# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 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 December 31, 2021

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: 001-35465

TURTLE BEACH CORPORATION

**TURTLE BEACH CORPORATION**
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Nevada** | **27-2767540** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **44 South Broadway, 4th Floor White Plains, New York** | **10601** |
| **(Address of principal executive offices)** | **(Zip Code)** |

**(888) 496-8001**
**(Registrant's telephone number, including area code)**

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

| Title of each class | Trading Symbols | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, par value $0.001** | **HEAR** | **The Nasdaq Global Market** |

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 requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 | ☐ | 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2021 was $504,046,573.

The number of shares of Common Stock, $0.001 par value, outstanding on January 31, 2022 was 16,168,892.

**DOCUMENTS INCORPORATED BY REFERENCE**

The information required by Part III of this Report is incorporated herein by reference from the registrant's definitive proxy statement or annual report on Form 10-K/A to be filed with the Securities and Exchange Commission within 120 days after the close of the registrant's fiscal year.

## INDEX

## PART I

**Statement Regarding Forward-Looking Disclosures**

This Annual Report on Form 10-K (this "Report") includes, and incorporates by reference, certain forward-looking statements within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You should not place undue reliance on these statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by, or that include the words "may," "could," "will," "would," "should," "expect," "plan," "anticipate," "believe," "estimate," "intend," "predict," "seek," "contemplate," "potential," "continue," and similar expressions. These forward-looking statements reflect the current expectations of Turtle Beach Corporation concerning future events, and actual results may differ materially from current expectations or historical results. Any such forward-looking statements are subject to various risks and uncertainties, including without limitation those discussed in the sections of this Report entitled "Business Overview," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the expansion of product offerings geographically or through new marketing applications, the timing and cost of planned capital expenditures, competitive conditions, and general economic conditions. These assumptions could prove inaccurate. Forward-looking statements also involve known and unknown risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. In addition, even if our actual results are consistent with the forward-looking statements contained in this Report, those results may not be indicative of results or developments in subsequent periods. Many of these factors are beyond our ability to control or predict. Such factors include, but are not limited to, the following:

- Our dependence on the success and availability of third-party platforms and software to drive sales;
- Transitions in video gaming console platforms and the potential impact on our business;
- Our ability to adapt to new technologies and introduce new products on a timely basis;
- The impact of competitive products, technologies and pricing;
- Continued relationships with our largest customers and the emergence of new customers;
- The impact of seasonality on our business;
- Global business, political, operational, financial and economic conditions;
- Our ability to forecast demand for our products;
- Manufacturing capacity and/ or component supply constraints and difficulties;
- The scope of protection we are able to establish and maintain for intellectual property rights covering our technology;
- The availability of capital under our revolving credit facility;
- Estimates of our future revenues, expenses, capital requirements, and our needs for additional financing;
- Cybersecurity and other information technology risks;
- The Company's marketing efforts, particularly its partnerships with influencers, athletes and esports teams;
- Substantial uncertainties inherent in the acceptance of existing and future products;
- The difficulty of commercializing and protecting new technology;
- Our ability to successfully identify acquisition opportunities that are advantageous to our business and the integration of any businesses we acquire within our internal control over financial reporting and operations;
- Our ability to adjust our product pricing in response to inflation of our costs;
- The emergence of global public health emergencies, such as the outbreak of COVID-19, which may have direct and indirect effects on our employees, customers, supply chain and the economy and financial markets;
- Our financial performance; and
- Other factors discussed under Item 1A - Risk Factors, or elsewhere in this Report.

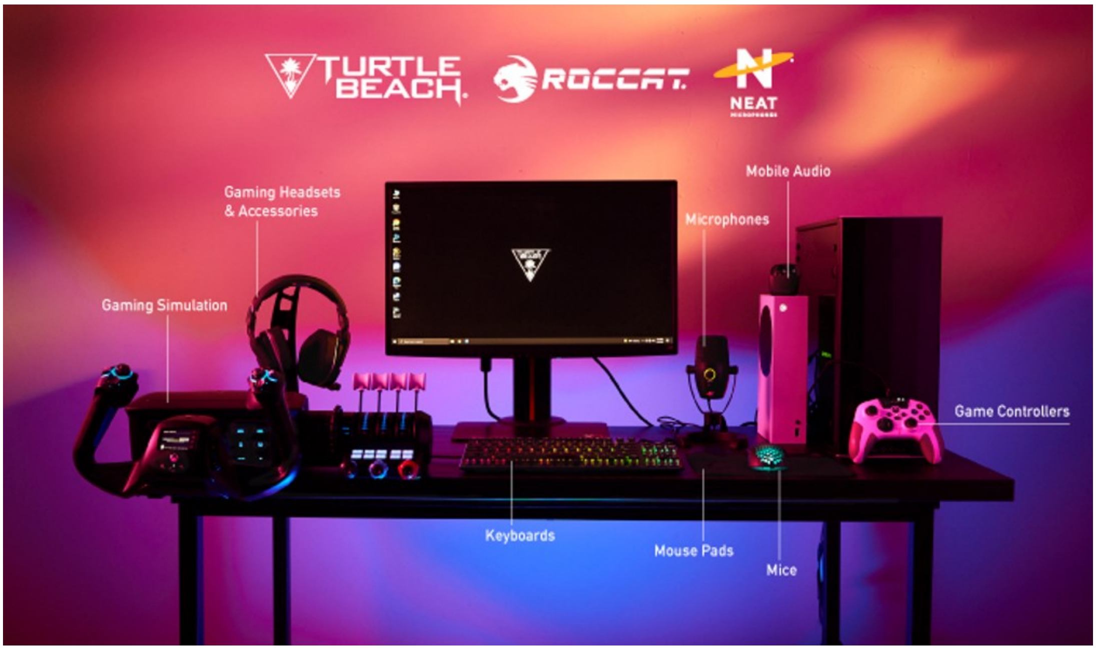
Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the Securities and Exchange Commission ("SEC"), we undertake no obligation to publicly update or revise any forward-looking statements after we file this Annual Report on Form 10-K, whether as a result of any new information, future events or otherwise. Investors, potential investors, and other readers are urged to consider the above mentioned factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. Although we believe that the expectations, reflected in the forward-looking statements are reasonable, we cannot guarantee future results or performance.

Unless the context indicates otherwise, all references in this Report to "we," "our," "us," "the Company," and "Turtle Beach" refer to Turtle Beach Corporation and its wholly-owned subsidiaries.

## Item 1 - Business Overview

Turtle Beach Corporation's mission is to deliver the ultimate experience to gamers by providing high-quality, high-performance accessories, including headsets, keyboards, mice, microphones, gamepad controllers, simulation products, and more. For over 45 years, Turtle Beach has been a pioneer and key innovator in audio technology and is one of the most recognized names in gaming in North America and Europe. Turtle Beach, headquartered in White Plains, New York, was incorporated in the state of Nevada in 2010 and the Company's stock is traded on the Nasdaq Global Market under the symbol HEAR.

The Turtle Beach brand has been the market share leader in console gaming headsets for over a decade with a vast portfolio of headsets for Xbox, PlayStation®, and Nintendo consoles, as well as for PC, Mac®, and mobile/tablet devices. And as a result of recent acquisitions; ROCCAT, a provider of gaming keyboards, mice and other accessories focused on the personal computer ("PC") peripherals market and Neat Microphones ("Neat"), and entry into the gaming controllers and flight simulation accessories, Turtle Beach Corporation delivers high-quality accessories across a broad range of product categories.




### *Gaming Accessories Business*

Turtle Beach launched its first gaming headset and the first ever console gaming headset – the X51 - in 2005 and has gone on to become the leading brand in gaming headsets. The Company designs and markets a large assortment of gaming headsets and audio accessories for Xbox, PlayStation®, and Nintendo consoles, as well as for PC, Mac®, and mobile/tablet devices. The Company's acquisition of ROCCAT in 2019 expanded Turtle Beach Corporation's reach into the global market for PC gaming headsets, keyboards, mice and other accessories, and the acquisition of Neat Microphones in 2021 extended Turtle Beach's reach into the global microphone market. Also, 2021 saw the further expansion of the Turtle Beach brand with the introduction of its first controller and flight simulation accessories. These products are distributed globally. Turtle Beach products are sold at thousands of storefronts, including major retailers such as Amazon, Argos, Best Buy, GAME, GameStop, EB Games, Media Markt, Saturn, Target, and Walmart.

Turtle Beach offers gamers a wide assortment of gaming headsets spanning multiple price tiers ranging from $20 to $250, with many headsets compatible across multiple gaming platforms. We believe the price tiers correspond to customer profiles, beginning with entry-level gamers and progressing through casual, enthusiast, core, and professional esports gamers. Each successive price tier incorporates higher level features, comfort, and finish. For example, premium headset models typically include features like large 50mm speakers, metal headbands, memory foam, powerful amplified surround sound, active noise-cancellation, and Bluetooth® connectivity. Additional features include audio presets like Bass Boost and Turtle Beach's exclusive Superhuman Hearing® sound setting, removable or flip-to-mute microphones, Turtle Beach's proprietary ProSpecs™ glasses-friendly design, and rechargeable long-lasting batteries.

As gaming consoles have evolved from dedicated video game platforms to home entertainment hubs, and as mobile and tablet devices have become popular entertainment platforms, Turtle Beach has continued to evolve its product lineup to reflect how content is consumed. While each Turtle Beach headset is designed for a primary platform, such as a specific console or PC, nearly all can be used with multiple platforms, and most are compatible with mobile/tablet devices through a standard 3.5mm jack or Bluetooth® connectivity. This primary platform designation, paired with readily identifiable platform-specific packaging designs, often results in Turtle Beach products being displayed in multiple in-store sections by retailers, including in kiosks that allow shoppers to try the headsets and experience each headset's specific fit, feel and overall audio quality, increasing the prominence of the Turtle Beach brand and its products in physical retail locations and online.

In 2021, Turtle Beach was the leading console gaming headset manufacturer in the U.S. and other major console markets. We believe the Company has achieved these global market shares by delivering high-quality products that often include first-to-market innovations, robust features, superior sound, unmatched comfort, and top customer support – all key factors that consumers look for when shopping for a gaming headset.

Similar to console headsets, our PC gaming headsets, keyboards, and mice span price tiers ranging from low to high for entry-level to professional gamers with each successive price tier adding features and build quality. In 2021, we have entered two large new markets: gaming controllers with the Xbox Recon Controller, and flight simulation hardware with the VelocityOne Flight™ simulation control system. We seek to infuse differentiation and innovation into our PC products, including our own design for keyboard and mouse switches, innovative RGB lighting, and extensive ergonomic design testing and modeling. Turtle Beach's PC-focused accessory brand, ROCCAT®, has continued expanding its portfolio of PC accessories with multiple new products, including the Syn ™ Pro Air wireless gaming headset and Kone™ Pro mice – the latest entries in the brand's PC gaming mice. Finally, ROCCAT introduced the all-new Torch™ desktop microphone, plus additional entry-level keyboard options with the Magma® and Pyro keyboards.

**Industry Overview**

We participate in a $184 billion global software and accessories gaming market. The global gaming audience now exceeds global cinema and music markets with over 3 billion active gamers worldwide. Gaming peripherals, such as headsets, keyboards, mice, microphones, controllers, and simulation are estimated to be a $8.8 billion business globally with over 80% of that market in the Americas and Europe where the Company's business is focused.

Competitive esports is a global phenomenon where professional gamers train and compete to win prize money, partner with major brands, and attract dedicated fans – similar to traditional professional sports. There were approximately 475 million esports viewers in 2021, and that is expected to increase to roughly 575 million viewers by 2024, according to a report from Newzoo. Of those 575 million projected viewers, more than half are expected to identify as "occasional viewers" and with approximately 285 million considered "esports enthusiasts."

Many gamers play online where a gaming headset (which typically includes a microphone allowing players to communicate in real-time) provides a more immersive experience and a competitive advantage in the industry's most popular games and franchises.

***Console Headset Market***

The global market for console headsets in 2021 was approximately $1.7 billion. PlayStation® and Xbox consoles continue to be dominant gaming platforms in North America and Europe for games that drive headset usage. Consistent with a historical pattern of major new console launches every 7-8 years, Microsoft and Sony released their latest next generation consoles, Xbox and PlayStation®5 platforms just ahead of holiday 2020. Demand for the new consoles has continued to be very strong and exceeded supply which is a good indicator of the enthusiasm for the latest consoles. The demand for gaming consoles is forecasted to continue to be strong in 2022 and the supply of PS5 and Xbox Series is expected to improve, helping the overall console market to single digit percentage growth in 2022.

In 2021, the Nintendo Switch™ completed its fourth year in the market with more than 70 million units sold through the end of December 2021. Nintendo continues adding and expanding their library of games with an increased number of multiplayer chat-enabled games. Nintendo launched the Nintendo Switch™ Lite, a follow-on product which offers gamers the hand-held only version of their popular gaming console.

While gaming on mobile/tablet devices represents about 52% of the global gaming market and headsets can be used for mobile gaming, console and PC gaming are by-far the largest drivers of gaming headset use.

***PC Accessories Market***

The market for PC gaming headsets, mice, and keyboards is estimated to have grown in 2021 to $3.8 billion. The same gaming, work-from-home, and school-learn-from-home factors associated with COVID-19 that benefitted the accessories market also resulted increased consumer demand for headsets, keyboards, mice, and other accessories developed for PC gaming. In 2022, the demand for such PC gaming accessories is expected to continue.

PC gaming in the U.S. has seen a resurgence in popularity the past few years and continues to be a main gaming platform internationally, driven by big AAA game launches, PC-specific esports leagues, popular teams and players, content creators and influencers and cross-platform play. While most games are available on multiple platforms, gaming on PC offers advantages including improved graphics, increased speed and precision of mouse/keyboard controls, and the ability for deeper customization. Gaming mice and keyboards are engineered to provide gamers with high-end performance and a superior gaming experience through features such as faster response times, improved materials and build quality, programmable buttons and keys, and software suites to customize and control devices and settings.

PC gaming mice come in a variety of different ergonomic shapes and sizes, are available in both wired and wireless models, offer options for different sensors (optical and laser) and responsiveness, and often feature integrated RGB lighting and software to unify with the lighting on other devices for a visually consistent PC gaming appearance. Similarly, PC gaming keyboards often deliver a competitive advantage by registering keystrokes faster than others and offer options for mechanical and optical key switches that feel and sound different and offer customizable lighting.

PC and console gaming markets are also driven by major game launches and franchises that encourage players to buy equipment and accessories. On Xbox, PlayStation®, and PC flagship games like *Call of Duty®, Destiny, Star Wars: Battlefront, Battlefield, Grand Theft Auto*, and battle royale games like *Fortnite*, *Call of Duty Warzone, Apex Legends*, and *PlayerUnknown's Battlegrounds*, are examples of major franchises that prominently feature online multiplayer modes that encourage communication and tend to drive increased gaming headset usage. Many of these established franchises launch new titles annually leading into the holidays and as a result can cause an additional boost to the normally strong holiday sales for gaming accessories.

***Microphone Market***

The microphone market is estimated to be $2.3 billion in size of which roughly an estimated $700 million is for digital USB microphones. The market for high-quality microphones, specifically digital microphones, has experienced significant growth as consumers on YouTube, Twitch and other popular platforms are gravitating toward using high-quality professional equipment for their workstations. Additionally, with the sustained trend to remote work, the need for a well-performing desktop microphone has become an important tool when it comes to working and learning from home, as well as staying connected with family and friends. Turtle Beach Corporation's acquisition of Neat Microphones in 2021 expanded the Company's reach into the global microphone market, including, in particular, the market for digital/USB microphones that are often used by gamers, streamers, and influencers with other PC accessories.

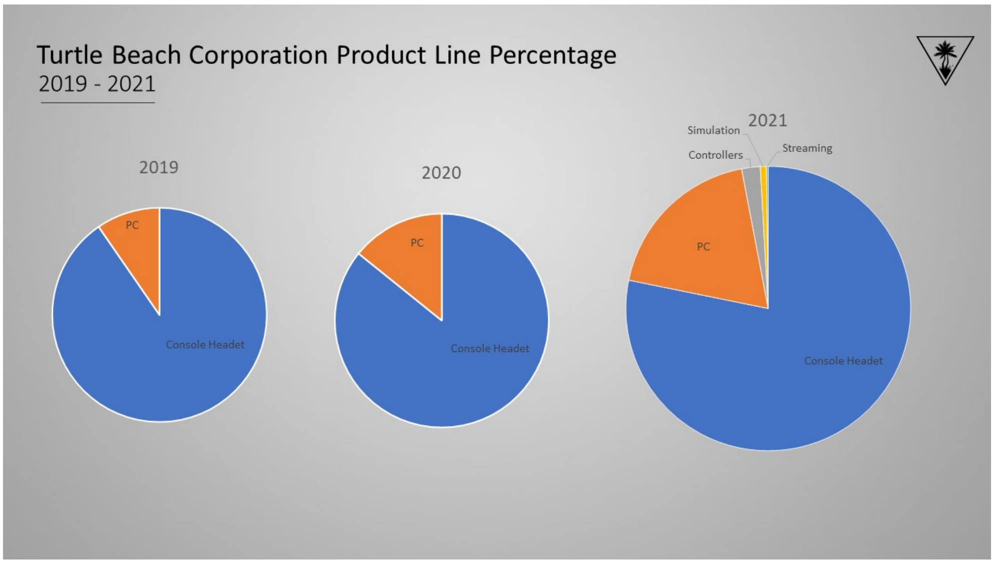
***Other Gaming Accessories Market***

During 2021, the Company expanded into the gaming simulation and gaming controller markets with the launch of the VelocityOne Flight™ simulation control system and the Xbox Recon Controller, respectively. These markets will increase our total addressable market by $1 billion, with third-party game controllers at roughly $600 million and PC/console flight simulation hardware at roughly $400 million in global market.

**Business Strategy**

We intend to further build upon Turtle Beach's brand awareness, superior audio technology and high-quality products, as well as further promote and expand the ROCCAT and Neat brands in certain geographic regions to increase sales and profitability. The Company's strategy focuses on the following:

- **Continue to Advance Our Turtle Beach Brand.** We believe that Turtle Beach's reputation among consumers is a competitive advantage, and that our success is attributable to our emphasis on delivering the highest quality, most innovative headsets.
- **Expand Our Product Lines.** We continue to invest in the resources necessary to maintain and expand our technical capability to manufacture multiple product lines that incorporate the latest technologies. We have continued to expand our ROCCAT PC portfolio, launching new products such as the Torch USB microphone, as well as a variety of new Sense mouse pads and we continue to believe the PC gaming accessory market will be an opportunity for growth in the coming years. We are not only continuing to move our best-selling gaming audio business forward with new headsets like the Recon 200 Gen 2 but have entered two large new markets: gaming controllers with the Xbox Recon Controller, and flight simulation hardware with the VelocityOne Flight™ simulation control system.
- **Grow Revenue in New Markets.** We intend to increase our available markets by continuing to develop internally, or through partnerships or acquisitions, products in new gaming accessory or audio categories that we offer to our customers. In 2021, we completed the acquisition Neat Microphones, a business that creates, manufactures, and sells high-quality digital USB and analog microphones and enables our entry into the $2.3 billion global microphone market, which is experiencing rapid growth in the digital/USB accessories segment. As a result, for the first time, almost 20% of our revenues are derived from categories outside the console gaming headset category, a market in which we have been a leader for over ten years.




To maintain and/ or improve our competitive position in our markets we are focused on the following:

- continuing to deliver innovative, high quality gaming headsets that incorporate advanced audio and wireless technology, while providing a superior game and chat audio experience and unmatched comfort;
- continuing to deliver innovations in speed, precision, lighting and form factor in gaming keyboards, mice, and other gaming categories that can leverage those capabilities
- maintaining our position at key retailers with products available in more locations throughout retailers;
- continuing investments in our ecommerce platforms to drive profitable growth by expanding customer reach, reducing cost-to-serve, and creating differentiated customer experiences;
- maintaining our strategic relationships, and continuing investment in sponsorships, which we believe provide our brand a larger presence with consumers and creates opportunities for retailers to carry our products; and
- leveraging high-quality technical support and customer service to exceed consumer expectations and develop brand loyalty.

**Intellectual Property**

We operate in an industry where innovation, investment in new ideas, and protection of resulting intellectual property rights are critical to success. With over 300 patents, we have a substantial base of intellectual property assets to protect our current and future product development, such as key innovations in gaming headsets, and intend to vigorously enforce such rights.

As a third-party gaming accessory company, certain technology used in the new generation of consoles requires a license to enable products to connect to that platform. While PlayStation® does not require any license to produce headsets that can connect, certain connections on the Xbox platforms require the purchase of proprietary chips to integrate into the locked chat audio. The Company believes it currently has the necessary licenses, or can obtain the necessary licenses, to produce compatible products.

**Supply Chain and Operations**

We have a global network of suppliers that manufacture products to meet our quality standards and cost objectives sought by our customers. We have worked closely with component, manufacturing, and global logistic partners to build a supply chain that we consider dependable, scalable, and efficient to provide high-quality, reliable products employing leading cost management practices. The use of outsourced manufacturing facilities is designed to take advantage of specific expertise and allow for flexibility and scalability to respond to both seasonality and changing demands for our products.

In 2021, the ongoing global economic recovery from the COVID-19 pandemic as well as surging imports and strong demand for electronics created significant challenges for global supply chains resulting in inflationary cost pressures and component shortages. We also experienced logistical challenges related to transportation delay, incremental costs for commodities and components used in our products and component shortages, all of which negatively impacted our sales and results of operations. We expect these challenges will continue to have an impact on our business. As a result, we continue to take proactive steps to limit the impact of these challenges and, are working closely with our suppliers to manage availability of product and implement other cost savings initiatives.

We believe we have strong, long-term relationships with our suppliers and that, subject to the discussion in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources,” we expect to continue to be able to obtain a sufficient supply of quality products on satisfactory terms.

**Retail Distribution**

Our products are sold in over 40 countries by retailers such as Amazon, Argos, Best Buy, GAME, GameStop, EB Games, Media Markt, Saturn, Target, and Walmart. We often have a broader assortment and more shelf space than competitors at video game and electronics retailers such as Best Buy and GameStop, which we believe reinforces the brand’s authenticity with gaming enthusiasts, and our presence in mass channel retailers such as Walmart and Target enable the brand to reach a wider audience of casual gamers. Our established presence on Amazon and other online retail sites, and positive consumer product ratings on those sites, increases the search visibility of our products and helps to influence both online and in-store sales.

TB Europe, located in the U.K., serves as a primary sales office for the European market and has strengthened our international operations with support for sales, marketing, customer service and distribution.

Our websites, TurtleBeach.com, ROCCAT.com, and Neatmic.com, are important focal points for our marketing efforts, serving as a destination for consumers to learn about the brands, the product offering and as a place to maintain ongoing customer connection. Information contained on our websites is not incorporated by reference herein unless specifically stated therein.

