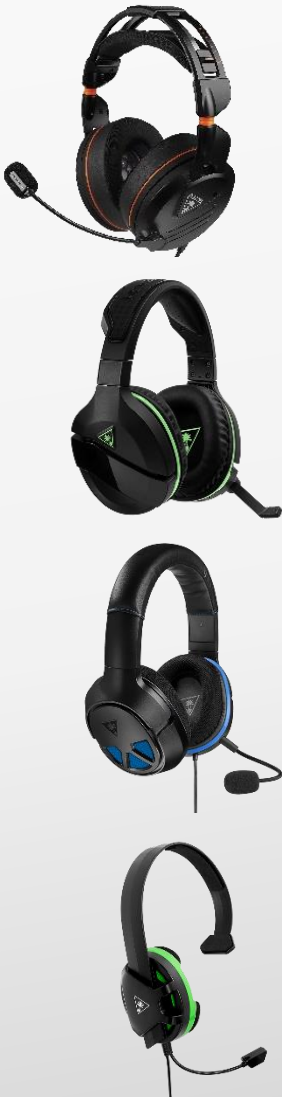
**#1 rated
headset based
comfort¹**

Facebook "Likes"³



Full Line of Products...With Compelling New Launches

	ASP	Sample Products	TB Key Features
<div>eSports</div>	Varies		<ul style="list-style-type: none">Innovative, adjustable tensionCooling gel ear padsPatented glasses relief system
<div>Core Gamer 16+ hours per week</div>	> \$200	<div><div>Launching in September</div></div>	<ul style="list-style-type: none">100% Wireless andActive Noise CancellingDTS 7.1 Headphone:XSuperhuman Hearing™Bluetooth® integration
<div>Enthusiast Gamer 7-15 hours per week</div>	\$100 - \$200	<div></div>	<ul style="list-style-type: none">DTS 7.1 Headphone:XSuperhuman HearingXbox Wireless Direct To ConsoleActive Noise CancellingAudio Presets
<div>Casual Gamer 4-6 hours per week</div>	\$50 - \$100	<div><div>Just Launched</div></div>	<ul style="list-style-type: none">Superhuman Hearing50mm speaker driversMic monitoring
<div>Entry-Level Gamer < 4 hours per week</div>	< \$50	<div><div>Launched in April</div></div>	<ul style="list-style-type: none">40mm speaker drivers3.5mm universal connectionRemovable micOpen earcupGlasses friendly design



New Recon Chat Headsets Launched



- Open Ear Cup - Hear all the Game Audio
- Large 40mm Speaker
- Unique Glasses Friendly Design
- Reversible Mic

US \$19.99

Launched April 2017

XO THREE and Recon 150 Products Launched



- Rugged Durable Design
- High Quality 50mm Speakers
- Removable Mic
- Universal 3.5mm Connectivity
- Surround Sound Ready (XO Three on Xbox One)

US \$69.99

Launched July 2017

Stealth 600 and 700 for Xbox One Launching Soon



- Xbox Wireless Direct to Console connectivity
- Glasses Friendly Design
- Superhuman Hearing™
- High Quality 50mm Speakers
- Lift-to-Mute Mic
- Windows Sonic Surround Sound & Dolby Atmos for Headphones Ready
- Active Noise Cancellation (on Stealth 700)
- Bluetooth Connectivity (on Stealth 700)

Stealth 600 - US \$99.99

Stealth 700 - US \$149.99

Launching September 2017



Stealth 600 and 700 for PS4 Launching Soon



- 100% Wireless Connectivity
- Glasses Friendly Design
- Superhuman Hearing™
- High Quality 50mm Speakers
- Lift-to-Mute Mic
- Surround Sound (DTS Headphone:X on Stealth 700)
- Active Noise Cancellation (on Stealth 700)
- Bluetooth Connectivity (on Stealth 700)

Stealth 600 - US \$99.99

Stealth 700 - US \$149.99

Launching September 2017

Ongoing partnership with OpTic Gaming



*#1 Console esports organization
in the world, top ranked teams
across Halo, Gears of War and
Call of Duty*