**Customers**

Our business customer base is comprised primarily of large retailers and distributors, both domestic and international. In 2021, net sales to our major market channels consisted of $209.0 million to North American retail customers, $102.9 million to European customers, $20.2 million to North American distributors and $34.3 million to other customers.

Our five largest individual customers accounted for approximately 66% of our gross sales in 2021, 67% of our gross sales in 2020, and 66% of our gross sales in 2019. During 2021, our three largest customers - Walmart, Target, and Amazon - each accounted for between 10% to 23% of our consolidated net sales.

**Seasonality**

Our business is seasonal with a significant portion of sales and profits typically occurring around the holiday period. Historically, more than 45% of headset business revenues are generated during the period from September through December as new headsets are introduced and consumers engage in holiday shopping. In addition, launches of major new online multiplayer games, and specific retailer purchasing behavior, can drive significant revenue shifts between months and quarters in a given year.  In the past few years, normal seasonal patterns have been significantly changed due to pandemic-driven shifts in consumer demand.

**Human Capital**

As of December 31, 2021, Turtle Beach had 304 employees, of which 272 were full-time salaried employees. None of our employees are represented by a labor union. We believe that our relationship with our employees is good.

*Corporate Culture*

We are focused on creating a corporate culture of integrity and respect, with the goal of working together to drive our business to be creative, innovative, and competitive. To achieve these objectives, we have adopted and regularly communicate to our employees the following core values:

- Leadership: We take initiative and lead in our respective roles. We lead by example.
- Teamwork: We work as a team and value diversity. We win together and lose together.
- Excellence: We take pride in our work and seek excellence in everything we do.
- Integrity: We are honest, direct, and transparent in all interactions.
- Innovation: We innovate to deliver better products and constantly improve every aspect of our company.
- Execution: We do what we say we will do and take personal accountability for our commitments.

We operate a performance-based environment where results matter and financial discipline is enforced. We seek to create a highly collaborative culture in which employees feel a sense of pride that their input is sought after and valued. We believe that our culture is a long-term competitive advantage for us, fuels our ability to execute and is a critical underpinning of our employee talent strategy.

We are further committed to developing our employees professionally by leveraging our Intellectual Capital (IC) process. The IC process includes constructive reviews and various talent and leadership development initiatives conducted by the management team and provided throughout an employee’s career.

*Diversity and Inclusion*

We believe diversity in the workplace creates an environment where different perspectives lead to improved creativity, productivity, team member engagement, and overall employee happiness. To embrace diversity in 2021, we:

- Continued bias training for the entire company;
- Implemented and tracked diversity metrics through our recruiting process;
- Included diversity statements in all job postings, our TB Careers website and social media channels; and
- Began working with diversity-focused, specialized job sites to increase the diversity of our candidate pool.

*Compensation and Benefits*

We operate in a highly competitive and technologically challenging environment. We provide competitive compensation and benefits programs for our employees. In addition to salaries, these programs (which vary by employee level and by the country where the employees are located) include, among other items, bonuses, equity-based compensation awards, retirement plans, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, advocacy resources, flexible work schedules and employee assistance programs.

*Health, Safety and Wellness*

In response to the COVID-19 pandemic, we implemented and continue to maintain additional health and safety protocols and new procedures across all of our locations to help ensure the safety and well-being of our employees. These protocols included the option to work from home, proper hygiene, social distancing, mask use and temperature screenings and other health and safety standards as required by federal, state, and local government agencies, taking into consideration guidelines of the Centers for Disease Control and Prevention and other public health authorities.

**Available Information**

We make available free of charge on or through our website, http://corp.turtlebeach.com, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and all amendments to those filings as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (“SEC”). Information contained on our website is not incorporated by reference unless specifically stated therein.

In addition, the SEC maintains a website that contains reports, proxy statements, and other information about issuers, such as Turtle Beach, who file electronically within the SEC. The address of the website is www.sec.gov.

## Item 1A - Risk Factors

*Set forth below is a summary of certain material risks related to an investment in our securities, which should be considered carefully in evaluating such an investment. Our business, financial condition, operating results, and cash flows can be affected by a number of factors, whether currently known or unknown, including but not limited to those described below, any one or more of which could, directly or indirectly, cause the Company's actual results of operations and financial condition to vary materially from past, or from anticipated future, results of operations and financial condition. Any of these factors, in whole or in part, could materially and adversely affect the Company's business, financial condition, results of operations, cash flows and common stock price. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations.*

*Because of the following factors, as well as other factors affecting the Company's financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. Please also see "Statement Regarding Forward-Looking Disclosures" in the section immediately preceding Item 1 of this Report.*

### Risks Related to COVID-19

***The effects of the COVID-19 pandemic could adversely affect our business, results of operations, and financial condition.***

The effects of the public health crisis caused by the COVID-19 pandemic, and its variant strains, and the measures being taken in response are uncertain and difficult to predict, but may include:

- A decrease in the demand and/or pricing for our products, and a global economic recession that could reduce demand and/or pricing for our products, resulting from actions taken by governments, businesses, and/or the general public in an effort to limit exposure to and spreading of such infectious diseases, such as travel restrictions, quarantines, and business shutdowns or slowdowns;

- Disruptions to our supply chain in connection with the sourcing, manufacturing and transportation of finished goods and materials, in particular, the negative impact to lead-times and availability of semiconductor components which could lead to shortages preventing us from manufacturing products in the required quantities to support demand;

- Increased difficulty in new product development due to inability to collaborate on-site with manufacturing partners;

- Disruptions in foot traffic to brick-and-mortar retail locations of our retailers resulting from the reinstatement of operational restrictions or temporary closures of retailing operations could disrupt retail customer awareness and demand for our products;

- Negative impacts to our operations, including reductions in efficiency and productivity and increased costs resulting from efforts to mitigate the impact of COVID-19;

- Deterioration of worldwide credit and financial markets that could limit our ability to obtain financing, result in losses due to failures of financial institutions and other parties, and cause a higher rate of losses on our accounts receivables due to defaults and bankruptcies; and

- Deterioration of the financial condition or liquidity, or interruptions to the operations, of our suppliers and customers, including retailers and distributions, could adversely affect the distribution, availability and sales of our products.

Additionally, as a result of operational and government restrictions on retailing operations due to COVID-19, retailers have experienced, and may continue to experience, liquidity constraints or other financial difficulties, which could lead to a reduction in the amount of merchandise purchased from us, an increase in order cancellations or the need to extend payment terms. Any or all of these measures could substantially reduce revenue or have a material adverse effect on our results of operations.

The resumption of normal business operations after such interruptions may be delayed or constrained by lingering effects of COVID-19 on our employees, suppliers, manufactures, distributors, retailers, third-party service providers, and/or customers. We have seen an increase in demand for our products during the COVID-19 pandemic and may see a decrease in demand for our products as restrictions imposed for the pandemic are lifted and social functions and activities start returning to pre-pandemic levels.

These effects, alone or taken together, could have a material adverse effect on our business, results of operations or financial condition. An extended period of global supply chain and economic disruption resulting from the COVID-19 pandemic and the government measures adopted in response thereto could exacerbate the foregoing effects. In addition, the potential impacts of COVID-19 also could affect many of our risk factors included in Item 1A of this Annual Report. However, as the COVID-19 situation is unprecedented and continuously evolving, the potential impacts to such risk factors remain uncertain.

The ongoing global economic recovery from the COVID-19 pandemic has caused significant challenges for global supply chains resulting in inflationary cost pressures and component shortages. We have also experienced unique logistical challenges related to transportation delays. As a result, we have incurred incremental costs for commodities and components used in our products as well as component shortages that have negatively impacted our sales and results of operations. We expect that these challenges will continue to have an impact on our businesses for the foreseeable future. We continue to take proactive steps to continue to limit the impact of these challenges and are working closely with our suppliers to manage availability of products and implement other cost savings initiatives.

**Risks Related to Our Operations**

***The manufacture, supply and shipment of our products are subject to supply chain and logistics risks that could adversely impact our financial results.***

We face a number of risks related to supply chain management and logistics with respect to our products. Recently, we have experienced, and may in the future experience, supply or labor shortages or other disruptions to our supply chain or logistics, which could result in shipping delays and increased costs, each of which could negatively impact our results, operations, product development, and sales. The extent and duration of the impact of these challenges are subject to numerous factors, including the continuing impact of the COVID-19 pandemic, behavioral changes, wage and price costs, adoption of new or revised regulations, and broader macroeconomic conditions.

In 2021, we experienced supply chain disruptions that resulted in significant cost increases. For example, the recent market shortage of semiconductors has caused disruptions, from both a supply and pricing standpoint. Recent inflationary pressures have been exacerbated by the lower availability of, and increased prices for, freight and logistics, including air, sea, and ground freight. The Company may not be able to pass along these price increases to its customers. While the Company has taken and continues to take measures to procure and maintain levels of inventory to prioritize product availability amidst global supply chain and logistical challenges, there can be no assurance that the Company will be able to continue to do so. Accordingly, any future delays, disruptions, and supply and pricing risks, such as the ongoing supply chain challenges and disruptions that we expect to continue during 2022, could affect our ability to meet customer demand for our products, which could have an adverse effect on our business, results of operations and financial condition.

***The manufacture, supply and shipment of our products are dependent upon a limited number of third parties, and our success is dependent upon the ability of these parties to manufacture, supply and ship sufficient quantities of our products to us in a timely fashion, as well as the continued viability and financial stability of these third-parties. In addition, many of our products use components with long order lead times and constrained supply. Any disruption in supply of these components could materially impact the ability of our third- party manufacturing partners to produce our products.***

We rely on third parties to manufacture and manage the logistics of transporting and distributing our products, which subjects us to a number of risks that have been exacerbated as a result of the COVID-19 pandemic and the ongoing supply chain issues associated therewith. Our manufacturers' and suppliers' ability to supply products to us is also subject to a number of risks, including the availability of raw materials or components, their financial instability, the destruction of their facilities, epidemics, or work stoppages. Any shortage of raw materials or components or an inability to control costs associated with manufacturing could increase our costs or impair our ability to ship orders in a timely and cost-efficient manner. As a result, we could experience cancellations of orders, refusal to accept deliveries or a reduction in our prices and margins, any of which could harm our financial performance and results of operations.

The outbreak of COVID-19 has led to work and travel restrictions globally which in turn has led to factory closures, interruptions in supply chains, increased regulation, and workforce shortages. These issues and others may make it difficult for our suppliers and manufacturers to source raw materials or components, manufacture finished goods and export our products. There may be significant and material disruptions to our supply chain and operations, and delays in the manufacture and shipment of our products, which may then have a material adverse effect on our business or results of operations.

We could be negatively affected if we are not able to engage third parties with the necessary capabilities or capacity on reasonable terms, or if those we engage with fail to meet their obligations (whether due to financial difficulties, manufacturing constraints, or other reasons). Moreover, there can be no assurance that such manufacturers and suppliers will not refuse to supply us at prices we deem acceptable, independently market their own competing products in the future, or otherwise discontinue their relationships with us. Our failure to maintain these existing manufacturing and supplier relationships, or to establish new relationships on similar terms in the future, could have a material adverse effect on our business, results of operations, financial condition, and liquidity.

In particular, certain of our products have a number of components and subassemblies produced by outside suppliers. In addition, for certain of these items, we qualify only a single source of supply with long lead times, which can magnify the risk of shortages or result in excess supply and also decreases our ability to negotiate price with our suppliers. Also, if we experience quality problems with suppliers, then our production schedules could be significantly delayed or costs significantly increased, which could have an adverse effect on our business, liquidity, results of operation and financial position.

In addition, the ongoing effectiveness of our supply chain is dependent on the timely performance of services by third parties shipping products and materials to and from our warehouse facilities and other locations. If we encounter problems with these shipments, our ability to meet retailer expectations, manage inventory, complete sales, and achieve objectives for operating efficiencies could be materially adversely affected and we may be required to incur materially higher costs for shipping, including air freight. We have experienced some of these problems in the past and we cannot assure you that we will not experience similar problems in the future.

***We depend upon the success and availability of third-party gaming platforms and release of certain game titles to drive sales of our headset products.***

The performance of our headset business is affected by the continued success of third-party gaming platforms, such as Microsoft's Xbox® consoles and Sony's PlayStation® consoles, as well as video games developed by such manufacturers and other third-party publishers. Our business could suffer if any of these parties fail to continue to drive the success of these platforms, develop new or enhanced videogame platforms, develop popular game and entertainment titles for current or future generation platforms or produce and timely release sufficient quantities of such consoles. Further, if a platform is withdrawn from the market or fails to sell, we may be forced to liquidate inventories relating to that platform or accept returns resulting in significant losses.

***Our brands face significant competition from other consumer electronics companies and this competition could have a material adverse effect on our financial condition and results of operations.***

We compete with other producers of gaming accessories, including the video game console manufacturers. Our competitors may undertake more extensive marketing campaigns, adopt more aggressive pricing policies, or develop more commercially successful products for the PC and video game platforms than we do. In addition, competitors with large product lines and popular products, in particular the video game console manufacturers, typically have greater leverage with retailers, distributors, and other customers, who may be willing to promote products with less consumer appeal in return for access to those competitors' more popular products.

In the event that a competitor reduces prices, we could be forced to respond by lowering our prices to remain competitive. If we are forced to lower prices, we may be required to "price protect" products that remain unsold in our customers' inventories at the time of the price reduction. Price protection results in our issuing a credit to our customers in the amount of the price reduction for each unsold unit in that customer's inventory. Our price protection policies, which are customary in the industry, can have a major impact on our profitability. Also, any actions we undertake to increase prices in response to rising inflation or other considerations may reduce demand for our product and have a material adverse effect on our business or results of operations.

Conversely, any actions we undertake to increase prices in response to rising costs due to higher inflation levels or other considerations may reduce demand for our product if our competitors do not follow with similar pricing actions. This may have a material adverse effect on our business or results of operations.

***The industries in which we operate are subject to competition in an environment of rapid technological change, and if we do not adapt to, and appropriately allocate our resources among, emerging technologies, our revenues could be negatively affected.***

We must make substantial product development and other investments to align our product portfolio and development efforts in response to market changes in the gaming industry. We must anticipate and adapt our products to emerging technologies in order to keep those products competitive. When we choose to incorporate a new technology into our products or to develop a product for a new platform or operating system, we are often required to make a substantial investment prior to the introduction of the product. If we invest in the development of a new technology or for a new platform that does not achieve significant commercial success, our revenues from those products likely will be lower than anticipated and may not cover our costs. Further, our competitors may develop or adapt to an emerging technology more quickly or effectively than we do, creating products that are technologically superior to ours, more appealing to consumers, or both.

New and emerging technologies and alternate platforms for gaming, such as mobile devices and virtual reality devices, could make the consoles for which our headsets are designed less attractive or, in time, obsolete, which could require us to transition our business model such as develop products for other gaming platforms.

There are numerous steps required to develop a product from conception to commercial introduction and to ensure timely shipment to retail customers, including designing, sourcing, and testing the electronic components, receiving approval of hardware and other third-party licensors, factory availability and manufacturing and designing the graphics and packaging. Any difficulties or delays in the product development process will likely result in delays in the contemplated product introduction schedule. It is common in new product introductions or product updates to encounter technical and other difficulties affecting manufacturing efficiency and, at times, the ability to manufacture the product at all. Although these difficulties can be corrected or improved over time with continued manufacturing experience and engineering efforts, if one or more aspects necessary for the introduction of products are not completed as scheduled, or if technical difficulties take longer than anticipated to overcome, the product introductions will be delayed, or in some cases may be terminated. No assurances can be given that our products will be introduced in a timely fashion, and if new products are delayed, our sales and revenue growth may be limited or impaired.

***A significant portion of our revenue is derived from a few large customers, and the loss of any such customer, or a significant reduction in purchases by such customer, could have a material adverse effect on our business, financial condition, and results of operations.***

During 2021, our three largest individual customers accounted for approximately 41% of our gross sales in the aggregate. The loss of, or financial difficulties experienced by, any of these or any of our other significant customers, including as a result of the bankruptcy of a customer, could have a material adverse effect on our business, results of operations, financial condition, and liquidity. We do not have long-term agreements with these or other significant customers and our agreements with these customers do not require them to purchase any specific amount of products. All of our customers generally purchase from us on a purchase order basis. As a result, agreements with respect to pricing, returns, cooperative advertising or special promotions, among other things, are subject to periodic negotiation with each customer. No assurance can be given that these or other customers will continue to do business with us or that they will maintain their historical levels of business. In addition, the uncertainty of product orders can make it difficult to forecast our sales and allocate our resources in a manner consistent with actual sales, and our expense levels are based in part on our expectations of future sales. If our expectations regarding future sales are inaccurate, we may be unable to reduce costs in a timely manner to adjust for sales shortfalls. In addition, financial difficulties experienced by a significant customer could increase our exposure to uncollectible receivables and the risk that losses from uncollected receivables exceed the reserves we have set aside in anticipation of this risk or limit our ability to continue to do business with such customers.

***Turtle Beach relies on its partnerships with influencers, athletes and esports teams to expand our market and promote our products, which may not perform to our expectations.***

We believe that our ability to extend the recognition and favorable perception of our Turtle Beach brand, and the ROCCAT and Neat Microphones brands, is critical to implement our gaming accessory growth strategy, which includes maintaining our strong position in console gaming headsets and building our brand recognition and product appeal in PC gaming headsets, keyboards, and mice as well as in additional new categories over time. These efforts incur significant costs in marketing and these expenditures, however, may not result in a sufficient increase in net sales to cover such costs.

***If our marketing efforts do not effectively raise the recognition and reputation of our brands, we may not be able to successfully implement our gaming accessory growth strategy.***

Relationships with new and established influencers, athletes and esports teams have been, and will continue to be important to our future success. We rely on these partners to assist us in generating increased acceptance and use of our product offerings. We have established a number of these relationships, and our growth depends in part on establishing new relationships and maintaining existing ones. Certain partners may not view their relationships with us as significant to their own businesses, and they may reassess their commitment to us or decide to partner with our competitors in the future. We cannot guarantee that any partner will perform their obligations as agreed or that we would be able to specifically enforce any agreement with them. If any partner does not perform consistent with our agreements, we may be subject to reputational or social media risks. Additionally, our failure to maintain and expand these relationships may adversely impact our future revenue.

***Our net sales and operating income fluctuate on a seasonal basis and decreases in sales or margins during peak seasons could have a disproportionate effect on our overall financial condition and results of operations.***

Historically, a significant portion of our annual revenues have been generated during the holiday season of September to December. If we do not accurately forecast demand for products, we could incur additional costs or experience manufacturing delays. Any shortfall in net sales during this period would cause our annual results of operations to suffer significantly.

Demand for our products depends on many factors such as consumer preferences and the introduction or adoption of game platforms and related content and can be difficult to forecast. If we misjudge the demand for our products, we could face the following problems in our operations, each of which could harm our operating results:

- If our forecasts of demand for products are too high, we may accumulate excess inventories of products, which could lead to markdown allowances or write-offs affecting some or all of such excess inventories. We may also have to adjust the prices of our existing products to reduce such excess inventories;
- If demand for specific products increases beyond what we forecast, our suppliers and third-party manufacturers may not be able to increase production or obtain required components quickly enough to meet the demand. Our failure to meet market demand may lead to missed opportunities to increase our base of gamers, damage our relationships with retailers or harm our business; and
- The on-going transition to new console platforms increases the likelihood that we could fail to accurately forecast demand for headsets and other accessories for these platforms.

***Our results of operations and financial condition may be adversely affected by global business, political, operational, financial, and economic conditions.***

We face business, political, operational, financial, and economic risks inherent in international business, many of which are beyond our control, including:

- Higher product component costs and higher transportation and logistics costs driven by increasing rates of inflation globally;
- trade restrictions, higher tariffs, currency fluctuations or the imposition of additional regulations relating to import or export of our products, especially in China, where many of our Turtle Beach products are manufactured, which could force us to seek alternate manufacturing sources or increase our costs;
- difficulties obtaining domestic and foreign export, import and other governmental approvals, permits and licenses, and compliance with foreign laws, which could halt, interrupt or delay our operations if we cannot obtain such approvals, permits and licenses;
- compliance with anti-corruption laws, including the U.S. Foreign Corrupt Practices Act of 1977, the U.K. Bribery Act 2010, the European Union Anti-Corruption Act and other similar laws, or non-compliance that could subject us to trade sanctions administered by the Office of Foreign Assets Control, the U.S. Department of Commerce and equivalent foreign entities;
- difficulties encountered by our international distributors or us in staffing and managing foreign operations or international sales, including higher labor costs and tightening of the overall labor markets;
- transportation delays and difficulties of managing international distribution channels;
- longer payment cycles for, and greater difficulty collecting, accounts receivable;
- political and economic instability, including wars, terrorism, political unrest, boycotts, curtailment of trade and other business restrictions, any of which could materially and adversely affect our net sales and results of operations;
- public health issues (for example, an outbreak of a contagious disease such as COVID-19); and
- natural disasters.

Any of these factors could reduce our net sales, decrease our gross margins, increase our expenses, or reduce our profitability. Should we establish our own operations in international territories where we currently utilize a distributor, we will become subject to greater risks associated with operating outside of the United States.

The electronics industry in general has historically been characterized by a high degree of volatility and is subject to substantial and unpredictable variations resulting from changing business cycles. Our operating results will be subject to fluctuations based on general economic conditions, and in particular conditions that impact discretionary consumer spending. Downturns in the worldwide economy could adversely affect our business. We could experience a reduction in demand for our products or a lengthening of consumer replacement schedules for our products. Reduced demand for these products could result in decreases in our average selling prices and product sales. A deterioration of current conditions in worldwide credit markets could limit our ability to obtain financing. A lack of available credit in financial markets may adversely affect the ability of our commercial customers to finance purchases and operations and could result in an absence of orders or spending for our products as well as create supplier disruptions. We are unable to predict the likely duration and severity of any adverse economic conditions and disruptions in financial markets and the effects they will have on our business and its financial condition. Difficult economic conditions may also result in a higher rate of losses on our accounts receivables due to defaults or bankruptcies. As a result, a downturn in the worldwide economy could have a material adverse effect on our business, results of operations or financial condition.

***If we fail to maintain an effective system of internal controls, we may not be able to accurately report financial results or prevent fraud, which could have an adverse effect on our business and financial condition.***

Effective internal controls are necessary to provide reliable financial reports and to assist in the effective prevention of fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business. The Sarbanes-Oxley Act of 2002 requires, among other things, that we evaluate our systems and processes and test our internal controls over financial reporting to allow management and our independent registered public accounting firm, as applicable, to report on the effectiveness of our internal control over financial reporting. If we are not able to remediate any identified material weakness or otherwise comply with the requirements of Section 404 of the Sarbanes-Oxley Act, or if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, investors could lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline and we could be subject to sanctions, investigations by the Nasdaq Stock Market, LLC, the SEC or other regulatory authorities, or shareholder litigation.