New esports Partnerships

June 2017– Announced partnership with Astralis



One of world's best CS:GO teams, Major Champions

June 2017 – Announced partnership with Splyce



Europe's top Call of Duty team

New esports & Influencer Partnerships

July 2017 – Announced partnership with Eclipse



Top 5 ranked CS:GO team in China

June 2017 – Announced partnership with Dr DisRespect

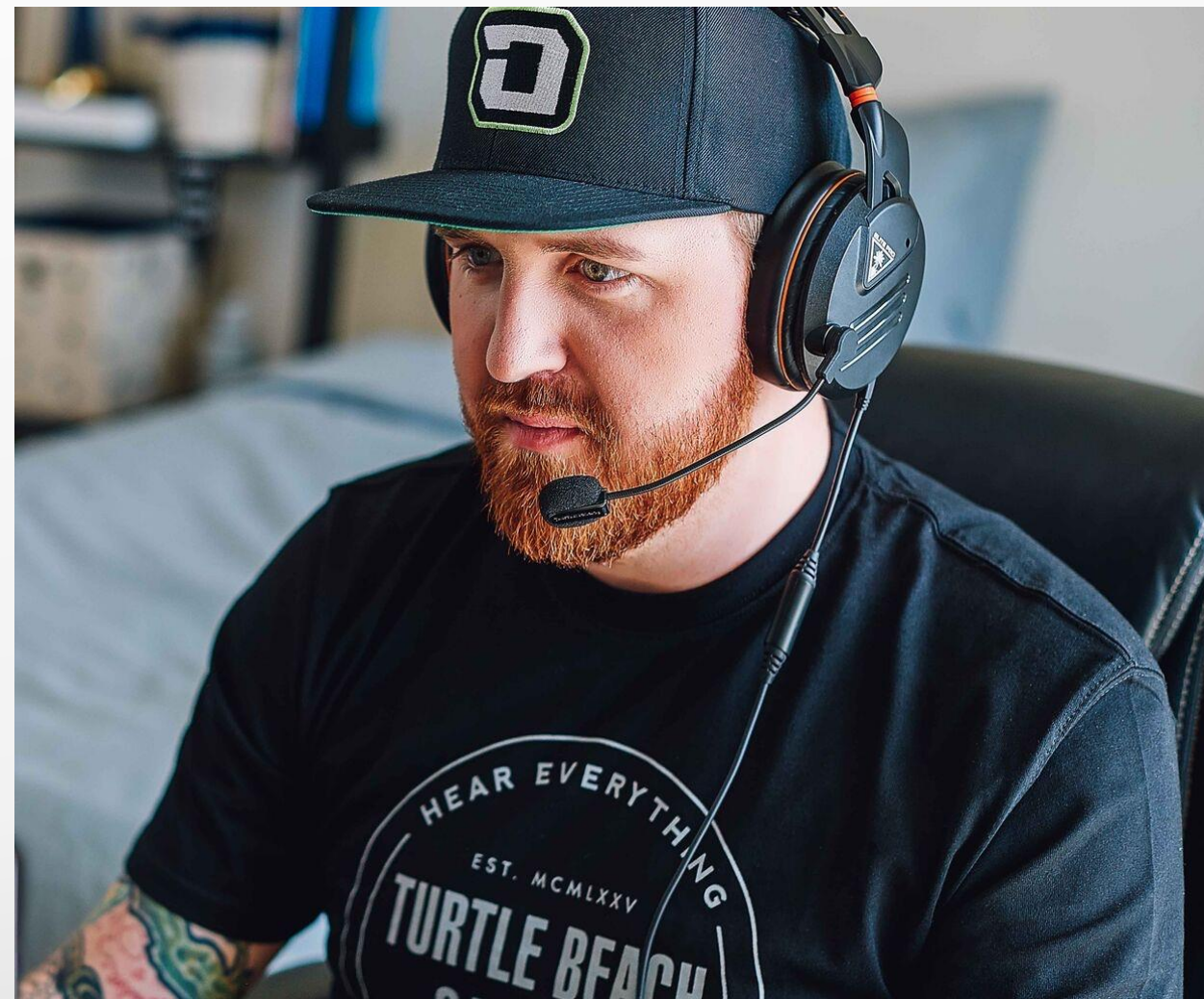


Fastest growing streamer on Twitch

Q2-17 Results Exceeded Revenue, EPS & Adjusted EBITDA Outlook

(vs. prior year period)

- ▶ Net revenue of \$19.1M vs. \$29.4M.
 - ▶ Reflects anticipated lingering impact from higher holiday '16 channel inventory – now at normal levels
- ▶ Gross margin up significantly to 33.0% (29.2% excluding one-time items related to non-recurring savings) vs. 17.4%.
 - ▶ Driven by supply chain cost improvements, lower level of product reserves, favorable new-gen mix (96% vs. 90%).
- ▶ Operating expenses down significantly to \$11.3M vs. \$45.6M (\$14.4M excluding impairment charge).
 - ▶ 22% improvement driven by tight management of operating costs
- ▶ Net loss improved to \$7.1M or \$(0.14) per share, vs. net loss of \$42.6M or \$(0.86) per share.
 - ▶ Net loss of \$(0.23) per share excluding year-ago impairment.
- ▶ Adjusted EBITDA improved to \$(2.8)M compared to \$(6.3)M¹.
 - ▶ Reflects lower revenue but lower operating expenses (better adj. EBITDA margins).



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

Financial Overview

	2017	2016	YOY Δ%
\$ in millions (except per share data)	Q2	Q2	
Revenue	\$19.1	\$29.4	-35%
Gross Margin	33.0% ¹	17.4%	1560bps
Normalized Gross Margin ¹	29.2%	17.4%	1180bps
Operating Expenses	\$11.3	\$45.6	Reduced 75%
Normalized Operating Expenses ²	\$11.3	\$14.4	Reduced 22%
GAAP Net Income (Loss)	(\$7.1)	(\$42.6)	+\$35.5
GAAP EPS Diluted	(\$0.14)	(\$0.86)	+\$0.72
Non-GAAP Net Income (Loss) ³	(\$7.1)	(\$11.4)	+\$4.3
Non-GAAP EPS Diluted ³	(\$0.14)	(\$0.23)	+\$0.09
Adj. EBITDA ¹	(\$2.8)	(\$6.3)	+\$3.5
Headset Adj. EBITDA	(\$2.6)	(\$3.0)	+\$0.4

1) Excludes ~\$0.7M in non-recurring savings related to royalty and tariff refunds in Q2-2017.

2) Excludes a \$31.2M in non-cash goodwill impairment charge associated with *HyperSound*

3) See appendix for a reconciliation of non-GAAP measures.

Balance Sheet

Capitalization

	@ 6-30-17	@ 6-30-16
Cash & Equivalents	\$1.2M	\$1.2M
Debt		
Revolver (asset-based loan)	\$5.2M	\$7.2M
Term Loans	\$13.9M	\$16.0M
Subordinated Notes	\$20.6M	\$18.3M
Total Debt	\$39.7M	\$41.5M
Series B - Preferred Stock ¹	\$18.2M	\$16.8M

Balance Sheet Highlights

- ▶ Revolver typically peaks in Q4 and lowest in Q1 after holiday receipts
- ▶ \$49.0M federal, \$21.0M state net operating losses @ Dec 31, 2016 offset taxable income (not scheduled to expire until 2029)
- ▶ \$60M line of credit and expectation to be significantly more profitable on consolidated basis is anticipated to provide sufficient capital to fund our plan

1) Due in October 2030 and has 8% per annum PIK interest.

Well Positioned For a Strong 2017

Strong New Product Additions



Recon Chat headsets launched in Q2 and helped propel Turtle Beach to #1 spot for Xbox One and PS4 (U.S. market)¹ chat headsets.