In addition, failure to maintain effective internal controls could result in financial statements that do not accurately reflect our financial condition or results of operations. There can be no assurance that we will be able to maintain a system of internal controls that fully complies with the requirements of the Sarbanes-Oxley Act of 2002 or that our management and independent registered public accounting firm will continue to conclude that our internal controls are effective.

**Risks Related to our Intellectual Property and other Legal Matters**

***Our competitive position will be adversely damaged if our products are found to infringe on the intellectual property rights of others.***

Other companies and our competitors may currently own or obtain patents or other proprietary rights that might prevent, limit, or interfere with our ability to make, use, or sell our products. Although we do not believe that our products infringe the proprietary rights of any third parties, we have received notices of alleged infringement in the past and there can be no assurance that infringement or other legal claims will not be asserted against us in the future or that we will not be found to infringe the intellectual property rights of others. The electronics industry is characterized by vigorous protection and pursuit of intellectual property rights and positions, resulting in significant and often protracted and expensive litigation. In the event of a successful claim of infringement against us and our failure or inability to license the infringed technology, our business and operating results could be adversely affected. Any litigation or claims, whether or not valid, could result in substantial costs and diversion of our resources. An adverse result from intellectual property litigation could cause us to do one or more of the following:

- cease selling, incorporating or using products or services that incorporate the challenged intellectual property;
- obtain a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms, if at all; and/or
- redesign products or services that incorporate the disputed technology.

If we take any of the foregoing actions, we could face substantial costs and shipment delays and our business could be seriously harmed. Although we carry general liability insurance, our insurance may not cover claims of this type or may be inadequate to insure us for all liability that may be imposed.

In addition, it is possible that our customers or end users may seek indemnity from us in the event that our products are found or alleged to infringe the intellectual property rights of others. Any such claim for indemnity could result in substantial costs to us that could adversely impact our operating results.

***If we are unable to obtain and maintain intellectual property rights and/or enforce those rights against third parties who are violating those rights, our business could suffer.***

We rely on various intellectual property rights, including patents, trademarks, trade secrets and trade dress to protect our Turtle Beach brand name, reputation, product appearance, and technology. Although we have entered into confidentiality and invention assignment agreements with our employees and contractors, and nondisclosure agreements with selected parties with whom we conduct business to limit access to and disclosure of our proprietary information, these contractual arrangements and the other steps we have taken to protect our intellectual property may not prevent misappropriation of that intellectual property or deter independent third-party development of similar technologies. Monitoring the unauthorized use of proprietary technology and trademarks is costly, and any dispute or other litigation, regardless of outcome, may be costly and time consuming and may divert the attention of management and key personnel from our business operations. The steps taken by us may not prevent unauthorized use of proprietary technology or trademarks. Many features of our products are not protected by patents; we may not have the legal right to prevent others from reverse engineering or otherwise copying and using these features in competitive products. If we fail to protect or to enforce our intellectual property rights successfully, our competitive position could suffer, which could adversely affect our financial results.

We are susceptible to counterfeiting of our products, which may harm our reputation for producing high-quality products and force us to incur expenses in enforcing our intellectual property rights. Such claims and lawsuits can be expensive to resolve, require substantial management time and resources, and may not provide a satisfactory or timely result, any of which may harm our results of operations. As some of our products are sold internationally, we are also dependent on the laws of many countries to protect and enforce our intellectual property rights. These laws may not protect intellectual property rights to the same extent or in the same manner as the laws of the United States.

Further, we are party to licenses that grant us rights to intellectual property, including trademarks, which are necessary or useful to our Turtle Beach business. One or more of our licensors may allege that we have breached our license agreement with them and seek to terminate our license. If successful, this could result in our loss of the right to use the licensed intellectual property, which could adversely affect our ability to commercialize our technologies or products, as well as harm our competitive business position and our business prospects.

Our success also depends in part on our ability to obtain and enforce intellectual property protection of our technology, particularly our patents. There is no guarantee any patent be granted on any patent application that we have filed or may file. Claims allowed from existing or pending patents may not be of sufficient scope or strength to protect the economic value of our technologies. Further, any patent that we may obtain will expire at some point, and it is possible that it may be challenged, invalidated, or circumvented even prior to expiration.

We may initiate claims or litigation against third parties in the future for infringement of our proprietary rights or to determine the scope and validity of our proprietary rights or the proprietary rights of our competitors. These claims could result in costly litigation and divert the efforts of our technical and management personnel. As a result, our operating results could be adversely affected, and our financial condition could be negatively impacted.

***We are dependent upon third-party intellectual property to manufacture some of our products.***

The performance of certain technology used in new generation consoles, such as integrated voice and chat audio from the Xbox platforms is improved by a licensed component to ensure compatibility with our products.

While we currently believe that we have the necessary licenses, or can obtain the necessary licenses, in order to produce compatible products, there is no guarantee that our licenses will be renewed or granted in the first instance in the future. Moreover, if these first parties enter into license agreements with companies other than us for their “closed systems” or if we are unable to obtain sufficient quantities of these headset adapters or chips, we would be placed at a competitive disadvantage.

In order for certain of our headsets to connect to the Xbox platforms’ advanced features and controls, a proprietary computer chip or wireless module is required. As a result, with respect to our products designed for the Xbox platforms, we are currently reliant on Microsoft or their designated supplier to provide us with sufficient quantities. If we are unable to obtain sufficient quantities of these headset adapters or chips, sales of such Xbox platform headsets and consequently our revenues would be adversely affected.

We are licensed and approved by Microsoft to develop and sell Xbox platform compatible audio products pursuant to a license agreement under which we have the right to manufacture (including through third party manufacturers), market and sell audio products for the Xbox platform video game console. Our current Xbox platform headsets are dependent on this license and headsets for future Xbox consoles may also be dependent on this license. Microsoft has the right to terminate that license under certain circumstances set forth in the agreement. Should that license be terminated, our headset offerings may be limited, which could significantly reduce our revenues. While Sony does not currently require a license for audio products to be compatible with PlayStation® consoles, they could do so in the future.

While the Company believes it currently has the necessary licenses, or can obtain the necessary licenses to produce compatible products, Microsoft, Sony and other third-party gaming platform manufacturers may control or limit our ability to manufacture headsets compatible with their platforms, and could cause unanticipated delays in the release of our products as well as increases to projected development, manufacturing, licensing, marketing or distribution costs, any of which could negatively impact our business.

***We have been party to stockholder litigation, and in the future could be party to additional stockholder litigation, any of which could harm our business, financial condition, and operating results.***

We have had, and may continue to have, actions brought against us by stockholders in connection with the Merger, as further described in Item 3 – Legal Proceedings below, past transactions, changes in our stock price or other matters. Any such claims, whether or not resolved in our favor, could divert our management and other resources from the operation of our business and otherwise result in unexpected and substantial expenses that would adversely and materially impact our business, financial condition, and operating results**.**

**Risks Related to Liquidity**

***In the past, we have depended upon the availability of capital under our revolving credit facility to finance our operations. Any additional financing that we may need may not be available on favorable terms, or at all.***

In addition to cash flow generated from operations, we have financed our operations with a credit facility (the “Credit Facility”) provided by Bank of America, as Agent, Sole Lead Arranger and Sole Bookrunner. If we are unable to comply with the financial and other covenants contained in the Credit Facility and are unable to obtain a waiver under the Credit Facility, Bank of America may declare any outstanding borrowings under the Credit Facility immediately due and payable. If we had borrowing under the Credit Facility, such an event would have an immediate and material adverse impact on our business, results of operations, and financial condition. We could be required to obtain additional financing from other sources, and we cannot predict whether or on what terms, if any, additional financing might be available. If we were required to seek additional financing and were unable to obtain it, we might need to change our business and capital expenditure plans, which may have a materially adverse effect on our business, financial condition, and results of operations. In addition, any debt under the Credit Facility could make it more difficult to obtain other debt financing in the future. The Credit Facility contains certain financial covenants and other restrictions that limit our ability, among other things, to incur certain additional indebtedness; pay dividends and repurchase stock; make certain investments and other payments; enter into certain mergers or consolidations; engage in sale and leaseback transactions and transactions with affiliates; and encumber and dispose of assets.

If we violate any of these covenants, we will likely be unable to borrow under the Credit Facility. If a default occurs and is not timely cured or waived, Bank of America could seek remedies against us, including termination or suspension of obligations to make loans and issue letters of credit, and acceleration of amounts then outstanding under the applicable Credit Facility. No assurance can be given that we will be able to maintain compliance with these covenants in the future. The Credit Facility is asset based and can only be drawn down in an amount to which eligible collateral exists and can be negatively impacted by extended collection of accounts receivable, unexpectedly high product returns and slow-moving inventory, among other factors. In addition, we have granted the lender a first-priority lien against substantially all of our assets, including trade accounts receivable and inventories. Failure to comply with the operating restrictions or financial covenants could result in the lender terminating or suspending its obligation to make loans and issue letters of credit to us.

Additionally, a significant downturn in demand for our products or a reduction in gross margins could have a material impact on our result of operations adversely affect our ability to obtain financing.

**General Risk Factors**

***Our business could be adversely affected by inflationary pressures.***

We are exposed to inflationary pressures including higher labor-related costs and potential increases in the costs of the goods and services we purchase as part of the manufacture and distribution of our products and in our operations generally. Such inflationary pressures have been and could continue to be exacerbated by higher oil prices, geopolitical turmoil, and economic policy actions. Our inability to adequately increase prices to offset increased costs associated with such inflationary pressures, or otherwise mitigate their impact, will increase our costs of doing business and reduce our margins and profitability. If such impacts are prolonged and substantial, they could have a material negative effect on our results of operations.

***If we are unable to protect our information systems against service interruption, misappropriation of data or breaches of security, our operations could be disrupted, our reputation may be damaged, and we may be financially liable for damages.***

We rely heavily on information systems to manage our operations, including a full range of retail, financial, sourcing, and merchandising systems. We regularly make investments to upgrade, enhance or replace these systems, as well as leverage new technologies to support our growth strategies. In addition, we have implemented enterprise-wide initiatives that are intended to standardize business processes and optimize performance. Further, while many of our employees and certain suppliers with whom we do business operate in a remote working environment during the COVID-19 pandemic, the risk of cybersecurity attacks and data breaches, particularly through phishing attempts, may be increased as we and third-parties with whom we interact leverage our IT infrastructure in previously unanticipated ways during the ongoing COVID-19 pandemic. Any delays or difficulties in transitioning to new systems or integrating them with current systems or the failure to implement our initiatives in an orderly and timely fashion could result in additional investment of time and resources, which could impair our ability to improve existing operations and support future growth, and ultimately have a material adverse effect on our business.

The reliability and capacity of our information systems are critical. Despite preventative efforts, our systems are vulnerable to damage or interruption from, among other things, natural disasters, technical malfunctions, inadequate systems capacity, human error, power outages, computer viruses and security breaches. Any disruptions affecting our information systems could have a material adverse impact on our business. In addition, any failure to maintain adequate system security controls to protect our computer assets and sensitive data, including associate and client data, from unauthorized access, disclosure or use could damage our reputation with our associates and our clients, exposing us to financial liability, legal proceedings (such as class action lawsuits), and/or regulatory action. While we have implemented measures to prevent security breaches and cyber incidents, our preventative measures and incident response efforts may not be entirely effective. As a result, we may not be able to immediately detect any security breaches, which may increase the losses that we would suffer. Finally, our ability to continue to operate our business without significant interruption in the event of a disaster or other disruption depends, in part, on the ability of our information systems to operate in accordance with our disaster recovery and business continuity plans.

Our reliance on information systems and other technology also gives rise to cybersecurity risks, including security breach, espionage, system disruption, theft, and inadvertent release of information. The occurrence of any of these events could compromise our networks, and the information stored there could be accessed, publicly disclosed, lost, or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disrupt operations, and damage our reputation, which could adversely affect our business. In addition, as security threats continue to evolve, we may need to invest additional resources to protect the security of our systems.

***The United Kingdom’s exit of the European Union may negatively impact our operations.***

The changes to the trading relationship between the United Kingdom (UK) and European Union resulting from the UK’s exit from the European Union on January 31, 2020 (“Brexit”) have created uncertainty around possible increased cost of goods imported into and exported from the UK and may decrease the profitability of our UK and other European operations. Additional currency volatility could drive a weaker British pound, which increases the cost of goods imported into our UK operations and may decrease the profitability of our UK operations. A weaker British pound versus the Euro and U.S. dollar also causes local currency results of our UK operations to be translated into fewer U.S. dollars during a reporting period. On December 24, 2020, the UK and the EU entered into a trade and cooperation agreement (the “Trade and Cooperation Agreement”), which was applied on a provisional basis from January 1, 2021, and entered into force on May 1, 2021. The economic integration contemplated by the Trade and Cooperation Agreement does not reach the level that existed during the time the UK was a member state of the EU, and further, while the Trade and Cooperation Agreement sets out preferential arrangements in areas such as trade in goods and in services, digital trade and intellectual property, there is still uncertainty on the application and interpretation of many of its provisions. Negotiations between the UK and the EU are expected to continue in relation to the relationship between the UK and the EU in certain other areas which are not covered by the Trade and Cooperation Agreement. The long-term effects of Brexit will depend on the effects of the implementation and application of the Trade and Cooperation Agreement and any other relevant agreements between the UK and the EU.

***The market price of our common stock may fluctuate significantly.***

We cannot predict the prices at which our common stock may trade. The market price of our common stock may fluctuate widely, depending on many factors, some of which may be beyond our control, including but not limited to:

- actual or anticipated fluctuations in our operating results due to factors related to our business;
- success or failure of our business strategy;
- the success of third-party gaming platforms and certain game titles to drive sales;
- our quarterly or annual earnings, or those of other companies in our industry;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- our ability to execute transformation, restructuring and realignment actions;
- the operating and stock price performance of other comparable companies;
- overall market fluctuations; and
- general economic conditions and other external factors.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations could adversely affect the trading price of our common stock. These fluctuations may also cause short sellers to periodically enter the market on the belief that we may experience worse results in the future. We cannot predict the actions of market participants and, therefore, can offer no assurances that the market for our common stock will be stable or appreciate over time.

***Loss of our key management and other personnel could impact our business.***

Our future success depends largely upon the continued service of our executive officers and other key management and technical personnel and on our ability to continue to attract, retain and motivate qualified personnel. In addition, competition for skilled and non-skilled employees among companies like ours is intense, and the loss of skilled or non-skilled employees or an inability to attract, retain and motivate additional skilled and non-skilled employees required for the operation and expansion of our business could hinder our ability to conduct research activities successfully, develop new products, attract customers, and meet customer shipments.

***Our business could be adversely affected by significant movements in foreign currency exchange rates.***

Our business could be adversely affected by significant movements in foreign currency exchange rates. We are exposed to fluctuations in foreign currency transaction exchange rates, particularly with respect to the Euro and British Pound. Any significant change in the value of currencies of the countries in which we do business relative to the value of the U.S. dollar could affect our ability to sell products competitively and control our cost structure. Additionally, we are subject to foreign exchange translation risk due to changes in the value of foreign currencies in relation to our reporting currency, the U.S. dollar. The translation risk is primarily concentrated in the exchange rate between the U.S. dollar and the British Pound. As the U.S. dollar fluctuates against other currencies in which we transact business, revenue and income could be impacted.

***Any acquisitions we pursue could disrupt our business and harm our financial condition and results of operations.***

As part of our business strategy, we review and intend to continue to review acquisition opportunities that we believe would be advantageous or complementary to the development of our business. If we make any acquisitions, we could take any or all of the following actions, any one of which could adversely affect our business, financial condition, results of operations or share price:

- use a significant portion of our available cash;
- require a significant devotion of management’s time and resources in the pursuit or consummation of such acquisition;
- incur debt, which may not be available to us on favorable terms and may adversely affect our liquidity;
- issue equity or equity-based securities that would dilute existing stockholders’ ownership percentage;
- assume contingent and other liabilities; and
- take charges in connection with such acquisitions.

Acquisitions also entail numerous other risks, including, without limitation: difficulties in assimilating acquired operations, products, technologies, and personnel; unanticipated costs; diversion of management's attention from existing operations; risks of entering markets in which we have limited or no prior experience; regulatory approvals; unanticipated costs or liabilities; and potential loss of key employees from either our existing business or the acquired organization. Acquisitions may result in accounting charges for restructuring and other expenses, amortization of purchased technology and intangible assets and stock-based compensation expense, any of which could materially and adversely affect our operating results. We may not be able to realize the anticipated synergies, innovation, operational efficiencies, benefits of or successfully integrate with our existing business the businesses, products, technologies, or personnel that we acquire, and our failure to do so could harm our business and operating results.

***Our products may be subject to warranty claims, product liability and product recalls.***

We may be subject to product liability or warranty claims that could result in significant direct or indirect costs, or we could experience greater returns from retailers than expected, which could harm our net sales. The occurrence of any quality problems due to defects in our products could make us liable for damages and warranty claims in excess of any existing reserves. In addition to the risk of direct costs to correct any defects, warranty claims, product recalls or other problems, any negative publicity related to the perceived quality of our products could also affect our brand image, decrease retailer and distributor demand and our operating results and financial condition could be adversely affected. Changes in production levels or processes could result in increased manufacturing errors, as well as higher component, manufacturing, and shipping costs, all of which could reduce our profit margins, result in prices increases and harm our relationships with retailers and consumers.

We could incur unanticipated expenses in connection with warranty or product liability claims relating to a recall of one or more of our products, which could require significant expenditures to defend. Additionally, we may be required to comply with governmental requirements to remedy the defect and/or notify consumers of the problem that could lead to unanticipated expense, and possible product liability litigation against a customer or us.

***Changes in laws or regulations or the manner of their interpretation or enforcement could adversely impact our financial performance and restrict our ability to operate our business or execute our strategies.***

New laws or regulations, or changes in existing laws or regulations or the manner of their interpretation or enforcement, may create uncertainty for public companies, increase our cost of doing business and restrict our ability to operate our business or execute our strategies. This could include, among other things, compliance costs and enforcement under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

We continually evaluate and monitor developments with respect to new and proposed laws, regulations, standards, and rules and cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs. Any such new or changed laws, regulations, standards, and rules may be subject to varying interpretations and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us, and we may be harmed.

***We are subject to various environmental laws and regulations that could impose substantial costs on us and may adversely affect our business, operating results, and financial condition.***

Our operations and some of our products are regulated under various federal, state, local and international environmental laws. In addition, regulatory bodies in many of the jurisdictions in which we operate propose, enact, and amend environmental laws and regulations on a regular basis. If we were to violate or become liable under these environmental laws, we could be required to incur additional costs to comply with such regulations and may incur fines and civil or criminal sanctions, third-party property damage or personal injury claims, or could be required to incur substantial investigation or remediation costs. Liability under environmental laws may be joint and several and without regard to comparative fault. The ultimate costs under environmental laws and the timing of these costs are difficult to predict. Although we cannot predict the ultimate impact of any new environmental laws and regulations, such laws may result in additional costs or decreased revenue and could require that we redesign or change how we manufacture our products, any of which could have a material adverse effect on our business. Additionally, to the extent that our competitors choose not to abide by these environmental laws and regulations, we may be at a cost disadvantage, thereby hindering our ability to effectively compete in the marketplace.

**Item 1B – Unresolved Staff Comments**

None.

**Item 2 – Properties**

The table below describes our principal facilities as of December 31, 2021. Each of these facilities is leased. We believe our existing facilities are adequate to meet our current needs and that we can renew our existing leases or obtain alternative space on terms that would not have a material impact on our financial conditions.

| Location | State or Country | Principal Business Activity | Approx. Square Feet | Expiration Date of Lease |
|---|---|---|---|---|
| White Plains | NY | Corporate Headquarters | 15,800 | 2031 |
| San Diego | CA | Administration | 16,150 | 2029 |
| Germany | EU | Administration | 8,600 | 2022 |
| Taiwan | EU | Administration | 14,800 | 2025 |
| Basingstoke | U.K. | Administration | 3,650 | 2027 |

**Item 3 - Legal Proceedings**

The Company is subject to various legal proceedings and claims that arise in the ordinary course of its business. Although the amount of any liability that could arise with respect to these actions cannot be determined with certainty, in the Company's opinion, any such liability will not have a material adverse effect on its consolidated financial position, consolidated results of operations or liquidity.

*Shareholders Class Action*: On August 5, 2013, VTBH and the Company (f/k/a Parametric Sound Corporation) announced that they had entered into the Merger Agreement pursuant to which VTBH would acquire an approximately 80% ownership interest and existing shareholders would maintain an approximately 20% ownership interest in the combined company (the "Merger"). Following the announcement, several shareholders filed class action lawsuits in California and Nevada seeking to enjoin the Merger. The plaintiffs in each case alleged that members of the Company's Board of Directors breached their fiduciary duties to the shareholders by agreeing to a merger that allegedly undervalued the Company. VTBH and the Company were named as defendants in these lawsuits under the theory that they had aided and abetted the Company's Board of Directors in allegedly violating their fiduciary duties. The plaintiffs in both cases sought a preliminary injunction seeking to enjoin closing of the Merger, which, by agreement, was heard by the Nevada court with the California plaintiffs invited to participate. On December 26, 2013, the court in the Nevada case denied the plaintiffs' motion for a preliminary injunction. Following the closing of the Merger, the Nevada plaintiffs filed a second amended complaint, which made essentially the same allegations and sought monetary damages as well as an order rescinding the Merger. The California plaintiffs dismissed their action without prejudice, and sought to intervene in the Nevada action, which was granted. Subsequent to the intervention, the plaintiffs filed a third amended complaint, which made essentially the same allegations as prior complaints and sought monetary damages. On June 20, 2014, VTBH and the Company moved to dismiss the action, but that motion was denied on August 28, 2014. On September 14, 2017, a unanimous en banc panel of the Nevada Supreme Court granted defendants' petition for writ of mandamus and ordered the trial court to dismiss the complaint but provided a limited basis upon which plaintiffs could seek to amend their complaint. Plaintiffs amended their complaint on December 1, 2017, to assert the same claims in a derivative capacity on behalf of the Company, as a well as in a direct capacity, against VTBH, Stripes Group, LLC, SG VTB Holdings, LLC, and the former members of the Company's Board of Directors. All defendants moved to dismiss this amended complaint on January 2, 2018, and those motions were denied on March 13, 2018. Defendants petitioned the Nevada Supreme Court to reverse this ruling on April 18, 2018. On June 15, 2018, the Nevada Supreme Court denied defendants' writ petition without prejudice. The district court subsequently entered a pretrial schedule and set trial for November 2019. On January 18, 2019, the district court certified a class of shareholders of the Company as of January 15, 2014. On October 11, 2019, the parties notified the district court that they had reached a settlement that would resolve the pending action if ultimately approved by the Court. On January 13, 2020, the district court preliminarily approved the settlement between the plaintiffs and all defendants. A final hearing was held on May 18, 2020, wherein the Court approved the settlement and entered final judgment.

On May 22, 2020, PAMTP LLC, which purports to hold the claims of eight shareholders who opted out of the class settlement described above, brought suit against the Company, the Company's CEO, Juergen Stark, Stripes Group, LLC, SG VTB Holdings, LLC, Kenneth Fox, and former members of the Company's Board of Directors in Nevada state court. This opt-out action asserts the same direct claims that were asserted by the class of shareholders described above. The defendants filed two motions to dismiss this complaint, which were heard on August 10, 2020. The Court denied those motions by order of August 20, 2020. The case was tried in August 2021 and all defendants, including the Company, prevailed on all counts with final judgment entered in their favor on September 3, 2021. Plaintiff has filed a notice of their intent to appeal the judgment. Defendants have pending motions to obtain their costs and fees in successfully defending against the claims, which were heard in December 2021.

*Employment Litigation:* On April 20, 2017, a former employee filed an action in the Superior Court for the County of San Diego, State of California. The complaint alleges claims including wrongful termination, retaliation, and various other provisions of the California Labor Code. The complaint seeks unspecified economic and non-economic losses, as well as allegedly unpaid wages, unreimbursed business expenses statutory penalties, interest, punitive damages, and attorneys' fees. The Company filed a cross-complaint against the former employee on May 25, 2017, for certain activities related to his employment with the Company. The matter was tried between September 24 and October 7, 2021. On October 8, 2021, a jury rendered a unanimous verdict in favor of the Company on the employment claims. The Court granted a directed verdict to the Company on its Cross Complaint against the former employee. Judgment was entered in favor of the Company on October 27, 2021. On December 20, 2021, the former employee filed a notice of appeal of the judgment.

*Settlement of Disputes*: On May 5, 2020, Jöllenbeck GmbH and First Wise Media GmbH, two of our distributors and affiliates of the sellers of the ROCCAT business, filed for insolvency in Germany. On June 30, 2020, the Company entered into a Settlement Agreement with those companies and the sellers of the ROCCAT business pursuant to which, among other things, the Company received a payment for certain outstanding claims and accounts receivable. On July 1, 2020, the insolvency proceedings for the two companies formally commenced. The Company has filed a claim in those proceedings for approximately €130,000 with respect to the remaining outstanding accounts receivable.

*Intellectual Property dispute:* On November 24, 2020, ABP Technology Limited (ABP) issued a claim for trademark infringement in the High Court of England and Wales against Voyetra Turtle Beach, Inc. ("VTB") and Turtle Beach Europe Limited ("TBEU") relating to the use by VTB and TBEU of the sign STEALTH on and in relation to gaming headsets in the UK. VTB and TBEU filed and served a Defense to the claim on February 2, 2021. On March 31, 2021, ABP filed an application for summary judgement. The summary judgment application was heard by the Court in November 2021 and was dismissed. VTB and TBEU were granted permission by the Court to amend their Defense to include a counterclaim against ABP for trademark infringement. In January 2022, ABP was granted leave to appeal to the Court of Appeal in respect of the decision to allow VTB and TBEU to amend their Defense. The appeal is due to be heard before April 13, 2022. The next stage in the main proceedings will be a Case Management Conference (date to be set) at which the Court will give directions for each stage to trial. The trial is expected to be set for late 2022/early 2023.

The Company will continue to vigorously defend itself in the foregoing matters. However, litigation and investigations are inherently uncertain. Accordingly, the Company cannot predict the outcome of these matters. The Company has not recorded any accrual at December 31, 2021 for contingent losses associated with these matters based on its belief that losses, while possible, are not probable. Further, any possible range of loss cannot be reasonably estimated at this time. The unfavorable resolution of these matters could have a material adverse effect on the Company's business, results of operations, financial condition, or cash flows. The Company is engaged in other legal actions, not described above, arising in the ordinary course of its business and, while there can be no assurance, believes that the ultimate outcome of these other legal actions will not have a material adverse effect on its business, results of operations, financial condition, or cash flows.

**Item 4 - Mine Safety Disclosures**

Not applicable.

## PART II

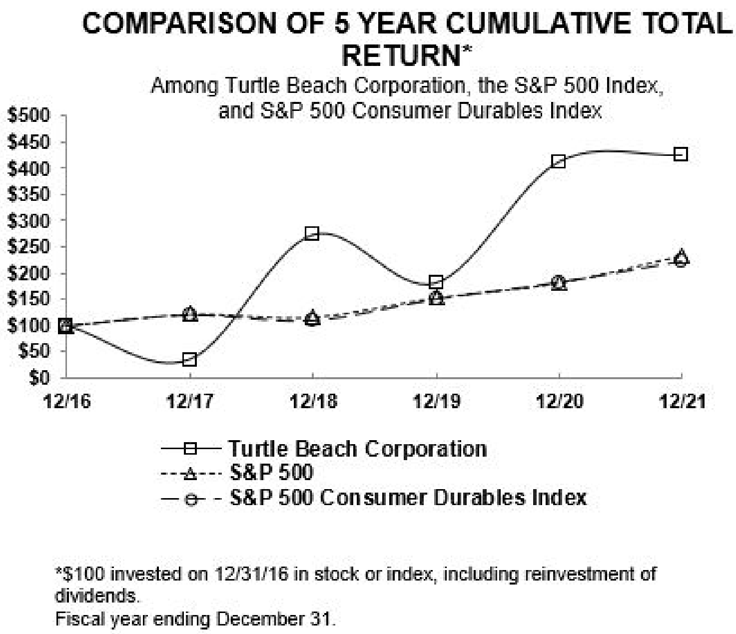
### Item 5 - Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company’s stock is traded on the Nasdaq Global Market under the symbol “HEAR.” The number of holders of record of common stock at January 31, 2022 was 944.

### Stock Performance Graph

*Notwithstanding any statement to the contrary in any of our previous or future filings with the SEC, the following information relating to the price performance of our common stock shall not be deemed to be “filed” with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), to be “soliciting material” or subject to Rule 14A of the Exchange Act, or to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended (the “Securities Act”) or the Exchange Act whether made before or after the date of this Report, except to the extent we specifically incorporate it by reference into such filing.*

The following graph shows a comparison from December 31, 2016 through December 31, 2021 of the cumulative total return assuming a $100 investment in our common stock, the S&P 500 Index and the S&P 500 Consumer Durables Index. In accordance with the rules of the Securities and Exchange Commission, the returns are indexed to a value of $100 at December 31, 2016 and assume that all dividends, if any, were reinvested. The comparisons in this graph below are based on historical data and are not intended to forecast or be indicative of future performance of our common stock.




### Dividend Policy

We have not paid regular cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our Board of Directors and will depend on our financial condition, operating results, capital requirements and such other factors as our Board of Directors deems relevant.

**Unregistered Sale of Equity Securities and Issuer Purchases of Equity Securities**

On April 9, 2019, the Company's Board of Directors authorized a stock repurchase program to acquire up to $15.0 million of its common stock. Any repurchases under the program will be made from time to time on the open market at prevailing market prices. On April 1, 2021, the Company's Board of Directors approved an extension and expansion of this share repurchase program up to $25 million of its common shares, expiring April 9, 2023. The following table summarizes, by month, the repurchases made during the three months ended December 31, 2021, under the repurchase program and in connection with shares repurchased from employees to satisfy tax withholding obligations in connection with the vesting of restricted stock awards.

| | Issuer Purchases of Equity Securities | | | |
|---|---|---|---|---|
| | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
| **Period** | | | | |
| October 1 - 31, 2021 | — | $ — | — | — |
| November 1 - 30, 2021 | — | $ — | — | — |
| December 1 - 31, 2021 | — | $ — | — | |
| Total | — | $ — | — | 17,594,289 |

For the fourth quarter of 2021, we did not repurchase any common shares related to employee transactions.

**Securities Authorized for Issuance under Equity Compensation Plans**

See Part III, Item 12 - *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* in this Report for disclosure relating to our equity compensation plans. Such information will be included in our Proxy Statement or an amendment to this Report, which is incorporated herein by reference.

**Item 6 – Selected Financial Data**

The following table sets forth selected consolidated financial data for each of the five years ended December 31, 2021. This selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the notes thereto included in this Report.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 (1) | 2018 | 2017 |
| | (in thousands, except per share data) | | | | |
| Net Revenue | $ 366,354 | $ 360,093 | $ 234,663 | $ 287,437 | $ 149,135 |
| Cost of Revenue | 237,971 | 226,305 | 155,950 | 178,738 | 98,132 |
| Gross Profit | 128,383 | 133,788 | 78,713 | 108,699 | 51,003 |
| *Gross Margin* | 35.0% | 37.2% | 33.5% | 37.8% | 34.2% |
| Operating income (loss) | 20,431 | 49,167 | 10,427 | 54,041 | 4,798 |
| *Operating Margin* | 5.6% | 13.7% | 4.4% | 18.8% | 3.2% |
| Net income (loss) | $ 17,721 | $ 38,746 | $ 17,944 | $ 39,190 | $ (3,248) |
| Net earnings (loss) per share: | | | | | |
| Basic | $ 1.11 | $ 2.62 | $ 1.24 | $ 2.90 | $ (0.26) |
| Diluted | $ 0.97 | $ 2.37 | $ 1.04 | $ 2.74 | $ (0.26) |
| Weighted average number of shares: | | | | | |
| Basic | 15,915 | 14,801 | 14,483 | 13,512 | 12,336 |
| Diluted | 18,251 | 16,365 | 15,688 | 14,289 | 12,336 |
| Balance Sheet Data: | | | | | |
| Cash and cash equivalents | 37,720 | 46,681 | 8,249 | 7,078 | 5,247 |
| Total Assets | 230,505 | 203,453 | 131,351 | 121,920 | 94,251 |
| Total Debt | — | — | 15,655 | 37,385 | 70,265 |
| Series B Redeemable Preferred Stock | — | — | — | — | 18,921 |

(1) In 2019, we acquired ROCCAT, which contributed revenue of $14.4 million in the year and $23.9 million of total assets on the date of acquisition.

**Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion should be read in conjunction with our consolidated financial statements and the notes thereto. This discussion summarizes the significant factors affecting our results of operations and the financial condition of our business during each of the fiscal years in the three-year period ended December 31, 2021.*

Turtle Beach Corporation (herein referred to as the “Company,” “we,” “us,” or “our”), headquartered in White Plains, New York, and incorporated in the state of Nevada in 2010, is a premier audio technology company with expertise and experience in developing, commercializing, and marketing innovative products across a range of large addressable markets under the Turtle Beach®, ROCCAT® and Neat Microphone® brands.

- Turtle Beach is a worldwide leader of feature-rich headset solutions for use across multiple platforms, including video game and entertainment consoles, handheld consoles, personal computers (“PC”), tablets and mobile devices.
- ROCCAT is a gaming headsets, keyboards, mice, and other accessories brand focused on the personal computer peripherals market.
- Neat Microphones is an innovative brand of high-quality digital USB and analog microphones

**Business Trends**

***Console Headset Market***

The global market for console headsets in 2021 was approximately $1.7 billion in which we are the market leader. This market experienced unprecedented growth in 2020 driven by the initial COVID-19 stay-at-home orders when new gamers entered the market, lapsed gamers started playing again, existing gamers played more, and non-gamers bought headsets for remote learning. In 2021, this market experienced a decline due to weaker retail traffic, a slower holiday season from disappointing triple A video game releases and console supply constraints.

Traditionally, the gaming market has grown as new gamers enter and existing gamers upgrade headsets. However, the emergence of battle royale games that are highly social, collaborative, and competitive, contributed to a higher growth in the video game industry and a higher proportion of gamers using headsets. And given that most of the gaming headset market is driven by replacement and upgrading, this large influx of new gaming headset users is expected to drive an increase in demand for gaming headsets in future years.

Additionally, with the ongoing COVID-19 pandemic, use of gaming headsets has seen increased demand driven by an overall increase in gaming, and by work-from-home, school/learn-from-home, and because chatting with friends during online play continues to be an important form of daily interactivity and communication for many, progressed by pandemic-related containment measures.

***PC Accessories Market***

The market for PC gaming headsets, mice, and keyboards is estimated to have grown in 2021 to $3.8 billion. PC gaming in the U.S. has seen a resurgence in popularity the past few years and continues to be a main gaming platform internationally, driven by big AAA game launches, PC-specific esports leagues, teams and players, content creators and influencers, cross platform play, and more. While most games are available on multiple platforms, gaming on PC offers advantages that include improved graphics, increased speed and precision of mouse/keyboard controls, and the ability for customization. Gaming mice and keyboards are engineered to provide gamers with high-end performance and a superior gaming experience through benefits including faster response times, improved materials and build quality, programmable buttons and keys, and software suites to customize and control devices and settings.

***Microphone Market***

In 2021, the Company completed the acquisition of Neat, a brand that creates, manufactures, and sells high-quality digital USB and analog microphones. Neat‘s accomplished leadership team includes the former founders of Blue Microphones, inventors of the first high-performance USB microphone, and pioneers behind other award-winning microphones that have revolutionized how professionals and consumers capture their voice, music and more. The acquisition enabled our entry into the $2.3 billion global microphone market, which is experiencing rapid growth in the digital/USB accessories segment where Neat’s product innovation is focused.

***Controllers and Gaming Simulation Markets***

During 2021, the Company expanded into the gaming simulation and gaming controller markets with the launch of the VelocityOne Flight™ simulation control system and the Xbox Recon Controller, respectively. These markets will increase our total addressable market by $1 billion, with third-party game controllers at roughly $600 million and PC/console flight simulation hardware at roughly $400 million in global market.

*Seasonality*

Our gaming accessories business is seasonal with a significant portion of sales and profits typically occurring around the holiday period. Historically, more than 45% of revenues are generated during the period from September through December as new products are introduced and consumers engage in holiday shopping. However, in the past few years, normal seasonal patterns have been significantly changed due to pandemic-driven shifts in consumer demand.

In connection with the seasonality of the business, historically the Company's borrowings on the revolving credit facility increase as a result of the holiday inventory build leading up to year-end and decline on gross receipts during the first quarter of the following year. In 2021, the Company ended the year with no outstanding borrowings under its revolving credit facility as cash flows from operations were sufficient to fund the Company's working capital needs.

*COVID-19 Outlook*

During 2020, as the pandemic resulted in stay-at-home guidance, the gaming accessory market experienced a significant surge in demand as existing gamers began gaming more and new gamers entered the market. In addition, the increase in working from home and learning from home created additional demand for accessories, particularly gaming headsets which work well for video and audio calls. As a result, the Company's 2020 revenues exceeded historical levels as the overall gaming and headset markets experienced an unprecedented surge in demand. Through 2021 and going forward, the effects of the global pandemic and the measures being taken in response are uncertain and difficult to predict. While there were likely certain one-time purchases caused by the stay-at-home orders, we believe millions of new gamers have joined the market which created an ongoing, larger installed base of players in 2021.

*Supply Chain and Logistic Outlook*

The ongoing global economic recovery from the COVID-19 pandemic as well as a surge in imports and high demand for electronics, has created significant challenges for global supply chains resulting in inflationary cost pressures and component shortages. We have also experienced logistical challenges related to transportation delays and have incurred incremental costs for commodities and components used in our products as well as component shortages that have negatively impacted our sales and results of operations. We expect that these challenges will continue to have an impact on our businesses for the foreseeable future. As a result, we continue to take proactive steps to continue to limit the impact of these challenges and, are working closely with our suppliers to manage availability of products and implement other cost savings initiatives.

**Results of Operations**

*Management Overview*

In 2021, our reported net income was $17.7 million, or diluted net income per share of $0.97. We grew from our record year in 2020 due to growth in non-console products including PC accessories, controllers, and flight simulation. The non-console products represented approximately 20% of total revenues in 2021. The console market declined year over year due to semiconductor constraints and weaker game performance. Our console business was negatively impacted by semiconductor constraints with our wireless products. In spite of this Turtle Beach console market share continues to be higher than the next three competitors.

Not only are we continuing to move our best-selling gaming audio business forward with new headsets like the Recon 200 Gen 2, we also entered into the $2.3 billion global microphone market with the acquisition of Neat Microphones, and we have entered two large new categories: gaming controllers with the Xbox Recon Controller, and flight simulation hardware with the VelocityOne Flight™ simulation control system.

Looking forward, we have expanded our gaming accessory offerings, operating in seven gaming market categories with addressable markets of over $8.5 billion. As a result, we exceeded 20% of our revenues in categories outside the console gaming headset category, in which we have been a leader for over ten years, and we believe we are on-target to achieve the Company's goal of $100 million non-console headset revenues in 2022.

*Key Performance Indicators and Non-GAAP Measures*

Management routinely reviews key performance indicators including revenue, operating income and margins, and earnings per share, among others. In addition, we believe certain other measures provide useful information to management and investors about us and our financial condition and results of operations for the following reasons: (i) they are measures used by our Board of Directors and management team to evaluate our operating performance; (ii) they are measures used by our management team to make day-to-day operating decisions; (iii) the adjustments made are often viewed as either non-recurring or not reflective of ongoing financial performance and/or have no cash impact on operations; and (iv) the metrics are used by securities analysts, investors and other interested parties as a common operating performance measure to compare results across companies in our industry by adjusting for potential differences caused by variations in capital structures (affecting relative interest expense), and the age and book value of facilities and equipment (affecting relative depreciation and amortization expense). These metrics, however, are not measures of financial performance under accounting principles generally accepted in the United States of America ("GAAP") and given the limitations of these metrics as analytical tools, should not be considered a substitute for gross profit, gross margins, net income (loss) or other consolidated income statement data as determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators:

- *Adjusted EBITDA* is defined as net income (loss) before interest, taxes, depreciation and amortization, stock-based compensation (non-cash) and certain non-recurring special items that we believe are not representative of core operations.
- *Cash Margins* is defined as gross margin excluding depreciation, amortization, and stock-based compensation.

***Adjusted EBITDA***

Adjusted EBITDA (and a reconciliation to net income, the nearest GAAP financial measure) for the years ended December 31, 2021, 2020 and 2019 are as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2021** | **2020** | **2019** |
| | (in thousands) | | |
| Net income | $ 17,721 | $ 38,746 | $ 17,944 |
| Interest expense | 383 | 467 | 929 |
| Depreciation and amortization | 5,313 | 5,248 | 5,198 |
| Stock-based compensation | 7,656 | 5,549 | 3,558 |
| Income tax expense (benefit) | 2,428 | 13,711 | (6,237) |
| Unrealized loss (gain) on financial instrument obligation | — | — | (1,601) |
| Acquisition-related settlement | — | (1,702) | — |
| Change in fair value of contingent consideration | (1,928) | (1,121) | (471) |
| Business transaction expense | 78 | 550 | 3,516 |
| Non-recurring business costs | 4,934 | — | — |
| Adjusted EBITDA | $ 36,585 | $ 61,448 | $ 22,836 |

*Comparison of the Year Ended December 31, 2021 to the Year Ended December 31, 2020*

Net income for the year ended December 31, 2021 was $17.7 million compared to a net income of $38.7 million in the prior year for the years ended December 31, 2021 and 2020, respectively.

For the year ended December 31, 2021, Adjusted EBITDA was $36.6 million compared to $61.4 million, for the year ended December 31, 2020. Net income and Adjusted EBITDA decreased reflecting higher freight and supply chain costs, annualized run-rate increases in operating expenses due to larger size of the business, and growth investments.

*Comparison of the Year Ended December 31, 2020 to the Year Ended December 31, 2019*

Net income for the year ended December 31, 2020 was $38.7 million compared to a net income of $17.9 million in the prior year, respectively.

For the year ended December 31, 2020, Adjusted EBITDA was $61.4 million compared to $22.8 million, for the year ended December 31, 2019. Net income and Adjusted EBITDA increased primarily due to higher revenue and favorable business mix as the Company capitalized on the surging stay-at-home driven gaming consumer demand and outpaced the market based on brand strength and product availability.

*Financial Results*

The following table sets forth the Company's statements of operations for the periods presented:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands) | | |
| Net revenue | $ 366,354 | $ 360,093 | $ 234,663 |
| Cost of revenue | 237,971 | 226,305 | 155,950 |
| Gross profit | 128,383 | 133,788 | 78,713 |
| *Gross margin* | 35.0% | 37.2% | 33.5% |
| | | | |
| Operating expenses | 107,952 | 84,621 | 68,286 |
| Operating income | 20,431 | 49,167 | 10,427 |
| Interest expense | 383 | 467 | 929 |
| Other non-operating expense (income), net | (101) | (3,757) | (2,209) |
| Income before income tax | 20,149 | 52,457 | 11,707 |
| Income tax expense (benefit) | 2,428 | 13,711 | (6,237) |
| Net income | $ 17,721 | $ 38,746 | $ 17,944 |

***Net Revenue and Gross Profit***

The following table summarizes net revenue and gross profit for the periods presented:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands) | | |
| Net Revenue | $ 366,354 | $ 360,093 | $ 234,660 |
| Gross Profit | $ 128,383 | $ 133,788 | $ 78,713 |
| *Gross Margin* | *35.0%* | *37.2%* | *33.5%* |
| *Cash Margin (1)* | *35.6%* | *38.1%* | *34.4%* |

(1) Excludes non-cash charges of $1.9 million for 2021, $3.3 million for 2020, and $2.1 million for 2019.

*Comparison of the Year Ended December 31, 2021 to the Year Ended December 31, 2020*

Net revenue for year ended December 31, 2021 was $366.3 million, a $6.3 million, or 1.7%, increase from $360.1 million in 2020 driven by PC accessories growth and the entry into gaming controllers and flight simulation hardware, which offset the weaker console headset demand mostly due to weaker retail traffic, a slower holiday season from disappointing triple A video game releases and console supply constraints.

For the year ended December 31, 2021, gross profit as a percentage of net revenue decreased to 35.0% from 37.2% in the prior year. The decrease was primarily due to higher freight costs and more normalized holiday promotional activity.

*Comparison of the Year Ended December 31, 2020 to the Year Ended December 31, 2019*

Net revenue for year ended December 31, 2020 increased $125.4 million, or 53.5% from 2019. This was due to a surge in gaming activity, including an influx of new gamers, returning gamers, and non-gaming headset use, ignited by state and local stay-at-home orders in place for a significant part of 2020 along with strong execution to rapidly increase supply to meet the increase in demand.

For the year ended December 31, 2020, gross profit as a percentage of net revenue increased to 37.2% from 33.5% in the prior year. Margins were positively impacted by lower promotional activity, favorable business mix, and volume-driven fixed costs leverage, partially offset by certain air freight to enable retail supply and higher tariff costs.