XO Three and Recon 150 launched in July refresh a headset with proven market leadership to a new, lower price point of \$69.95.



Stealth 600 and 700's launch in September, bringing innovative features to \$99 and \$149 price points.

Xbox One models expected to be first-to-market with direct wireless connection to Xbox consoles.

New Titles Expected To Do Well

Strong '17 holiday outlook for AAA game titles.



NPD predicting at least 4 titles will exceed \$100M in Q4 packaged consumer sales².

NPD predicting top 5 selling titles this Q4 will combine to **generate at least 20% more** packaged consumer **revenues** than the top 5 one year ago².

'17 Results Expected to Improve

- Consolidated Adj. EBITDA expected to improve to \$11-13M (\$4M in '16)³.
- Consolidated Adj. EBITDA margin expected to improve to 7+% (2% in '16)³.
- Adjusted EBITDA expected to be sufficient to support senior debt repayment.
- Average revolver balance (asset-based loan) in 2017 expected to decline.

1. Source: The NPD Group, June 2017.

2. Source: Industry Analysts, Video Games The NPD Group, Inc.

3. Guidance effective on May 9, 2017. Reflects midpoint of range.

Q3 2017 Outlook

	Q3-17 ¹	YoY Δ ²	Management Commentary & Assumptions
Revenue	\$36-\$40M	(4)%	- Reflects potential small shifts in holiday shipment timing between Q3 and Q4 versus last year, and expectation that some retailers will begin loading in for holidays slightly later than last year
Adj. EBITDA	~\$1M	100%	- Reflects anticipated lower revenue but lower opex. (better adj. EBITDA margins)
Adj. EPS	\$(0.04)-\$(0.08)	40% ³	- Profit expected to increase despite lower sales highlights strong expense management

1) Guidance effective on Aug 10, 2017.

2) Delta reflects midpoint of the outlook.

3) Assumes Q3-16 EPS of \$(0.10), which excludes the \$0.81 in HyperSound restructuring charges.

Increased 2017 Outlook¹

(\$ in millions)	2017 Update ¹	2017 Prior	2016 ²	Management Commentary & Assumptions
<i>Revenue:</i>				
<i>New-Gen</i>	\$151-\$156	\$149-\$154	\$160	Holiday '16 inventory carryover impacts first half 2017 revenue
<i>Old-Gen</i>	~\$0	~\$0	\$6.9	Old-gen business wound down to essentially zero in 2017
<i>Other</i>	\$6	\$6	\$6.5	Longer term opportunity for PC & international growth
<i>HyperSound</i>	~\$0	~\$0	\$0.7	No material revenue, immaterial expenses
Total Revenue	\$157-\$162	\$155-\$160	\$174	
<i>Gross Margin</i>	>30%	~30%	24.5%	Lower operations costs, continued COGS improvements, some loss of operating leverage due to lower revenue
Adj. EPS³	\$(0.06)-\$(0.10)	\$(0.08)-\$(0.12)	\$(0.33)³	Based upon 49.3M shares
<i>Adjusted EBITDA:</i>				
<i>Headsets</i>	~\$13	~\$12	\$14.4	Heightened channel inventory in early 2017 impacts full-year sales
<i>HyperSound</i>	~\$(1)	~\$(1)	\$(10.4)	Significant cost reductions enable consolidated adj. EBITDA improvement
Consol. Adj. EBITDA	\$11-\$13	\$10-\$12	200%	\$4M in 2016

1) Guidance effective on Aug 10, 2017.

2) Delta reflects midpoint of the outlook where applicable.

3) Excludes intangible asset amortization costs associated with *HyperSound Clear™ 500P* launch, \$7.1M in inventory reserves associated with *HyperSound* restructuring and \$0.6M for other restructuring charges in 2016

Opportunities To Drive Double-Digit Revenue Growth

History

2013 - 2015:

Console platform change forces changeover to new portfolio (not expected to happen again). Strong dollar impacted 2015.