***Operating Expenses***

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands) | | |
| Selling and marketing | $ 58,883 | $ 46,779 | $ 38,634 |
| Research and development | 17,490 | 12,265 | 7,856 |
| General and administrative | 31,501 | 25,027 | 18,280 |
| Acquisition integration costs | 78 | 550 | 3,516 |
| Total operating expenses | $ 107,952 | $ 84,621 | $ 68,286 |

*Selling and Marketing*

Selling and marketing expense for the year ended December 31, 2021 totaled $58.9 million, or 16.1% as a percentage of net revenues, compared to $46.8 million, or 13.0% as a percentage of net revenues, for the prior year. This increase was primarily due to marketing initiatives to support product portfolio expansion, expansion of geographies, and entry into new product categories.

Selling and marketing expense for the year ended December 31, 2020 totaled $46.8 million, or 13.0% as a percentage of net revenues, compared to $38.6 million, or 16.5% as a percentage of net revenues, for the year ended December 31, 2019. This increase was primarily due to the inclusion of acquired ROCCAT-related headcount, volume-based direct sales related fees and commissions, and increased digital media spend to build ROCCAT brand awareness, partially offset by decreases in marketing event spend, retail marketing initiatives and advertising display depreciation.

*Research and Development*

For the year ended December 31, 2021, we invested $17.5 million in research and development, an increase from prior years attributable to additional resources and infrastructure to support product expansion including new category introductions: the VelocityOne Flight™ simulation control system, the Xbox Recon Controller and Neat microphones.

For the years ended December 31, 2020 and 2019, we expended $12.3 million and $7.9 million, respectively. For the year 2020, this increase was attributable to the expansion of PC accessories development capability and, the Stealth 600 and Stealth 700 Gen 2 wireless gaming headsets for Xbox and PlayStation®5 platforms, investments to increase the company's software capabilities, and investments to begin work on several new product categories that launched in 2021. For the year 2019, expenses were reflective of new product initiatives, patent related costs and ROCCAT headcount expenses.

*General and Administrative*

General and administrative expenses for the year ended December 31, 2021 increased $6.5 million to $31.5 million compared to $25.0 million for the year ended December 31, 2020. The year-over-year increase was primarily due to increased professional fees and the inclusion of acquired NEAT-related headcount, partially offset by lower variable compensation costs.

General and administrative expenses for the year ended December 31, 2020 increased $6.7 million to $25.0 million compared to $18.3 million for the year ended December 31, 2019. The year-over-year increase was primarily due to the inclusion of acquired ROCCAT-related expenses ($1.5 million), higher variable compensation costs, increased professional and legal services, and certain legal settlements.

***Income Taxes***

Income tax expense for the year ended December 31, 2021 was $2.4 million at an effective tax rate of 12.1% compared to income tax expense of $13.7 million for the year ended December 31, 2020 at an effective tax rate of 26.1%. The effective tax rate was primarily impacted by tax benefits attributable to stock option exercises and restricted stock vestings, Research and Development ("R&D") credits and the reduced tax rate on our Foreign Derived Intangible Income ("FDII"). These tax benefits were partially offset by the impact of disallowed compensation and state income tax expense. During 2021, we substantially completed a federal R&D study for the 2018-2020 tax years, recognizing tax benefits of $0.5 million net of reserves. An estimate of $0.2 million R&D credits, net of reserves, was included for 2021. In addition, we completed an analysis of our foreign sales and recognized a tax benefit of $1.0 million on our FDII.

Income tax expense for the year ended December 31, 2020 was $13.7 million at an effective tax rate of 26.1% compared to income tax benefit of $6.2 million for the year ended December 31, 2019 at an effective tax rate of (53.3%). The effective tax rate was primarily impacted by permanent items including state taxes, executive compensation, and reserves for uncertain tax positions.

***Other Non-Operating Expense (Income)***

Other non-operating income totaled $0.1 million for the year ended December 31, 2021, including a $1.9 million fair value of contingent consideration reversal, compared to other non-operating income of $3.8 million for the year ended December 31, 2020, which included a $1.7 million acquisition-related settlement gain and $1.2 million fair value of contingent consideration reversal.

Other non-operating income totaled $3.8 million for the year ended December 31, 2020, including a $1.7 million acquisition-related settlement gain and $1.2 million fair value of contingent consideration reversal, compared to other non-operating income of $2.2 million for the year ended December 31, 2019, which included $1.6 million unrealized gain related to the change in fair value of a financial instrument obligation.

**Liquidity and Capital Resources**

Our primary sources of working capital are cash flow from operations and availability of capital under our revolving credit facility, which was minimally used in the last year. We have funded operations and acquisitions in recent periods with operating cash flows and proceeds from debt and equity financings.

The following table summarizes our sources and uses of cash:

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2021** | **2020** | **2019** |
| | | (in thousands) | |
| Cash and cash equivalents at beginning of period | $ 46,681 | $ 8,249 | $ 7,078 |
| Net cash provided by (used for) operating activities | (327) | 51,049 | 39,374 |
| Net cash used for investing activities | (8,121) | (5,663) | (14,579) |
| Net cash used for financing activities | (56) | (7,412) | (24,180) |
| Effect of foreign exchange on cash | (457) | 458 | 556 |
| Cash and cash equivalents at end of period | $ 37,720 | $ 46,681 | $ 8,249 |

***Operating activities***

Cash used for operating activities for the year ended December 31, 2021 was $0.3 million, a decrease of $51.4 million as compared to cash provided by operating activities totaling $51.0 million for the year ended December 31, 2020. The decrease is primarily the result of lower operating results increased inventory levels in response to supply chain and logistic headwinds.

Cash provided by operating activities for the year ended December 31, 2020 was $51.0 million, an increase of $11.7 million as compared to cash provided by operating activities of $39.4 million for the year ended December 31, 2019. This is primarily the result of higher gross receipts, partially offset by increased product purchases, and related air freight costs, to align inventory levels with elevated consumer demand.

***Investing activities***

Cash used for investing activities was $8.1 million of capital expenditures related to in-store advertising displays and new product manufacturing tooling, as well as $2.5 million related to the Neat Microphones acquisition, during the year ended December 31, 2021 compared to $5.7 million in 2020 of capital expenditures primarily related to in-store advertising displays, new product manufacturing tooling and internal system upgrades.

Cash used for investing activities was $5.7 million during the year ended December 31, 2020 compared to $14.6 million in 2019. 2020 expenditures consisted mainly of in-store advertising displays, new product manufacturing tooling and internal system upgrades, while 2019 expenditures included $12.7 million related to the ROCCAT acquisition and $1.9 million of capital expenditures.

***Financing activities***

Net cash used for financing activities was $0.1 million during the year ended December 31, 2021 compared to net cash used for financing activities of $7.4 million and net cash used for financing activities of $24.2 million during the years ended December 31, 2020 and 2019, respectively. Financing activities during the year ended December 31, 2021 included stock option exercise proceeds of $5.3 million and repurchases of common stock of $4.9 million.

Financing activities in 2020 included net repayments on our revolving credit facility of $15.7 million, offset by $4.3 million received from the sale of equity securities and proceeds from exercise of stock options of $4.2 million.

Financing activities in 2019 included net repayments on our revolving credit facility of $21.7 million and $2.5 million of common stock repurchases.

***Management assessment of liquidity***

Management believes that our current cash and cash equivalents, the amounts available under our revolving credit facility and cash flows derived from operations will be sufficient to meet anticipated cash needs for working capital and capital expenditures for at least the next 12 months. Significant assumptions underlie this belief, including, among other things, that there will be no material adverse developments in our business, liquidity, or capital requirements.

Foreign cash balances at December 31, 2021 and December 31, 2020 were $10.2 million and $5.9 million, respectively.

***At-the-Market Common Stock Issuance***

On August 7, 2020, the Company entered into an ATM Equity Offering Sales Agreement (the "Sales Agreement") with BofA Securities, Inc. (the "Sales Agent"). Pursuant to the terms of the Sales Agreement, the Company may sell from time to time through the Sales Agent shares of the Company's common stock, par value $0.001 per share, having an aggregate offering price of up to $30 million. The Company intends to use the net proceeds from the offering, after deducting the Sales Agent's commissions and the Company's offering expenses, to support its strategic growth plans, as well as for general corporate purposes.

There was no activity under the Sales Agreement during the year ended December 31, 2021.

*Revolving Credit Facility*

On December 17, 2018, Turtle Beach and certain of its subsidiaries entered into an amended and restated loan, guaranty, and security agreement ("Credit Facility") with Bank of America, N.A. ("Bank of America"), as Agent, Sole Lead Arranger and Sole Bookrunner, which replaced the then existing asset-based revolving loan agreement. The Credit Facility, which expires on March 5, 2024, provides for a line of credit of up to $80 million inclusive of a sub-facility limit of $12 million for TB Europe, a wholly-owned subsidiary of Turtle Beach. In addition, the Credit Facility provides for a $40 million accordion feature and the ability to increase the borrowing base with a FILO Loan of up to $6.8 million.

On May 31, 2019, the Company amended the Credit Facility to provide for, amongst other items, (i) the addition of TBC Holding Company LLC, a wholly-owned subsidiary of VTB, as an obligor and (ii) the ability to make investments in TB Germany GmbH, a wholly-owned subsidiary of TB Europe, of up to $4 million in connection with the acquisition of ROCCAT and up to an additional $4 million annually.

The maximum credit availability for loans and letters of credit under the Credit Facility is governed by a borrowing base determined by the application of specified percentages to certain eligible assets, primarily eligible trade accounts receivable and inventories, and is subject to discretionary reserves and revaluation adjustments. The Credit Facility may be used for working capital, the issuance of bank guarantees, letters of credit and other corporate purposes.

Amounts outstanding under the Credit Facility bear interest at a rate equal to either a rate published by Bank of America or the LIBOR rate, plus in each case, an applicable margin, which is between 0.50% to 1.25% for base rate loans, 1.25% to 2.00% for U.S. LIBOR loans and U.K. loans and 2.00% and 2.75% for the FILO Loan. In addition, Turtle Beach is required to pay a commitment fee on the unused revolving loan commitment at a rate ranging from 0.25% to 0.50%, and letter of credit fees and agent fees. As of December 31, 2021, interest rates for outstanding borrowings were 3.75% for base rate loans and 3.00% for LIBOR rate loans.

The Company is subject to financial covenant testing if certain availability thresholds are not met or certain other events occur (as defined in the Credit Facility). The Credit Facility requires the Company and its restricted subsidiaries to maintain a fixed charge coverage ratio of at least 1.00 to 1.00 as of the last day of each fiscal quarter.

The Credit Facility also contains affirmative and negative covenants that, subject to certain exceptions, limit our ability to take certain actions, including our ability to incur debt, pay dividends and repurchase stock, make certain investments and other payments, enter into certain mergers and consolidations, engage in sale leaseback transactions and transactions with affiliates and encumber and dispose of assets. Obligations under the Credit Facility are secured by a security interest and lien upon substantially all of the Company's assets.

As of December 31, 2021, the Company was in compliance with all the financial covenants under the Credit Facility, as amended, and excess borrowing availability was approximately $64.6 million.

In 2017, the United Kingdom's Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates. LIBOR's administrator ceased publishing one-week and two-month U.S. Dollar LIBOR immediately after the LIBOR publication on December 31, 2021, and is scheduled to cease publication of the remaining U.S. Dollar LIBOR tenors immediately after the publication on June 30, 2023. The Company has been and will continue to monitor LIBOR-related market, regulatory and accounting developments. Pursuant to the credit agreement, the Companies may borrow at interest rates determined with reference to a rate published by Bank of America or the LIBOR rate, plus in each case, an applicable margin.

*Contractual Obligations*

Our principal commitments primarily consist of obligations for minimum payment commitments to lessors for office space and the revolving credit facility. As of December 31, 2021, the future non-cancelable minimum payments under these commitments were as follows:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| *(in thousands)* | **Total** | **Less Than One Year** | **1 - 3 Years** | **3 - 5 Years** | **More Than Five Years** |
| Contractual Obligations: (1) (3) | | | | | |
| Operating lease obligations (2) | $ 9,047 | $ 1,125 | $ 3,458 | $ 2,078 | 2,386 |
| Total | $ 9,047 | $ 1,125 | $ 3,458 | $ 2,078 | $ 2,386 |

(1) Contractual obligations exclude tax liabilities of $3.4 million related to uncertain tax positions because we are unable to make a reasonably reliable estimate of the timing of settlement, if any, of these future payments.
(2) Operating lease agreements represent obligations to make payments under non-cancelable lease agreements for its facilities.
(3) On December 17, 2018, the Company entered into an amended Credit Facility that expires on March 5, 2024. Interest payments are not reflected under the Credit Facility because the amount that will be borrowed in future years is uncertain.

**Critical Accounting Estimates**

Our discussion and analysis of our results of operations and capital resources are based on our consolidated financial statements, which have been prepared in conformity with GAAP. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. Management bases its estimates, assumptions, and judgments on historical experience and on various other factors that it believes to be reasonable under the circumstances.

Different assumptions and judgments would change the estimates used in the preparation of the condensed consolidated financial statements, which, in turn, could change the results from those reported. Management evaluates its estimates, assumptions, and judgments on an ongoing basis.

Based on the above, we have determined that our most critical accounting policies are those related to revenue recognition and sales return reserve, inventory valuation, asset impairment, and income taxes.

*Revenue Recognition and Sales Return Reserve*

Net revenue consists primarily of revenue from the sale of gaming headsets and accessories to wholesalers, retailers and to a lesser extent, on-line customers. Our products function on a standalone basis (in connection with a readily available gaming console, personal computer, or stereo) and are not sold with additional services or rights to future goods or services. Revenue is recorded for a contract through the following steps: (i) identifying the contract with the customer; (ii) identifying the performance obligations in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations; and (v) recognizing revenue when or as each performance obligation is satisfied.

Each contract at inception is evaluated to determine whether the contract should be accounted for as having one or more performance obligations. Revenue is recognized when obligations under the terms of a contract with our customer are satisfied; generally this occurs at a point in time when the risk and title to the product transfers to the customer. Our standard terms of delivery are included in our contracts of sale, order confirmation documents, and invoices. The Company excludes sales taxes collected from customers from "Net Revenue" in its Consolidated Statements of Operations.

Certain customers may receive cash-based incentives (including cash discounts, quantity rebates, and price concessions), which are accounted for as variable consideration. Provisions for sales returns are recognized in the period the sale is recorded based upon our prior experience and current trends. These revenue reductions are established by the Company based upon management's best estimates at the time of sale following the historical trend, adjusted to reflect known changes in the factors that impact such reserves and allowances, and the terms of agreements with customers. We do not expect to have significant changes in our estimates for variable considerations.

*Inventory Valuation*

Inventories are valued at the lower of weighted average cost or market, at the individual item level. Market is determined based on the estimated net realizable value, which is generally the selling price. Inventory levels are monitored to identify slow-moving items and markdowns are used to increase sales of such products. Physical inventory counts are performed annually in January and estimates are made for any shortage between the date of the physical inventory count and the balance sheet date.

*Asset Impairment*

Historically, we have had significant long-lived tangible and intangible assets, including goodwill with indefinite lives, which are susceptible to valuation adjustments as a result of changes in various factors or conditions. We assess the potential impairment of intangible and fixed assets whenever events or changes in circumstances indicate that full recoverability of net asset balances through future cash flows is in question. Goodwill and indefinite-lived intangible assets are assessed at least annually, but also whenever events or changes in circumstances indicate the carrying values may not be recoverable. Factors we consider important, which could trigger an impairment of such assets include significant underperformance relative to historical or projected future operating results; significant changes in the manner of use of the acquired assets or the strategy for our overall business; significant negative industry or economic trends; significant decline in our stock price for a sustained period; and a decline in our market capitalization below net book value.

Management estimates future pre-tax cash flows based on historical experience, knowledge, and market data. Estimates of future cash flows require that we make assumptions and apply judgment, including forecasting future sales and expenses and estimating useful lives of the assets. These estimates can be affected by factors such as future product development and economic conditions that can be difficult to predict, as well as other factors such as those outlined in “Risk Factors.” If the expected future cash flows related to the long-lived assets are less than the assets’ carrying value, an impairment loss would be recognized for the difference between estimated fair value and carrying value.

There are inherent assumptions and estimates used in developing future cash flows requiring management judgment including projecting revenues, interest rates and the cost of capital. Many of the factors used in assessing fair value are outside our control and it is reasonably likely that assumptions and estimates will change in future periods. These changes can result in future impairments.

*Income Taxes*

We account for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized based on the differences between the financial statement carrying value of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates and laws expected to be in effect when the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Inherent in the measurement of these deferred balances are certain judgments and interpretations of existing tax law and other published guidance as applied to our operations. Our effective tax rate considers our judgment of expected tax liabilities in the various jurisdictions within which we are subject to tax.

The determination of the need for a valuation allowance on deferred tax assets requires management to make assumptions and to apply judgment, including forecasting future earnings, taxable income, and the mix of earnings in the jurisdictions in which we operate.

The tax effects of uncertain tax positions taken or expected to be taken in income tax returns are recognized only if they are “more likely-than-not” to be sustained on examination by the taxing authorities based on the technical merits as of the reporting date. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. We recognize estimated accrued interest and penalties related to uncertain tax positions in income tax expense.

There have been no material changes to the critical accounting policies and estimates. See Note 1, “Summary of Significant Accounting Policy,” in the notes to the consolidated financial statements for a complete discussion of recent accounting pronouncements. We are currently evaluating the impact of certain recently issued guidance on our financial condition and results of operations in future periods.

## Item 7A. - Qualitative and Quantitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. The Company's market risk exposure is primarily a result of fluctuations in interest rates, foreign currency exchange rates and inflation.

The Company has used derivative financial instruments, specifically foreign currency forward and option contracts, to manage exposure to foreign currency risks, by hedging a portion of its forecasted expenses denominated in British Pounds expected to occur within a year. The effect of exchange rate changes on foreign currency forward and option contracts is expected to offset the effect of exchange rate changes on the underlying hedged item. The Company does not use derivative financial instruments for speculative or trading purposes. As of December 31, 2021, we do not have any derivative financial instruments.

### *Foreign Currency Exchange Risk*

The Company has exchange rate exposure, primarily, with respect to the British Pound and Euro. As of December 31, 2021 and 2020, our monetary assets and liabilities which are subject to this exposure are immaterial, therefore the potential immediate loss to us that would result from a hypothetical 10% change in foreign currency exchange rates would not be expected to have a material impact on our earnings or cash flows. This sensitivity analysis assumes an unfavorable 10% fluctuation in the exchange rates affecting the foreign currencies in which monetary assets and liabilities are denominated and does not take into account the offsetting effect of such a change on our foreign currency denominated revenues.

### *Inflation Risk*

The Company is exposed to market risk due to inflationary pressures, including higher labor-related costs and increases in the costs of the goods and services we purchase as part of the manufacture and distribution of our products, increased costs from supply chain and logistic headwinds and in our operations generally. Such inflationary pressures have been and could continue to be exacerbated by higher oil prices, geopolitical turmoil, and economic policy actions. A high rate of inflation in the future may have an adverse effect on the Company's ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net revenue if the selling prices of products do not increase with these increased costs.

**Item 8. - Financial Statements and Supplementary Data**

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Turtle Beach Corporation
White Plains, New York

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of Turtle Beach Corporation and Subsidiaries (the "Company") as of December 31, 2021, and 2020, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and schedule (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated March 2, 2022, expressed an unqualified opinion thereon.

**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. 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.

**Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Allowance for Sales Returns*

As discussed in Notes 1 and 4 to the consolidated financial statements, the Company provides certain customers the option to return defective goods back to the Company. A sales returns allowance is recorded in the period of the sale based upon an expected value method, which is based on the Company's prior experience and current return trends. As of December 31, 2021, and 2020, the Company had accrued a sales returns allowance of approximately $9.0 million and $11.2 million, respectively.

We identified the assessment of the allowance for certain sales returns as a critical audit matter. Auditor judgment was required to evaluate certain assumptions which had a higher degree of measurement uncertainty. Key assumptions included the determination of the period of sales for which the sales return rate should be applied. Auditing this element involved especially challenging auditor judgment due to the nature and extent of audit effort required to address these matters.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the expected return period for a sample of defective return goods, which is based on newly released products and the time of first receipt of the defective goods.

- Assessing the Company's historical ability to estimate the key assumptions by comparing historical estimated sales return allowance in aggregate to actual returns received by customers in aggregate.
- Evaluating the Company's key assumptions by comparing to actual returns subsequent to year-end in the aggregate, as compared to the current sales return allowance at year-end.

*Allowance for Cash-Based Incentive Reserve*

As discussed in Note 1 to the consolidated financial statements, the Company provides certain customers cash-based incentives which include price concessions as a reduction to the customer sales invoice. All cash-based incentives are recorded in the period of the sale based upon the expected value method, which is based on the Company's prior experience and current trends. As of December 31, 2021, and 2020, the Company had accrued an allowance for cash-based incentives of approximately $25.6 million and $18.6 million, respectively.

We identified the assessment of the allowance for price concessions as a critical audit matter. Auditor judgment was required to evaluate certain assumptions which had a higher degree of measurement uncertainty. The key assumption includes the volume of sales to which these price concessions will be applied. Auditing this element involved especially challenging auditor judgment due to the nature and extent of audit effort required to address these matters.

The primary procedures we performed to address this critical audit matter included:

- Assessing the Company's historical ability to estimate key assumptions by comparing the prior year estimated price concessions in aggregate to actual subsequent credits issued.
- Evaluating the Company's key assumptions by comparing them to actual credits issued subsequent to year-end in aggregate, as compared to the current allowance for price concessions at year-end.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2014.

New York, New York
March 2, 2022

**Turtle Beach Corporation**
**Consolidated Statements of Operations**

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2020** | **2019** |
| | (in thousands, except per-share data) | | |
| Net revenue | $ 366,354 | $ 360,093 | $ 234,663 |
| Cost of revenue | 237,971 | 226,305 | 155,950 |
| Gross profit | 128,383 | 133,788 | 78,713 |
| Operating expenses: | | | |
| Selling and marketing | 58,883 | 46,779 | 38,634 |
| Research and development | 17,490 | 12,265 | 7,856 |
| General and administrative | 31,579 | 25,577 | 21,796 |
| Total operating expenses | 107,952 | 84,621 | 68,286 |
| Operating income | 20,431 | 49,167 | 10,427 |
| Interest expense | 383 | 467 | 929 |
| Other non-operating expense (income), net | (101) | (3,757) | (2,209) |
| Income before income tax | 20,149 | 52,457 | 11,707 |
| Income tax expense (benefit) | 2,428 | 13,711 | (6,237) |
| Net income | $ 17,721 | $ 38,746 | $ 17,944 |
| | | | |
| Net income per share: | | | |
| Basic | $ 1.11 | $ 2.62 | $ 1.24 |
| Diluted | $ 0.97 | $ 2.37 | $ 1.04 |
| Weighted average number of shares: | | | |
| Basic | 15,915 | 14,801 | 14,483 |
| Diluted | 18,251 | 16,365 | 15,688 |

*See accompanying Notes to the Consolidated Financial Statements*

**Turtle Beach Corporation**
**Consolidated Statements of Comprehensive Income (Loss)**

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | | (in thousands) | |
| Net income | 17,721 | 38,746 | $ 17,944 |
| Other comprehensive income (loss): | | | |
| Foreign currency translation adjustment | (462) | 473 | 592 |
| Other comprehensive income (loss) | (462) | 473 | 592 |
| Comprehensive income (loss) | $ 17,259 | $ 39,219 | $ 18,536 |

*See accompanying Notes to the Consolidated Financial Statements*

**Turtle Beach Corporation**
**Consolidated Balance Sheets**

| ASSETS | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | (in thousands, except par value and share amounts) | |
| Current Assets: | | |
| Cash and cash equivalents | $ 37,720 | $ 46,681 |
| Accounts receivable, less allowances of $34,728 and $29,897 in 2021 and 2020, respectively | 35,953 | 43,867 |
| Inventories | 101,933 | 71,301 |
| Prepaid expenses and other current assets | 17,506 | 8,127 |
| Total Current Assets | 193,112 | 169,976 |
| Property and equipment, net | 6,955 | 6,575 |
| Deferred income taxes | 5,899 | 6,946 |
| Goodwill | 10,686 | 8,178 |
| Intangible assets, net | 5,788 | 5,138 |
| Other assets | 8,065 | 6,640 |
| Total Assets | $ 230,505 | $ 203,453 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Revolving credit facility | $ — | $ — |
| Accounts payable | 40,475 | 42,529 |
| Other current liabilities | 37,693 | 36,122 |
| Total Current Liabilities | 78,168 | 78,651 |
| Income tax payable | 3,774 | 3,146 |
| Other liabilities | 7,194 | 5,257 |
| Total Liabilities | 89,136 | 87,054 |
| Commitments and Contingencies | | |
| Stockholders' Equity | | |
| Common stock, $0.001 par value - 25,000,000 shares authorized; 16,168,147 and 15,475,504 shares issued and outstanding as of December 31, 2021 and 2020, respectively | 16 | 15 |
| Additional paid-in capital | 198,278 | 190,568 |
| Accumulated deficit | (57,052) | (74,773) |
| Accumulated other comprehensive income | 127 | 589 |
| Total Stockholders' Equity | 141,369 | 116,399 |
| Total Liabilities and Stockholders' Equity | $ 230,505 | $ 203,453 |

*See accompanying Notes to the Consolidated Financial Statements*

**Turtle Beach Corporation**
**Consolidated Statements of Cash Flows**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income | $ 17,721 | $ 38,746 | $ 17,944 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 4,052 | 4,359 | 4,556 |
| Amortization of intangible assets | 1,261 | 889 | 642 |
| Amortization of debt financing costs | 189 | 189 | 189 |
| Stock-based compensation | 7,656 | 5,549 | 3,558 |
| Deferred income taxes | 1,119 | 468 | (7,473) |
| Change in sales returns reserve | (2,236) | 2,418 | (397) |
| Provision for doubtful accounts | 468 | 215 | (10) |
| Provision for obsolete inventory | 1,609 | 5,085 | 3,483 |
| Loss on disposal of property and equipment | — | 42 | 28 |
| Unrealized loss (gain) on financial instrument obligation | — | — | (1,601) |
| Decrease in unrecognized tax benefit | — | — | (686) |
| Decrease in fair value of contingent consideration | (1,928) | (1,121) | (471) |
| Changes in operating assets and liabilities, net of acquisitions: | | | |
| Accounts receivable | 9,682 | (1,755) | 9,931 |
| Inventories | (32,240) | (30,675) | 7,264 |
| Accounts payable | (2,793) | 18,668 | (393) |
| Prepaid expenses and other assets | (6,091) | (4,108) | (66) |
| Income taxes payable | (5,571) | 4,178 | (371) |
| Other liabilities | 6,775 | 7,902 | 3,247 |
| Net cash provided by (used for) operating activities | (327) | 51,049 | 39,374 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of property and equipment | (5,621) | (5,663) | (1,912) |
| Acquisition of a business, net of cash acquired | (2,500) | — | (12,667) |
| Net cash used for investing activities | (8,121) | (5,663) | (14,579) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Borrowings on revolving credit facilities | 120,858 | 323,593 | 219,910 |
| Repayment of revolving credit facilities | (120,858) | (339,248) | (241,640) |
| Proceeds from sale of equity securities | — | 4,373 | — |
| Proceeds from exercise of stock options and warrants | 5,289 | 4,195 | 330 |
| Repurchase of common stock | (4,882) | — | (2,525) |
| Repurchase of common stock to satisfy employee tax withholding obligations | (463) | (325) | (255) |
| Net cash used for financing activities | (56) | (7,412) | (24,180) |
| Effect of exchange rate changes on cash and cash equivalents | (457) | 458 | 556 |
| Net increase (decrease) in cash and cash equivalents | (8,961) | 38,432 | 1,171 |
| Cash and cash equivalents - beginning of period | 46,681 | 8,249 | 7,078 |
| Cash and cash equivalents - end of period | $ 37,720 | $ 46,681 | $ 8,249 |
| SUPPLEMENTAL DISCLOSURE OF INFORMATION | | | |
| Cash paid for interest | $ 194 | $ 309 | $ 769 |
| Cash paid for income taxes, net of refunds | $ 6,561 | $ 8,041 | $ 2,317 |
| Accrual for purchases of property and equipment | $ 1,189 | $ 1,351 | $ 16 |
| Reclassification of financial instrument obligation | $ — | $ — | $ 6,248 |

*See accompanying Notes to the Consolidated Financial Statements*

**Turtle Beach Corporation**
**Consolidated Statement of Stockholders' Equity**

| | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|---|---|
| | Shares | Amount | | | | |
| | (in thousands) | | | | | |
| Balance at December 31, 2018 | 14,268 | 14 | 169,421 | (131,463) | (476) | 37,496 |
| Net income | — | — | — | 17,944 | — | 17,944 |
| Other comprehensive income, net of tax | — | — | — | — | 592 | 592 |
| Reclassification of financial instrument obligation | — | — | 6,248 | — | — | 6,248 |
| Issuance of restricted stock | 130 | — | (1) | — | — | (1) |
| Repurchase of common stock and retirement of related treasury shares | (23) | — | (255) | — | — | (255) |
| Common stock buyback | (271) | — | (2,525) | — | — | (2,525) |
| Issuance of common stock upon exercise of warrants | 296 | — | — | — | — | — |
| Stock options exercised | 89 | — | 330 | — | — | 330 |
| Stock-based compensation | — | — | 3,558 | — | — | 3,558 |
| Balance at December 31, 2019 | 14,488 | $ 14 | $ 176,776 | $ (113,519) | $ 116 | $ 63,387 |
| Net income | — | — | — | 38,746 | — | 38,746 |
| Other comprehensive income, net of tax | — | — | — | — | 473 | 473 |
| Issuance of restricted stock | 157 | 1 | — | — | — | 1 |
| Repurchase of common stock and retirement of related treasury shares | (25) | — | (325) | — | — | (325) |
| Proceeds of sales of equity securities | 238 | — | 4,373 | — | — | 4,373 |
| Stock options exercised | 618 | — | 4,195 | — | — | 4,195 |
| Stock-based compensation | — | — | 5,549 | — | — | 5,549 |
| Balance at December 31, 2020 | 15,475 | $ 15 | $ 190,568 | $ (74,773) | $ 589 | $ 116,399 |
| Net income | — | — | — | 17,721 | — | 17,721 |
| Other comprehensive loss, net of tax | — | — | — | — | (462) | (462) |
| Issuance of restricted stock | 244 | — | — | — | — | — |
| Settlement of deferred Stock | 6 | — | 111 | — | — | 111 |
| Repurchase of common stock and retirement of related treasury shares | (15) | — | (463) | — | — | (463) |
| Common stock buyback | (169) | — | (4,882) | — | — | (4,882) |
| Stock options exercised | 626 | 1 | 5,288 | — | — | 5,289 |
| Stock-based compensation | — | — | 7,656 | — | — | 7,656 |
| Balance at December 31, 2021 | 16,168 | 16 | 198,278 | (57,052) | 127 | 141,369 |

*See accompanying Notes to the Consolidated Financial Statements*

## Note 1. Summary of Significant Accounting Policies

### Organization

Turtle Beach Corporation ("Turtle Beach" or the "Company"), headquartered in White Plains, New York and incorporated in the state of Nevada in 2010, is a premier audio and gaming technology company with expertise and experience in developing, commercializing, and marketing innovative products across a range of large addressable markets under the Turtle Beach®, ROCCAT® and Neat Microphone® brands. Turtle Beach is a worldwide leader of feature-rich headset solutions for use across multiple platforms, including video game and entertainment consoles, handheld consoles, personal computers ("PC"), tablets and mobile devices. ROCCAT is a gaming keyboards, mice and other accessories brand focused in the PC peripherals market.

VTB Holdings, Inc. ("VTBH"), a wholly-owned subsidiary of Turtle Beach Corporation and the owner of Voyetra Turtle Beach, Inc. ("VTB"), was incorporated in the state of Delaware in 2010. VTB, the owner of Turtle Beach Europe Limited ("TB Europe"), was incorporated in the state of Delaware in 1975 with operations principally located in White Plains, New York.

### Basis of Presentation

The accompanying consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in the opinion of management, reflect all adjustments (which include normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. All intercompany accounts and transactions have been eliminated in consolidation.

### Uses of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to use estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. The significant estimates and assumptions used by management affect: sales return reserve, allowances for cash discounts, warranty reserve, valuation of inventory, valuation of long-lived assets, goodwill and other intangible assets, depreciation and amortization of long-lived assets, valuation of deferred tax assets, determination of fair value of stock-based awards, stock warrants and share-based compensation. The Company evaluates estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts those estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from these estimates, and those differences could be material to the consolidated financial statements.

The novel coronavirus ("COVID-19") pandemic, and its variant strains, has disrupted worldwide economic markets and the extent to which COVID-19 continues to affect the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and difficult to predict. During 2020, the Company experienced a significant increase in demand for its products due to the COVID-19-related stay-at-home orders, which resulted in increased revenue. Going forward, the effects of the global pandemic and the measures being taken in response are uncertain and difficult to predict. Nonetheless, the Company continues to actively monitor and assess the impact of the pandemic on its business, operations, and financial condition.

### Revenue Recognition and Sales Return Reserve

Net revenue consists primarily of revenue from the sale of gaming headsets and accessories to wholesalers, retailers and to a lesser extent, on-line customers. These products function on a standalone basis (in connection with a readily available gaming console, personal computer, or stereo) and are not sold with additional services or rights to future goods or services. Revenue is recorded for a contract through the following steps: (i) identifying the contract with the customer; (ii) identifying the performance obligations in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations; and (v) recognizing revenue when or as each performance obligation is satisfied.

Each contract at inception is evaluated to determine whether the contract should be accounted for as having one or more performance obligations. The Company's business activities were determined to be a single performance obligation with revenue recognized when obligations under the terms of a contract with its customer are satisfied; generally, this occurs at a point in time when the risk and title to the product transfers to the customer. The Company's standard terms of delivery are included in its contracts of sale, order confirmation documents, and invoices. The Company excludes sales taxes collected from customers from "Net Revenue" in its Consolidated Statements of Operations.

Certain customers may receive cash-based incentives (including cash discounts, quantity rebates, and price concessions), which are accounted for as variable consideration. Provisions for sales returns are recognized in the period the sale is recorded based upon the Company's prior experience and current trends. These revenue reductions are established by the Company based upon management's best estimates at the time of sale following the historical trend, adjusted to reflect known changes in the factors that impact such reserves and allowances, and the terms of agreements with customers. As of December 31, 2021 and 2020, the Company had an allowance for cash-based incentives of $25.6 million and $18.6 million, respectively, and an allowance for sales returns of $9.0 million and $11.2 million, respectively, and does not expect to have significant changes in its estimates for variable considerations.

**Cost of Revenue and Operating Expenses**

The following table illustrates the primary costs classified in each major expense category:

| Cost of Revenue | Operating Expenses |
|---|---|
| Cost to manufacture products;<br>Freight costs associated with moving product from suppliers to distribution centers and to customers;<br>Costs associated with the movement of merchandise through customs;<br>Costs associated with material handling and warehousing;<br>Global supply chain personnel costs; and<br>Product royalty costs. | Payroll, bonus, and benefit costs;<br>Costs incurred in the research and development of new products and enhancements to existing products;<br>Depreciation related to demonstration units;<br>Legal, finance, information systems and other corporate overhead costs; and<br>Sales commissions, advertising, and marketing costs. |

**Product Warranty Obligations**

The Company provides for product warranties in accordance with the contract terms given to various customers by accruing estimated warranty costs at the time of revenue recognition. Warranties are generally fulfilled by replacing defective products with new products.

**Marketing Costs**

Costs associated with the production of advertising, such as print and other costs, as well as costs associated with communicating advertising that has been produced, such as magazine ads, are expensed when the advertising first appears in public. Advertising costs were approximately $9.7 million, $8.5 million and $7.5 million for the years ended December 31, 2021, 2020 and 2019, respectively.

The Company also incurs co-operative advertising costs that represent reimbursements to customers for shared marketing expenses for sale of its products. These reimbursements are recorded as reductions of net revenue based on a percentage of sales for all period presented. Co-operative advertising reimbursements were approximately $7.6 million, $6.8 million and $5.7 million for the years ended December 31, 2021, 2020 and 2019, respectively.

**Deferred Financing Costs**

Deferred financing costs represent costs incurred in conjunction with the Company's debt financing activities and are capitalized and amortized over the life of the related financing arrangements. If the debt is retired early, the related unamortized deferred financing costs are written off in the period the debt is retired as part of the net carrying value of the debt, and any gains or losses are recorded in the statement of operations under the caption "Other non-operating expense (income), net."

**Stock-Based Compensation**

Compensation costs related to stock options, restricted stock grants and performance-based restricted share units are calculated based on the fair value of the stock-based awards on the date of grant, net of estimated forfeitures. The grant date fair value of awards is determined using the Black-Scholes option-pricing model and the related stock-based compensation is recognized on a straight-line basis over the period in which an employee is required to provide service in exchange for the award, which is generally four years.

The Company estimates its forfeiture rate based on an analysis of actual forfeitures and will continue to evaluate the adequacy of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover behavior, and other factors. The impact from any forfeiture rate adjustment would be recognized in the period of adjustment and if the actual number of future forfeitures differs from estimates, the Company might be required to record adjustments to stock-based compensation expense.

For stock-based awards issued to non-employees, including consultants, compensation expense is based on the fair value of the awards calculated using the Black-Scholes option-pricing model over the service performance period. The fair value of options granted to non-employees for each reporting period is remeasured over the vesting period and recognized as an expense over the period the services are received.

**Exit and Disposal Costs**

Management-approved restructuring activities are periodically initiated to achieve cost savings through reduced operational redundancies and to position the Company strategically in the market in response to prevailing economic conditions and associated customer demand. Costs associated with restructuring actions can include severance, infrastructure charges to vacate facilities or consolidate operations, contract termination costs and other related charges. For involuntary separation plans, a liability is recognized when it is probable and reasonably estimable. For one-time termination benefits, such as additional severance pay or benefit payouts, and other exit costs, such as lease termination costs, the liability is measured and recognized initially at fair value in the period in which the liability is incurred, with subsequent changes to the liability recognized as adjustments in the period of change.

**Net Earnings (Loss) per Common Share**

Basic earnings (loss) per share is calculated by dividing net income (loss) associated with common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share assumes the issuance of additional shares of common stock by the Company upon exercise of all outstanding stock options, stock warrants and contingently issuable securities if the effect is dilutive, in accordance with the treasury stock method.

**Cash Equivalents**

Cash and short-term highly liquid investments with original maturity dates of three months or less at time of purchase and no redemption restrictions are considered cash and cash equivalents.

**Inventories**

Inventories consist primarily of finished goods and related component parts and are stated at the lower of weighted average cost or market value (estimated net realizable value) using the first in, first out (“FIFO”) method. The Company maintains an inventory allowance for returned goods, slow-moving and unused inventories based on the historical trend and estimates. Inventory write-downs, once established, are not reversed as they establish a new cost basis for the inventory. Inventory write-downs are included as a component of cost of revenues in the accompanying consolidated statements of operations.

**Property and Equipment, net**

Property and equipment are presented at cost less accumulated depreciation and amortization. Repairs and maintenance expenditures are expensed as incurred. Depreciation and amortization are computed on a straight-line basis over the following estimated useful lives:

| | Estimated Life |
|---|---|
| Machinery and equipment | 3 years |
| Software and software development | 2-3 years |
| ERP Software | 5 years |
| Furniture and fixtures | 5 years |
| Tooling | 2 years |
| Leasehold improvements | Term of lease or economic life of asset, if shorter |
| Demonstration units and convention booths | 2 years |
| Demonstration headsets | 1 year |

**Valuation of Long-Lived and Intangible Assets and Goodwill**

At acquisition, we estimate and record the fair value of purchased intangible assets, which primarily consists of in-process research and development, customer relationships, trademarks and trade names, and patents. The fair values of these intangible assets are estimated based on the Company’s assessment. Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Goodwill and certain other intangible assets having indefinite lives are not amortized to earnings, but instead are subject to periodic testing for impairment. Intangible assets determined to have definite lives are amortized over their remaining useful lives.

Long-lived and intangible assets are assessed for potential impairment whenever events or changes in circumstances indicate that full recoverability of net asset balances through future cash flows is in question. Goodwill and indefinite-lived intangible assets are assessed at least annually, but also whenever events or changes in circumstances indicate the carrying values may not be recoverable. Factors that could trigger an impairment review include (a) significant underperformance relative to historical or projected future operating results; (b) significant changes in the manner of use of the acquired assets or the strategy for the Company’s overall business; (c) significant negative industry or economic trends; (d) significant decline in the Company’s stock price for a sustained period; and (e) a decline in the Company’s market capitalization below net book value.

Assessment for possible impairment is based on the Company's ability to recover the carrying value of the long-lived asset from the expected future pre-tax cash flows. The expected future pre-tax cash flows are estimated based on historical experience, internal knowledge, and market data. Estimates of future cash flows require the Company to make assumptions and to apply judgment, including forecasting future sales and expenses and estimating the useful lives of assets. If the expected future cash flows related to the long-lived assets are less than the assets' carrying value, an impairment charge is recognized for the difference between estimated fair value and carrying value.

When performing the Company's evaluation of goodwill for impairment, if it concludes qualitatively that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, the Company performs its annual goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. If the carrying amount exceeds the fair value a goodwill impairment charge would be recorded for the amount by which the reporting unit's carrying amount exceeds its fair value. In addition, identifiable intangible assets having indefinite lives are reviewed for impairment on an annual basis using a methodology consistent with that used to evaluate goodwill.

There are inherent assumptions and estimates used in developing future cash flows requiring management judgment including projecting revenues, interest rates and the cost of capital. Many of the factors used in assessing fair value are outside the Company's control and it is reasonably likely that assumptions and estimates will change in future periods. These changes can result in future impairments. In the event the Company's planning assumptions were modified resulting in impairment to our assets, the associated expense would be included in the Consolidated Statements of Operations, which could materially impact its business, financial condition, and results of operations.

The Company conducted its annual impairment assessment on November 1, 2021, taking a qualitative evaluation approach to determine if there were any adverse market factors or changes in circumstances that would indicate that the carrying value of goodwill as determined in connection with the current year acquisition may not be recoverable. The Company's qualitative assessment included an analysis of business changes, economic outlook, financial trends and forecasts, and events or circumstances that could unfavorably impact the key assumptions. Based on this review, management determined that no events or changes in circumstances indicated that the carrying value may not be recoverable and further consideration of potential goodwill impairment was not considered necessary.

**Income Taxes**

The Company accounts for income taxes in accordance with the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized based on the differences between the financial statement carrying value of existing assets and liabilities and their respective tax bases based on enacted tax laws and statutory tax rates applicable to the periods in which the Company expects the temporary differences to reverse. The Company had elected to record a "deferred charge" for basis differences relating to intra-entity profits as recognition as a deferred tax asset is prohibited.

A valuation allowance is established for deferred tax assets when management anticipates that it is more likely than not that all, or a portion, of these assets would not be realized. In determining whether a valuation allowance is warranted, all positive and negative evidence and all sources of taxable income such as prior earnings history, expected future earnings, carryback and carryforward periods and tax strategies are considered to estimate if sufficient future taxable income will be generated to realize the deferred tax asset. The assessment of the adequacy of a valuation allowance is based on estimates of taxable income by jurisdiction and the period over which deferred tax assets will be recoverable. In the event that actual results differ from these estimates, or these estimates are adjusted in future periods for current trends or expected changes in assumptions, the Company may need to modify the level of valuation allowance which could materially impact our business, financial condition, and results of operations.

The tax effects of uncertain tax positions taken or expected to be taken in income tax returns are recognized only if they are "more likely-than-not" to be sustained on examination by the taxing authorities based on the technical merits as of the reporting date. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company recognizes estimated accrued interest and penalties related to uncertain tax positions in income tax expense.

The Company and its domestic subsidiaries file a consolidated federal income tax return, while the Company's foreign subsidiary files in its respective local jurisdictions.

**Fair Value of Financial Instruments**

The Company determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses a hierarchical structure to prioritize the inputs used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), then to quoted market prices for similar assets or liabilities in active or inactive markets (Level 2) and gives the lowest priority to unobservable inputs (Level 3).

Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, revolving line of credit, long-term debt and warrants reported as a financial instrument obligation. Cash equivalents are stated at amortized cost, which approximated fair value as of the consolidated balance sheet dates due to the short period of time to maturity; and accounts receivable and accounts payable are stated at their carrying value, which approximates fair value due to the short time to the expected receipt or payment. The revolving line of credit is stated at the carrying value as the stated interest rate approximates market rates currently available to the Company, which are considered Level 2 inputs.

The Company did not have any non-financial assets or non-financial liabilities recognized at fair value on a recurring basis at December 31, 2021 and 2020.

**Foreign Currency Translation**

Balance sheet accounts of the Company's foreign subsidiaries are translated at the exchange rate in effect at the end of each period. Statement of operations accounts are translated using the weighted average of the prevailing exchange rates during each period. Gains or losses resulting from foreign currency transactions are included in the Company's Consolidated Statements of Operations under the caption "Other non-operating expense (income), net" whereas translation adjustments are reflected in the Consolidated Statements of Comprehensive Income (Loss) under the caption "Foreign currency translation adjustment."

**Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of investments in cash, cash equivalents and accounts receivables. The Company is exposed to credit risk and liquidity risk in the event of default by the financial institutions or issuers of investments in excess of FDIC insured limits. The Company performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any institution.

Accounts receivable are unsecured and represent amounts due based on contractual obligations of customers. Our five largest individual customers accounted for approximately 66% of our gross sales in 2021, 67% of our gross sales in 2020, and 66% of our gross sales in 2019. During 2021, our three largest customers - Walmart, Target, and Amazon - each accounted for between 10% to 23% of our consolidated net sales. Additionally, as of December 31, 2021, the Company had four customers with open receivables greater than 10% of the total receivable balance.

Concentrations of credit risk with respect to accounts receivable are mitigated by performing ongoing credit evaluations of customers to assess the probability of collection based on a number of factors, including past transaction experience with the customer, evaluation of their credit history, limiting the credit extended, and review of the invoicing terms of the contract. In addition, the Company has credit insurance in place through a third-party insurer against defaults by certain other domestic and international customers, subject to policy limits. The Company generally does not require customers to provide collateral to support accounts receivable. The Company has recorded an allowance for doubtful accounts for those receivables that were determined not to be collectible.

Foreign cash balances at December 31, 2021 and 2020 were $10.2 million and $5.9 million, respectively.

**Segment Information**

The company operates in a single reportable segment and two reporting unit structure. The entire business is managed by a single management team whose chief operating decision maker is the Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance.

**Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, that introduced the recognition of a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term and, a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis for all leases (with the exception of short-term leases). The Company adopted this standard on its effective date of January 1, 2019, using the optional alternative approach, which applies the provisions of the new guidance at the effective date without adjusting the comparative periods. As part of the adoption of the new standard, the Company elected the package of practical expedients that permits entities to not reassess prior conclusions regarding lease identification, lease classification, and initial direct costs under the new standard. Upon adoption of the new standard as it relates to the Company's accounting for real estate operating leases, assets and liabilities increased by approximately $3.3 million.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments," amending the accounting for the impairment of financial instruments, including trade receivables. Under previous guidance, credit losses were recognized when the applicable losses had a probable likelihood of occurring and this assessment was based on past events and current conditions. The amended guidance eliminates the "probable" threshold and requires an entity to use a broader range of information, including forecast information when estimating expected credit losses. Generally, this should result in a more timely recognition of credit losses. The requirements of the amended guidance should be applied using a modified retrospective approach except for debt securities, which require a prospective transition approach. We adopted this guidance as of January 1, 2020. The adoption of this guidance did not have a material impact on our financial condition and results of operations.

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASU 2020-04)." In 2017, the United Kingdom's Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit the London Interbank Offered Rate ("LIBOR"), a benchmark interest rate referenced in a variety of agreements, after 2021. In March 2021, the United Kingdom's Financial Conduct Authority confirmed that U.S. Dollar LIBOR will no longer be published after December 31, 2021, for one-week and two-month U.S. Dollar LIBOR tenors, and after June 30, 2023, for all other U.S. Dollar LIBOR tenors. ASU 2020-04 provides entities with optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. In January 2021, the FASB issued amendments to the guidance through ASU 2021-01 to include all contract modifications and hedging relationships affected by reference rate reform, including those that do not directly reference LIBOR, or another reference rate expected to be discontinued, and clarify which optional expedients may be applied to them. The guidance can be applied prospectively. The optional relief is temporary and generally cannot be applied to contract modifications and hedging relationships entered into or evaluated after December 31, 2022. The Company does not expect the new guidance to have a material impact on their financial position, results of operations or liquidity.

**Note 2. Acquisitions**

*Neat Microphones*

On January 12, 2021, the Company acquired certain assets related to the Neat Microphones business ("Neat Microphones") of Stray Electrons LLC, a California limited liability company for a purchase price of $2.5 million and up to $2.3 million in potential earn-outs based on revenues and earnings targets for the year ended December 31, 2021, as provided in the asset purchase agreement. The closing payment was funded from cash on the Company's balance sheet. In addition, business transaction costs incurred in connection with the acquisition of $0.3 million for the year ended December 31, 2021, were recorded as a component of "General and administrative" expenses in the Company's Condensed Consolidated Statements of Operations. Neat Microphones creates, manufactures, and sells high-quality digital USB and analog microphones that embrace cutting-edge technology and design.

The goodwill from the acquisition of Neat Microphones, which is fully deductible for tax purposes, consists largely of synergies and economies of scale expected from adding the operations of Neat Microphones' and the Company's existing business and supply channels. The fair value of Neat Microphone's identifiable intangible assets was determined primarily using the "income approach," which requires a forecast of all expected future cash flows either through the use of the multi-period excess earnings method or the relief-from-royalty method. Some of the more significant assumptions inherent in the development of intangible asset values include: the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows, the assessment of the intangible asset's life cycle, as well as other factors. The following table summarizes key information underlying intangible assets related to the Neat Microphones acquisition:

| (In thousands) | Life | Amount |
|---|---|---|
| Customer relationships | 2 Years | $ 440 |
| Tradenames | 10 Years | 380 |
| Developed technology | 7 Years | 1,100 |
| Total | | $ 1,920 |

No payment will be made under the contingent earn-out provisions of the asset purchase agreement as certain revenue targets were not achieved, and as such, the $1.9 million fair value of contingent consideration recorded related to the potential $2.3 million in earn-outs has been fully released as of December 31, 2021.

*ROCCAT*

On May 31, 2019, the Company completed its acquisition of the business and assets of ROCCAT, a provider of gaming keyboards, mice and other accessories for a purchase price of approximately $12.7 million and up to $3.4 million in potential earn-outs based on revenues for the years ended December 31, 2019 and 2020, as provided in the asset purchase agreement. The purchase price was paid in cash at closing and was funded by the Company's cash reserves and additional borrowings under its credit facility. In addition, business transaction costs incurred in connection with the acquisition of $0.6 million and $3.5 million for the years ended December 31, 2020, and 2019, respectively, were recorded as a component of "General and administrative" expenses in the Condensed Consolidated Statements of Operations.

The ROCCAT purchase price allocation as of May 31, 2019 is shown in the following table:

| (In thousands) | | Amount |
|---|---|---|
| Receivables | $ | 1,366 |
| Inventories | | 6,986 |
| Property and equipment | | 1,110 |
| Intangible assets | | 5,589 |
| Other long-term assets | | 461 |
| Accounts payable | | (5,399) |
| Accrued and other current liabilities | | (3,704) |
| Contingent consideration | | (1,592) |
| Other non-current liabilities | | (328) |
| **Total identifiable net assets** | | **4,489** |
| Goodwill | | 8,178 |
| **Total consideration** | **$** | **12,667** |

The fair values of ROCCAT's assets and liabilities were determined based on estimates and assumptions that management believes are reasonable. These adjustments primarily relate to certain short-term assets, intangible assets, and certain liabilities including contingent consideration. The Company and the sellers of ROCCAT have agreed to settle an amount related to sales returns and allowances for approximately $1.8 million, which is included in "Accrued and other current liabilities" in the table above.

The goodwill from the acquisition of ROCCAT, which is fully deductible for tax purposes, consists largely of synergies and economies of scale expected from combining the operations of ROCCAT and the Company's existing business.

The estimate of fair value of ROCCAT's identifiable intangible assets was determined primarily using the "income approach," which requires a forecast of all of the expected future cash flows either through the use of the multi-period excess earnings method or the relief-from-royalty method. Some of the more significant assumptions inherent in the development of intangible asset values include: the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows, the assessment of the intangible asset's life cycle, as well as other factors. The following table summarizes key information underlying intangible assets related to the
ROCCAT acquisition:

| (In thousands) | Life | | Amount |
|---|---|---|---|
| Customer relationships | 7 Years | $ | 2,119 |
| Tradenames | 10 Years | | 2,686 |
| Developed technology | 7 Years | | 784 |
| Total | | $ | 5,589 |

For the year ended December 31, 2019, revenue related to ROCCAT products was $14.4 million. Given that the ROCCAT operations have been substantially integrated into our legacy business, the Company is unable to provide the results of operations attributable to ROCCAT going forward.

The Company has not presented combined pro forma financial information of the Company and the pre-acquisition ROCCAT business because the results of operations of the acquired business are considered immaterial.

No payment will be made under the contingent earn-out provisions of the asset purchase agreement as certain revenue targets were not achieved, and as such, the $1.1 million fair value recorded related to the potential $3.4 million earn-outs has been fully released as of December 31, 2020.

**Note 3. Fair Value Measurement**

The Company follows a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, debt instruments and certain warrants. As of December 31, 2021 and 2020, the Company has not elected the fair value option for any financial assets and liabilities for which such an election would have been permitted, and the only outstanding financial assets and liabilities recorded at fair value on a recurring basis were the wholly-funded warrants reported as a financial instrument obligation.

The following is a summary of the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2021 and 2020:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Reported | Fair Value | Reported | Fair Value |
| | (in thousands) | | | |
| **Financial Assets and Liabilities:** | | | | |
| Cash and cash equivalents | $ 37,720 | $ 37,720 | $ 46,681 | $ 46,681 |

Cash equivalents are stated at amortized cost, which approximates fair value as of the consolidated balance sheet dates, due to the short period of time to maturity; and accounts receivable and accounts payable are stated at their carrying value, which approximates fair value due to the short time to the expected receipt or payment. The carrying value of the Credit Facility equals fair value as the stated interest rate approximates market rates currently available to the Company, which is considered a Level 2 input.

**Note 4. Allowance for Sales Returns**

The following table provides the changes in the Company's sales return reserve, which is classified as a reduction of accounts receivable:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | in thousands | | |
| Balance, beginning of period | $ 11,233 | $ 8,815 | $ 9,212 |
| Reserve accrual | 21,506 | 21,193 | 16,866 |
| Recoveries and deductions, net | (23,742) | (18,775) | (17,263) |
| Balance, end of period | $ 8,997 | $ 11,233 | $ 8,815 |

**Note 5. Composition of Certain Financial Statement Items**

**Inventories**

Inventories consist of the following:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | (in thousands) | |
| Finished goods | $ 101,446 | $ 69,939 |
| Raw materials | 487 | 1,362 |
| Total inventories | $ 101,933 | $ 71,301 |

**Property and Equipment, net**

Property and equipment, net consists of the following:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | (in thousands) | |
| Machinery and equipment | $ 2,255 | $ 2,223 |
| Software and software development | 2,404 | 1,629 |
| Furniture and fixtures | 1,257 | 1,123 |
| Tooling | 7,855 | 6,548 |
| Leasehold improvements | 1,794 | 1,833 |
| Demonstration units and convention booths | 14,493 | 14,439 |
| Total property and equipment, gross | 30,058 | 27,795 |
| Less: accumulated depreciation and amortization | (23,103) | (21,220) |
| Total property and equipment, net | $ 6,955 | $ 6,575 |

Depreciation and amortization expense on property and equipment for the years ended December 31, 2021, 2020 and 2019 was $4.1 million, $4.4 million and $4.6 million, respectively.

**Other Current Liabilities**

Other current liabilities consist of the following:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | (in thousands) | |
| Accrued royalty | $ 11,582 | $ 5,166 |
| Accrued freight | 6,251 | 3,401 |
| Accrued employee expenses | 4,114 | 7,070 |
| Accrued marketing | 3,723 | 5,487 |
| Accrued tax-related payables | 3,459 | 5,741 |
| Accrued expenses | 8,564 | 9,257 |
| Total other current liabilities | $ 37,693 | $ 36,122 |

**Other non-operating expense (income), net**

Other non-operating expense (income), net consists of the following:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands) | | |
| Acquisition-related settlement | $ — | $ (1,702) | $ — |
| Change in fair value of contingent consideration | (1,928) | (1,121) | (471) |
| Unrealized loss (gain) on financial instrument obligation | — | — | (1,601) |
| Other non-operating expense (income) | 1,827 | (934) | (137) |
| Total other non-operating expense (income),net | $ (101) | $ (3,757) | $ (2,209) |

**Note 6. Goodwill and Other Intangible Assets**

***Acquired Intangible Assets***

Acquired identifiable intangible assets, and related accumulated amortization, as of December 31, 2021 and 2020 consist of:

| | December 31, 2021 | | |
|---|---|---|---|
| | Gross Carrying Value | Accumulated Amortization | Net Book Value |
| | | (in thousands) | |
| Customer relationships | $ 8,355 | $ 6,315 | $ 2,040 |
| Tradenames | 3,066 | 730 | 2,336 |
| Developed technology | 1,884 | 440 | 1,444 |
| Foreign currency | (896) | (865) | (32) |
| Total Intangible Assets | $ 12,409 | $ 6,620 | $ 5,788 |

| | December 31, 2020 | | |
|---|---|---|---|
| | Gross Carrying Value | Accumulated Amortization | Net Book Value |
| | | (in thousands) | |
| Customer relationships | $ 7,915 | $ 5,584 | $ 2,331 |
| Tradenames | 2,686 | 425 | 2,261 |
| Developed technology | 784 | 177 | 607 |
| Foreign currency | (845) | (784) | (61) |
| Total Intangible Assets | $ 10,540 | $ 5,402 | $ 5,138 |

In connection with the October 2012 acquisition of TB Europe, the acquired intangible asset related to customer relationships is being amortized over an estimated useful life of thirteen years with the amortization being included within sales and marketing expense.

In May 2019, the Company completed its acquisition of the business and assets of ROCCAT. The acquired intangible assets relating to developed technology, customer relationships, and trade name are subject to amortization. In January 2021, the Company completed its acquisition of the business and assets relating to the Neat Microphones business. The acquired intangible assets relating to developed technology, customer relationships, and trade name are subject to amortization. Refer to Note 2, “Acquisitions” for additional information related to ROCCAT’s and Neat Microphone’s identifiable intangible assets.

Amortization expense related to definite lived intangible assets was $1.3 million, $0.9 million and $0.6 million for the years ended December 31, 2021, 2020 and 2019, respectively.

As of December 31, 2021, estimated annual amortization expense related to definite lived intangible assets in future periods is as follows:

| | (in thousands) |
|---|---|
| 2022 | $ 1,281 |
| 2023 | 1,041 |
| 2024 | 1,008 |
| 2025 | 889 |
| 2026 | 637 |
| Thereafter | 964 |
| Total | $ 5,820 |

All goodwill is attributable to the gaming accessories reporting unit. Changes in the carrying values of goodwill for twelve months ended December 31, 2021 are as follows:

| | (in thousands) |
|---|---|
| Balance as of January 1, 2021 | $ 8,178 |
| NEAT Microphones acquisition | 2,508 |
| Balance as of December 31, 2021 | $ 10,686 |

**Note 7. Credit Facilities and Long-Term Debt**

The Company had no outstanding balance related to its revolving credit facility as of December 31, 2021 and December 31, 2020.

Total interest expense, inclusive of amortization of deferred financing costs, on long-term debt obligations was $0.4 million, $0.5 million and $0.9 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Amortization of deferred financing costs was $0.2 million for each of the years ended December 31, 2021, 2020 and 2019, respectively. In connection with the Company's amendment and restatement of its Credit Facility (as noted below), the Company incurred $0.6 million of financing costs that have been deferred, added to the then remaining unamortized financing costs and will be recognized over the term of the respective agreement.

**Revolving Credit Facility**

On December 17, 2018, Turtle Beach and certain of its subsidiaries entered into an amended and restated loan, guaranty, and security agreement ("Credit Facility") with Bank of America, N.A. ("Bank of America"), as Agent, Sole Lead Arranger and Sole Bookrunner, which replaced the then existing asset-based revolving loan agreement. The Credit Facility, which expires on March 5, 2024, provides for a line of credit of up to $80 million inclusive of a sub-facility limit of $12 million for TB Europe, a wholly-owned subsidiary of Turtle Beach. In addition, the Credit Facility provides for a $40 million accordion feature and the ability to increase the borrowing base with a FILO Loan of up to $6.8 million.

On May 31, 2019, the Company amended the Credit Facility to provide for, amongst other items, (i) the addition of TBC Holding Company LLC, a wholly-owned subsidiary of VTB, as an obligor and (ii) the ability to make investments in TB Germany GmbH, a wholly-owned subsidiary of TB Europe, of up to $4 million in connection with the acquisition of ROCCAT and up to an additional $4 million annually.

The maximum credit availability for loans and letters of credit under the Credit Facility is governed by a borrowing base determined by the application of specified percentages to certain eligible assets, primarily eligible trade accounts receivable and inventories, and is subject to discretionary reserves and revaluation adjustments. The Credit Facility may be used for working capital, the issuance of bank guarantees, letters of credit and other corporate purposes.

Amounts outstanding under the Credit Facility bear interest at a rate equal to either a rate published by Bank of America or the LIBOR rate, plus in each case, an applicable margin, which is between 0.50% to 1.25% for base rate loans, 1.25% to 2.00% for U.S. LIBOR loans and U.K. loans and 2.00% and 2.75% for the FILO Loan. In addition, Turtle Beach is required to pay a commitment fee on the unused revolving loan commitment at a rate ranging from 0.25% to 0.50%, and letter of credit fees and agent fees. As of December 31, 2021, interest rates for outstanding borrowings were 3.75% for base rate loans and 3.00% for LIBOR rate loans.

The Company is subject to quarterly financial covenant testing if certain availability thresholds are not met or certain other events occur (as defined in the Credit Facility). The Credit Facility requires the Company and its restricted subsidiaries to maintain a fixed charge coverage ratio of at least 1.00 to 1.00 as of the last day of each fiscal quarter.

The Credit Facility also contains affirmative and negative covenants that, subject to certain exceptions, limit the Company's ability to take certain actions, including its ability to incur debt, pay dividends and repurchase stock, make certain investments and other payments, enter into certain mergers and consolidations, engage in sale leaseback transactions and transactions with affiliates and encumber and dispose of assets. Obligations under the Credit Facility are secured by a security interest and lien upon substantially all of the Company's assets.

As of December 31, 2021, the Company was in compliance with all the financial covenants under the Credit Facility, as amended, and excess borrowing availability was approximately $64.6 million.

**Note 8. Income Taxes**

The provision (benefit) for income taxes consists of the following:

| | Year Ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| | (in thousands) | | |
| Federal: | | | |
| Current | $ (511) | $ 8,518 | $ 230 |
| Deferred | 701 | 714 | (5,910) |
| Total Federal | 190 | 9,232 | (5,680) |
| State and Local: | | | |
| Current | 769 | 3,476 | 114 |
| Deferred | 346 | (221) | (1,529) |
| Total State and Local | 1,115 | 3,255 | (1,415) |
| Foreign | | | |
| Current | 1,051 | 1,249 | 897 |
| Deferred | 72 | (25) | (39) |
| Total Foreign | 1,123 | 1,224 | 858 |
| Total | $ 2,428 | $ 13,711 | $ (6,237) |

The reconciliation between the provision (benefit) for income taxes and the expected provision (benefit) for income taxes at the U.S. federal statutory rate is as follows:

| | Year Ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| | (in thousands) | | |
| U.S. Operations | $ 15,146 | $ 46,970 | $ 8,030 |
| Foreign Operations | 5,003 | 5,487 | 3,677 |
| Income before income taxes | 20,149 | 52,457 | 11,707 |
| Federal statutory rate | 21% | 21% | 21% |
| Provision for income taxes at federal statutory rate | 4,231 | 11,016 | 2,458 |
| State taxes, net of federal benefit | 812 | 1,434 | 989 |
| Foreign tax rate differential | (60) | 4 | (33) |
| Change in valuation allowance | — | (2) | (10,112) |
| Unrealized loss (gain) on financial instrument obligation | — | — | (336) |
| Excess tax benefit recognized | (2,159) | (413) | (44) |
| Foreign Derived Intangible Income (a) | (976) | — | — |
| Foreign tax credit | (770) | (568) | — |
| R&D Credit (b) | (878) | — | — |
| Global intangible low taxed income | 530 | 586 | 637 |
| Prior year adjustment | — | 16 | 429 |
| Change in unrecognized tax benefits | 673 | 969 | (715) |
| Section 162(m) | 634 | 414 | 402 |
| Other | 391 | 255 | 88 |
| Provision (benefit) for income taxes | $ 2,428 | $ 13,711 | $ (6,237) |

(a) The Company completed an analysis of its export sales during 2021. The FDII benefit is for the 2020 and 2021 tax years.
(b) The Company completed a Research and Development credit study during 2021. The R&D credit benefit is for the 2018 through 2021 tax years.

The tax effects of significant items comprising the Company's deferred tax assets (liabilities) are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | (in thousands) | |
| Allowance for doubtful accounts | $ 4 | $ 4 |
| Inventories | 1,559 | 1,116 |
| Employee benefits | 1,980 | 2,506 |
| Net operating loss | 1,271 | 1,288 |
| Sales reserves | 1,520 | 2,428 |
| Unrecognized tax benefits | 575 | 621 |
| Depreciation and amortization | (250) | (297) |
| Intangible assets | (109) | (117) |
| Other | 40 | 160 |
| | 6,590 | 7,709 |
| Valuation allowance | (891) | (891) |
| Net deferred tax assets (liabilities) | $ 5,699 | $ 6,818 |

At December 31, 2021, the Company has no balance of federal net operating loss carryforwards and $18.3 million of state net operating loss carryforwards, which will begin to expire in 2029. In October 2018, as a result of certain trading activity in the Company's common stock, the change of ownership provisions of Internal Revenue Code Section 382 ("Section 382") were triggered. Based on the Section 382 limitation, the Company was not able to utilize its net operating losses to fully offset its taxable income in 2018. The Company believes, based on the estimated Section 382 limitation and the net operating loss carryforward period, that the pre ownership change net operating losses can be fully utilized in future years if there is sufficient taxable income in such carryforward period.

The realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible. During 2015, as a result of cumulative losses in recent years primarily due to incremental costs associated with the console transition, acquisition costs and initial investments in the HyperSound business, the Company concluded that a full valuation allowance was required on its net domestic deferred tax assets. During the fourth quarter of 2019, the Company concluded that it was more likely than not that the deferred tax assets would be realized. This conclusion was based on the recent profitability in 2019 and 2018, including the previous winddown of a business that was the cause of significant losses in previous years. For the year ended December 31, 2019, the Company reported a change in the valuation allowance for deferred tax assets of $10.1 million. The Company continues to maintain a valuation allowance on certain state net operating losses as it is not more likely than not that the losses in those specific jurisdictions will be realized.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| | (in thousands) | |
| Gross unrecognized tax benefit, beginning of period | $ 3,090 | $ 2,023 |
| Additions based on tax positions related to the current year | 573 | 1,249 |
| Settlements related to tax positions in a prior period | — | (36) |
| Decreases based on tax positions in a prior period | (248) | (146) |
| Gross unrecognized tax benefit, end of period | $ 3,415 | $ 3,090 |

The Company recognizes only those tax positions that meet the more-likely-than-not recognition threshold, and establishes tax reserves for uncertain tax positions that do not meet this threshold. The Company settled uncertain tax positions in certain jurisdictions, of approximately $36 thousand for year ended December 31, 2020; none were settled for the year ended December 31, 2021. To the extent these unrecognized tax benefits are ultimately recognized, approximately $3.4 million will impact the Company's effective tax rate in future periods. The Company is considering filing for relief provisions in certain jurisdictions and based on such anticipated filings, it is reasonably possible that amounts of unrecognized tax benefits could decrease by $2.3 million within the next twelve months. Interest and penalties associated with income tax matters are included in the provision for income taxes. As of December 31, 2021, the Company had uncertain tax positions of $3.8 million, inclusive of $1.1 million of interest and penalties.