2014 - 2016:

Significant investment in HyperSound. Gaming market has weak Q4-16, leading to high channel inventory.

Focus/Priorities

2016:

Focus on returning headset business to strong profitability. Wind-down HyperSound. Enter eSports, virtual reality (VR), Streaming Mic categories.

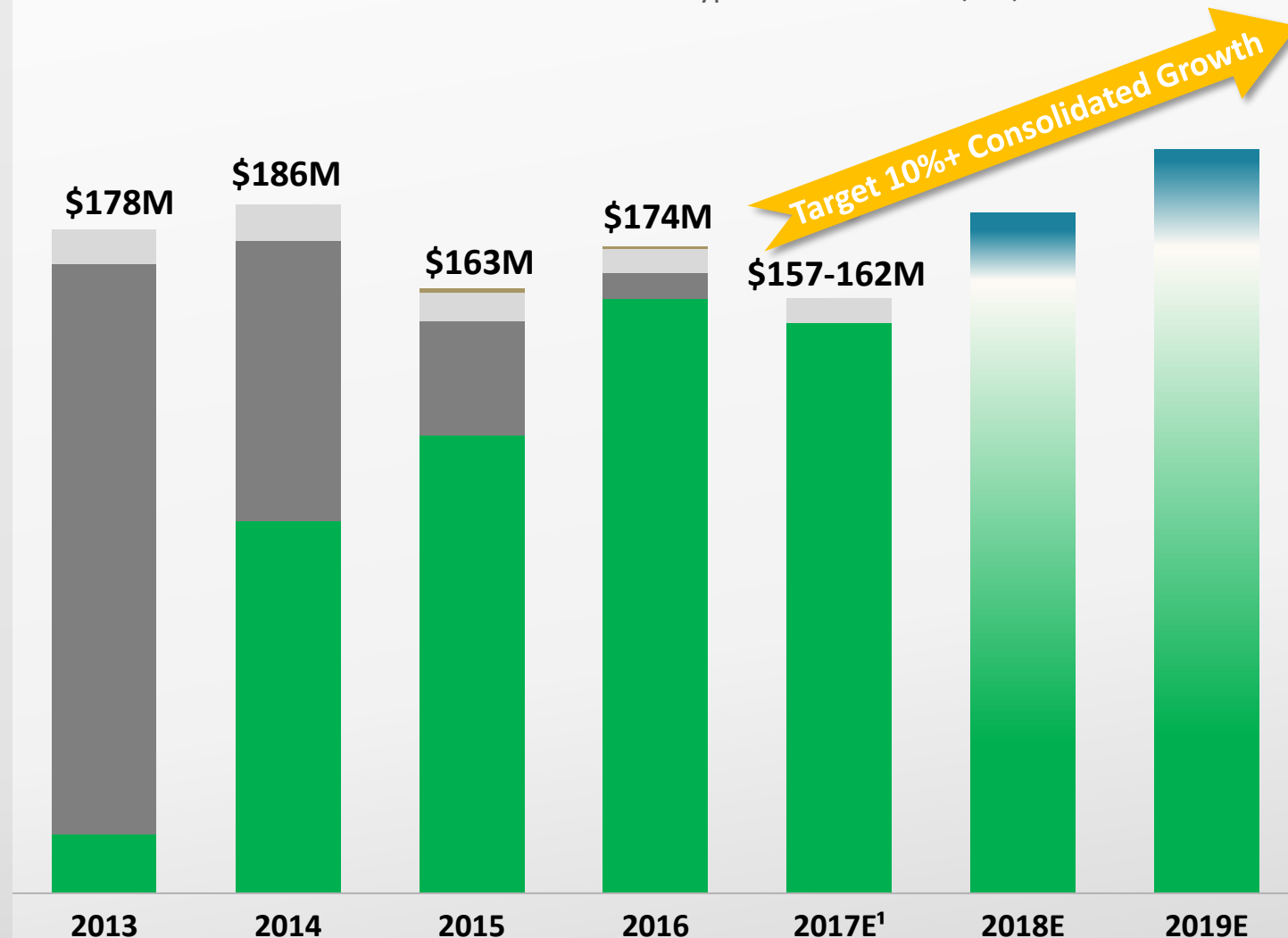
2017:

Focus on core headset business and continued profitability improvements. Expand eSports. Nurture new VR and mic business. Lay groundwork for 2018+ growth initiatives in PC and international.

2018 - 2019:

Maintain leadership in core console segment. Expand into PC gaming headsets including China market. Drive eSports, VR, mic businesses. Evaluate additional new product categories for 2019+.

■ New Gen ■ Old Gen ■ Other ■ HyperSound ■ PC/VR/New Products



Target 10%+ Consolidated Growth

Note: Old-gen, new-gen revenue splits are approximations.

1) Guidance reiterated and effective on May 9, 2017.

Key Takeaways

- ▶ Q2-17 ahead of our forecast, increased 2017 outlook
- ▶ 2017 focus on improving profitability and strengthening the balance sheet on track – EBITDA expected to more than double
- ▶ Industry-leading brand and product portfolio with exciting new products in 2017
- ▶ Holiday 2017 expected to be strong
- ▶ Significant long-term growth opportunities anticipated in PC gaming, China expansion, virtual reality and live-streaming microphones



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www.turtlebeach.com

www.hypersound.com



Appendix

Reconciliation of GAAP and Non-GAAP Measures

	<u>Three Months Ended</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Net Income (Loss)</u>		
GAAP Net Loss	\$ (7,061)	\$ (42,573)
Goodwill and intangible asset impairment	—	31,152
Business transition charges	<u>(30)</u>	<u>—</u>
Non-GAAP Loss	<u>(7,091)</u>	<u>(11,421)</u>
 <u>Diluted Earnings Per Share</u>		
GAAP - Diluted	\$ (0.14)	\$ (0.86)
Goodwill and intangible asset impairment	\$ —	\$ 0.63
Business transition charges	<u>\$ —</u>	<u>\$ —</u>
Non-GAAP - Diluted	<u>\$ (0.14)</u>	<u>\$ (0.23)</u>

GAAP to Adjusted EBITDA Reconciliation – Three Months Ended June 30, 2017



	As Reported	Adj Depreciation	Adj Amortization	Adj Stock Compensation	Other (1)	Adj EBITDA
Net Revenue	\$ 19,112	\$ —	\$ —	\$ —	\$ —	\$ 19,112
Cost of Revenue	12,811	(193)	—	1	—	12,619
Gross Profit	6,301	193	—	(1)	—	6,493
Operating Expense	11,266	(1,251)	(86)	(432)	30	9,527
Operating loss	(4,965)	1,444	86	431	(30)	(3,034)
Interest expense	1,835					
Other non-operating expense, net	(214)					(214)
Loss before income tax expense	(6,586)					
Income tax expense	475					
Net loss	\$ (7,061)					
					Adjusted EBITDA	\$ (2,820)

(1) Other includes business transition costs and restructuring charges.

GAAP to Adjusted EBITDA Reconciliation – Three Months Ended June 30, 2016



	As Reported	Adj Depreciation	Adj Amortization	Adj Stock Compensation	Other (2)	Adj EBITDA
Net Revenue	\$ 29,362	\$ —	\$ —	\$ —	\$ —	\$ 29,362
Cost of Revenue	24,249	(160)	(1,371)	(125)	—	22,593
Gross Profit	5,113	160	1,371	125	—	6,769
Operating Expense	45,600	(1,051)	(95)	(953)	(31,152)	12,349
Operating loss	(40,487)	1,211	1,466	1,078	31,152	(5,580)
Interest expense	1,686					
Other non-operating expense (income), net	704					704
Loss before income tax benefit	(42,877)					
Income tax benefit	(304)					
Net loss	\$ (42,573)					
					Adjusted EBITDA	\$ (6,284)

(1) Other includes business transition costs and restructuring charges.