The Company is not currently under examination by certain state and local taxing jurisdictions. Further, at any given time, multiple tax years may be subject to examination by various taxing authorities. The recorded amounts of income tax are subject to adjustment upon examination, changes in interpretation and changes in judgment utilized in determining estimates.

The Company files U.S., state, and foreign income tax returns in jurisdictions with various statutes of limitations. Below is a summary of the filing jurisdictions and open tax years:

| | Open Years |
|---|---|
| U.S. Federal | 2018 - 2020 |
| U.S. State and Local | 2017 - 2020 |
| Non-U.S. | 2018 - 2020 |

**Note 9. Net Income Per Share**

The following table sets forth the computation of basic and diluted net income (loss) per share of common stock attributable to common stockholders:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands, except per-share data) | | |
| Net income | $ 17,721 | $ 38,746 | $ 17,944 |
| Unrealized gain on financial instrument obligation | — | — | (1,601) |
| Net income - diluted | $ 17,721 | $ 38,746 | $ 16,343 |
| Weighted average common shares outstanding — Basic | 15,915 | 14,801 | 14,483 |
| Plus incremental shares from assumed conversions: | | | |
| Dilutive effect of restricted stock | 438 | 235 | 19 |
| Dilutive effect of stock options | 1,348 | 917 | 432 |
| Dilutive effect of warrants | 550 | 412 | 754 |
| Weighted average common shares outstanding — Diluted | 18,251 | 16,365 | 15,688 |
| Net income per share: | | | |
| Basic | $ 1.11 | $ 2.62 | $ 1.24 |
| Diluted | $ 0.97 | $ 2.37 | $ 1.04 |

Incremental shares from stock options and restricted stock awards are computed by the treasury stock method. The weighted average shares listed below were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the periods presented or were otherwise excluded under the treasury stock method. The treasury stock method calculates dilution assuming the exercise of all in-the-money options and vesting of restricted stock, reduced by the repurchase of shares with the proceeds from the assumed exercises, unrecognized compensation expense for outstanding awards and the estimated tax benefit of the assumed exercises.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands) | | |
| Stock options | 721 | 813 | 480 |
| Unvested restricted stock awards | 294 | 136 | 194 |
| Total | 1,015 | 949 | 674 |

**Note 10. Equity and Stock-Based Compensation**

*Stock Repurchase Activity*

On April 9, 2019, the Board of Directors authorized a stock repurchase program to acquire up to $15.0 million of its common stock. Any repurchases under the program will be made from time to time on the open market at prevailing market prices. On April 1, 2021, the Company's Board of Directors approved an extension and expansion of this repurchase program to acquire up to $25 million of its common shares, expiring April 9, 2023. As of December 31, 2021, the Company has repurchased 0.5 million shares of its common stock for a total cost of $7.4 million.

*Stock-Based Compensation*

On October 30, 2013, the Board of Directors adopted, and on December 27, 2013, the stockholders approved, the 2013 Stock-Based Incentive Compensation Plan (the "2013 Plan"), that became effective upon consummation of the Merger on January 15, 2014 and was subsequently amended at our 2019 Annual Meeting and at our 2021 Annual Meeting. The Company's stock-based compensation program is a broad-based program designed to attract and retain employees while also aligning employees' interests with the interests of our shareholders.  In addition, members of the Board of Directors participate in the stock-based compensation program in connection with their service on the board.

Stock option awards outstanding under the 2013 Plan are time-based and granted at exercise prices which are equal to the market value of the Company's common stock on the grant date and expire no later than ten years from the date of grant, but only to the extent they have vested. The options generally vest as specified in the option agreements subject, in some instances, to acceleration in certain circumstances. The restrictions on restricted stock generally lapse over a three-year period from the date of the grant. In the event a participant terminates employment with the Company, any vested stock options, and any restricted stock still subject to restrictions are generally forfeited if they are not exercised within 90 days.

The following table presents the stock activity and the total number of shares available for grant as of December 31, 2021:

| | (in thousands) |
|---|---|
| Balance at December 31, 2020 | 501 |
| Plan Amendment | 975 |
| Options granted | (12) |
| Options cancelled | 29 |
| Restricted stock granted | (374) |
| Forfeited/ Expired restricted stock added back | 13 |
| Performance-Based restricted stock granted | (134) |
| Balance at December 31, 2021 | 998 |

Total estimated stock-based compensation expense for employees and non-employees, related to all of the Company's stock-based awards, was comprised as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2020** | **2019** |
| | (in thousands) | | |
| Cost of revenue | $ 343 | $ 927 | $ 150 |
| Selling and marketing | 1,746 | 1,148 | 691 |
| Research and development | 1,379 | 664 | 417 |
| General and administrative | 4,188 | 2,810 | 2,300 |
| Total stock-based compensation | $ 7,656 | $ 5,549 | $ 3,558 |

Forfeitures on option grants are estimated at 10% based on evaluation of historical and expected future turnover for non-executives and 0% for executives. Stock-based compensation expense was recorded net of estimated forfeitures, such that expense was recorded only for those stock-based awards that are expected to vest. The Company reviews this assumption periodically and will adjust it if it is not representative of future forfeiture data and trends within employee types (executive vs. non-executive).

In 2017, due to changes in the reporting of stock compensation, the Company's previously unrecognized excess tax benefit related to the exercise of nonqualified stock options totaling $2.1 million was recognized as a deferred tax asset. The associated tax benefit recognized in the Consolidated Statements of Operations for the fiscal years ended December 31, 2021 and 2020 was approximately $2.2 million and $0.4 million, respectively.

### Stock Option Activity

| | Options Outstanding | | | |
|---|---|---|---|---|
| | Number of Shares Underlying Outstanding Options | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value |
| | | | (in years) | |
| Outstanding at December 31, 2020 | 2,383,427 | $ 7.85 | 7.78 | $ 33,064,942 |
| Granted | 11,550 | 27.20 | | |
| Exercised | (626,306) | 8.45 | | |
| Forfeited | (29,431) | 10.77 | | |
| Outstanding at December 31, 2021 | 1,739,240 | $ 7.72 | 7.02 | $ 25,542,823 |
| Vested and expected to vest at December 31, 2021 | 1,710,829 | $ 7.77 | 7.00 | $ 25,177,406 |
| Exercisable at December 31, 2021 | 1,008,002 | $ 6.87 | 6.34 | $ 15,778,518 |

Aggregate intrinsic value represents the difference between the estimated fair value of the underlying common stock and the exercise price of outstanding, in-the-money options. The aggregate intrinsic value of option exercises was $13.6 million and $7.4 million for the years ended December 31, 2021 and 2020, respectively.

As of December 31, 2021, total unrecognized compensation cost related to non-vested stock options granted to employees was $3.9 million, which is expected to be recognized over a remaining weighted average vesting period of 2.0 years.

*Determination of Fair Value*

Option valuation models require the input of highly subjective assumptions, including expected stock price volatility. The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. The fair value of options granted under the 2013 Plan was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

| | |
|---|---|
| Expected term (in years) | 6.1 |
| Risk-free interest rate | 0.5%- 1.1% |
| Expected volatility | 59.6%- 59.8% |
| Dividend rate | 0% |

Each of these inputs is subjective and generally requires significant judgment to determine. The risk-free rate is based on a zero-coupon U.S. Treasury rate in effect at the time of grant with maturity dates that coincide with the expected life of the options. The expected life of the options is based on a simplified weighted average taking into account the vesting conditions and contractual life of the award. Since the Company has a limited trading history for its common stock, the expected volatility was derived from the historical stock volatilities of several unrelated public companies within the Company's industry that are considered to be comparable to the Company's business over a period equivalent to the expected term of the stock option grants.

The weighted average grant date fair value of options granted during the three years ended December 31, 2021 was $14.89, $3.82, and $4.71, respectively. The total estimated fair value of employee options vested during the three years ended December 31, 2021 was $2.6 million, $1.7 million and $1.0 million, respectively.

### Restricted Stock Activity

| | Shares | Weighted Average Grant Date Fair Value Per Share |
|---|---|---|
| Nonvested restricted stock at December 31, 2020 | 677,590 | $ 9.71 |
| Granted | 374,445 | 26.03 |
| Vested | (250,483) | 11.51 |
| Shares forfeited | (13,098) | 13.90 |
| Nonvested restricted stock at December 31, 2021 | 788,454 | $ 16.81 |

As of December 31, 2021 total unrecognized compensation cost related to the nonvested restricted stock awards granted was $10.4 million, which is expected to be recognized over a remaining weighted average vesting period of 2.4 years.

**Performance-Based Restricted Share Units**

As of December 31, 2021, the Company had 134,000 performance-based restricted share units outstanding. The vesting of performance-based restricted share units is determined over a three-year period based on (i) the amount by which revenue growth exceeds a defined baseline market growth each year and (ii) the achievement of specified tiers of adjusted EBITDA as a percentage of net revenue each year, with the ability to earn and vest into such units ranging from 0% to 200%. Included in our share-based compensation was expense recognized for our performance-based restricted share unit awards of $1.0 million in 2021.

**Phantom Equity Activity**

In November 2011, VTBH adopted a 2011 Phantom Equity Appreciation Plan ("the Appreciation Plan") that covers certain employees, consultants, and directors of VTBH ("Participants") who are entitled to phantom units, as applicable, pursuant to the provisions of their respective award agreements. The Appreciation Plan is shareholder-approved, which permits the granting of phantom units to Participants of up to 1,500,000 units. These units are not exercisable or convertible into shares of common stock, but give the holder a right to receive a cash bonus equal to the appreciation in value between the exercise price and value of common stock at the time of a change in control event as defined in the plan.

As of December 31, 2021 and 2020, 178,586 phantom units at a weighted-average exercise price of $3.72 have been granted and are outstanding. Because these phantom units are not exercisable or convertible into common shares, the share amounts, and exercise prices were not subject to the exchange ratio provided by the Merger agreement. As of December 31, 2021, compensation expense related to the Appreciation Plan units remained unrecognized because a change in control of VTB, as defined in the plan, had not occurred, and is not anticipated by the Company. In July 2015, the Appreciation Plan was terminated as to new grants, but vested phantom units remain in place.

**Note 11. Stockholders' Equity**

*At-the-Market Common Stock Issuance*

On August 7, 2020, the Company entered into an ATM Equity Offering Sales Agreement (the "Sales Agreement") with BofA Securities, Inc. (the "Sales Agent"). Pursuant to the terms of the Sales Agreement, the Company may sell from time to time through the Sales Agent shares of the Company's common stock, par value $0.001 per share, having an aggregate offering price of up to $30 million. The Company intends to use the net proceeds from the offering, after deducting the Sales Agent's commissions and the Company's offering expenses, to support its strategic growth plans, as well as for general corporate purposes.

During the year ended December 31, 2020, the Company sold a total of 237,813 shares of its common stock under the Sales Agreement in the open market at an average gross selling price of $18.39 per share for net proceeds of $4.4 million. During the year ended December 31, 2021, the Company had no sales of its common stock under the Sales Agreement.

**Note 12. Segment Information**

The company operates in a single reportable segment and two reporting unit structure. The entire business is managed by a single management team whose chief operating decision maker is the Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance.

The following table represents total net revenue based on where customers are physically located:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands) | | |
| North America | $ 241,787 | $ 262,170 | $ 166,748 |
| United Kingdom | 32,745 | 38,251 | 25,671 |
| Europe | 69,059 | 45,629 | 34,707 |
| Other | 22,763 | 14,043 | 7,537 |
| Total net revenues | $ 366,354 | $ 360,093 | $ 234,663 |

The following table represents property and equipment, net based on physical location:

| | Year Ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | (in thousands) | |
| United States | $ 6,053 | $ 5,645 |
| International | 902 | 930 |
| Total | $ 6,955 | $ 6,575 |

**Note 13. Commitments and Contingencies**

**Litigation**

The Company is subject to various legal proceedings and claims that arise in the ordinary course of its business. Although the amount of any liability that could arise with respect to these actions cannot be determined with certainty, in the Company's opinion, any such liability will not have a material adverse effect on its consolidated financial position, consolidated results of operations or liquidity.

*Shareholders Class Action*: On August 5, 2013, VTBH and the Company (f/k/a Parametric Sound Corporation) announced that they had entered into the Merger Agreement pursuant to which VTBH would acquire an approximately 80% ownership interest and existing shareholders would maintain an approximately 20% ownership interest in the combined company (the "Merger"). Following the announcement, several shareholders filed class action lawsuits in California and Nevada seeking to enjoin the Merger. The plaintiffs in each case alleged that members of the Company's Board of Directors breached their fiduciary duties to the shareholders by agreeing to a merger that allegedly undervalued the Company. VTBH and the Company were named as defendants in these lawsuits under the theory that they had aided and abetted the Company's Board of Directors in allegedly violating their fiduciary duties. The plaintiffs in both cases sought a preliminary injunction seeking to enjoin closing of the Merger, which, by agreement, was heard by the Nevada court with the California plaintiffs invited to participate. On December 26, 2013, the court in the Nevada case denied the plaintiffs' motion for a preliminary injunction. Following the closing of the Merger, the Nevada plaintiffs filed a second amended complaint, which made essentially the same allegations and sought monetary damages as well as an order rescinding the Merger. The California plaintiffs dismissed their action without prejudice, and sought to intervene in the Nevada action, which was granted. Subsequent to the intervention, the plaintiffs filed a third amended complaint, which made essentially the same allegations as prior complaints and sought monetary damages. On June 20, 2014, VTBH and the Company moved to dismiss the action, but that motion was denied on August 28, 2014. On September 14, 2017, a unanimous en banc panel of the Nevada Supreme Court granted defendants' petition for writ of mandamus and ordered the trial court to dismiss the complaint but provided a limited basis upon which plaintiffs could seek to amend their complaint. Plaintiffs amended their complaint on December 1, 2017 to assert the same claims in a derivative capacity on behalf of the Company, as a well as in a direct capacity, against VTBH, Stripes Group, LLC, SG VTB Holdings, LLC, and the former members of the Company's Board of Directors. All defendants moved to dismiss this amended complaint on January 2, 2018, and those motions were denied on March 13, 2018. Defendants petitioned the Nevada Supreme Court to reverse this ruling on April 18, 2018. On June 15, 2018, the Nevada Supreme Court denied defendants' writ petition without prejudice. The district court subsequently entered a pretrial schedule and set trial for November 2019. On January 18, 2019, the district court certified a class of shareholders of the Company as of January 15, 2014. On October 11, 2019, the parties notified the district court that they had reached a settlement that would resolve the pending action if ultimately approved by the Court. On January 13, 2020, the district court preliminarily approved the settlement between the plaintiffs and all defendants. A final hearing was held on May 18, 2020, wherein the Court approved the settlement and entered final judgment.

On May 22, 2020, PAMTP LLC, which purports to hold the claims of eight shareholders who opted out of the class settlement described above, brought suit against the Company, the Company's CEO, Juergen Stark, Stripes Group, LLC, SG VTB Holdings, LLC, Kenneth Fox, and former members of the Company's Board of Directors in Nevada state court. This opt-out action asserts the same direct claims that were asserted by the class of shareholders described above. The defendants filed two motions to dismiss this complaint, which were heard on August 10, 2020. The Court denied those motions by order of August 20, 2020. The case was tried in August 2021 and all defendants, including the Company, prevailed on all counts with final judgment entered in their favor on September 3, 2021. Plaintiff has filed a notice of their intent to appeal the judgment. Defendants have pending motions to obtain their costs and fees in successfully defending against the claims, which were heard in December 2021.

*Commercial Dispute*: On July 20, 2016, BigBen Interactive S.A. ("BigBen") filed a statement of claim against VTB before the Regional Court of Berlin, Germany. The statement of claim alleged that VTB's termination of a distribution agreement by and between BigBen and VTB breached the terms thereof and was invalid, and that BigBen was entitled to damages as a result. On September 30, 2020, the Company and BigBen mutually agreed to resolve this claim.

*Employment Litigation:* On April 20, 2017, a former employee filed an action in the Superior Court for the County of San Diego, State of California. The complaint alleges claims including wrongful termination, retaliation, and various other provisions of the California Labor Code. The complaint seeks unspecified economic and non-economic losses, as well as allegedly unpaid wages, unreimbursed business expenses statutory penalties, interest, punitive damages, and attorneys' fees. The Company filed a cross-complaint against the former employee on May 25, 2017 for certain activities related to his employment with the Company. The matter was tried between September 24 and October 7, 2021. On October 8, 2021, a jury rendered a unanimous verdict in favor of the Company on the employment claims. The Court granted a directed verdict to the Company on its Cross Complaint against the former employee. Judgment was entered in favor of the Company on October 27, 2021. On December 20, 2021, the former employee filed a notice of appeal of the judgment.

*Settlement of Disputes*: On May 5, 2020, Jöllenbeck GmbH and First Wise Media GmbH, two of our distributors and affiliates of the sellers of the ROCCAT business, filed for insolvency in Germany. On June 30, 2020, the Company entered into a Settlement Agreement with those companies and the sellers of the ROCCAT business pursuant to which, among other things, the Company received a payment for certain outstanding claims and accounts receivable. On July 1, 2020, the insolvency proceedings for the two companies formally commenced. The Company has filed a claim in those proceedings for approximately €130,000 with respect to the remaining outstanding accounts receivable.

*Intellectual Property dispute:* On November 24, 2020, ABP Technology Limited (ABP) issued a claim for trademark infringement in the High Court of England and Wales against Voyetra Turtle Beach, Inc. ("VTB") and Turtle Beach Europe Limited ("TBEU") relating to the use by VTB and TBEU of the sign STEALTH on and in relation to gaming headsets in the UK. VTB and TBEU filed and served a Defense to the claim on February 2, 2021. On March 31, 2021, ABP filed an application for summary judgement. The summary judgment application was heard by the Court in November 2021 and was dismissed. VTB and TBEU were granted permission by the Court to amend their Defense to include a counterclaim against ABP for trademark infringement. In January 2022, ABP was granted leave to appeal to the Court of Appeal in respect of the decision to allow VTB and TBEU to amend their Defense. The appeal is due to be heard before April 13, 2022. The next stage in the main proceedings will be a Case Management Conference (date to be set) at which the Court will give directions for each stage to trial. The trial is expected to be set for late 2022/early 2023.

The Company will continue to vigorously defend itself in the foregoing matters. However, litigation and investigations are inherently uncertain. Accordingly, the Company cannot predict the outcome of these matters. The Company has not recorded any accrual at December 31, 2021 for contingent losses associated with these matters based on its belief that losses, while possible, are not probable. Further, any possible range of loss cannot be reasonably estimated at this time. The unfavorable resolution of these matters could have a material adverse effect on the Company's business, results of operations, financial condition, or cash flows. The Company is engaged in other legal actions, not described above, arising in the ordinary course of its business and, while there can be no assurance, believes that the ultimate outcome of these other legal actions will not have a material adverse effect on its business, results of operations, financial condition, or cash flows.

**Warranties**

The Company warrants products against certain manufacturing and other defects. These product warranties are provided for specific periods of time depending on the nature of the product. Warranties are generally fulfilled by replacing defective products with new products. The following table provides the changes in our product warranties, which are included in other current liabilities:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2021** | **2020** | **2019** |
| | | (in thousands) | |
| Warranty, beginning of period | $ 1,039 | $ 742 | $ 668 |
| Warranty costs accrued | 674 | 1,336 | 816 |
| Settlements of warranty claims | (857) | (1,039) | (742) |
| Warranty, end of period | $ 856 | $ 1,039 | $ 742 |

**Operating Leases – Right of Use Assets**

The Company adopted ASU 2016-02, *Leases*, on January 1, 2019. The Company determines whether an arrangement is a lease at inception. The Company leases office spaces that provide for future minimum rental lease payments under non-cancelable operating leases that have remaining lease terms of one year to nine years, and do not contain any material residual value guarantees or material restrictive covenants.

The components of the right-of-use assets and lease liabilities were as follows:

| | Balance Sheet Classification | December 31, 2021 |
|---|---|---|
| | | (in thousands) |
| Right-of-use assets | Other assets | $ 7,412 |
| | | |
| Lease liability obligations, current | Other current liabilities | $ 765 |
| Lease liability obligations, noncurrent | Other liabilities | 6,994 |
| Total lease liability obligations | | $ 7,759 |
| Weighted-average remaining lease term (in years) | | 6.0 |
| Weighted-average discount rate | | 3.75% |

During the year ended December 31, 2021, the Company recognized approximately $1.4 million of lease costs in operating expenses and approximately $1.1 million of operating cash flows from operating leases.

Approximate future minimum lease payments for the Company's right of use assets over the remaining lease periods as of December 31, 2021:

| | (in thousands) |
|---|---|
| 2022 | $ 1,113 |
| 2023 | 1,143 |
| 2024 | 1,164 |
| 2025 | 1,148 |
| 2026 | 1,047 |
| Thereafter | 3,436 |
| **Total minimum payments** | 9,051 |
| Less: Imputed interest | (1,292) |
| **Total** | $ 7,759 |

**Note 14. Selected Quarterly Financial Data – Unaudited**

| **Fiscal 2021** | **Quarter** | | | |
|---|---|---|---|---|
| | **First** | **Second** | **Third** | **Fourth** |
| | (in thousands, except per share data) | | | |
| Net Revenue | $ 93,053 | $ 78,564 | $ 85,307 | $ 109,430 |
| Gross Margin | 34,855 | 28,710 | 29,273 | 35,545 |
| Net Income (Loss) | 8,838 | 1,721 | 2,623 | 4,539 |
| Earnings (Loss) Per Share | | | | |
| Basic | $ 0.57 | $ 0.11 | $ 0.16 | $ 0.28 |
| Diluted | $ 0.49 | $ 0.09 | $ 0.14 | $ 0.25 |

| **Fiscal 2020** | **Quarter** | | | |
|---|---|---|---|---|
| | **First** | **Second** | **Third** | **Fourth** |
| | (in thousands, except per share data) | | | |
| Net Revenue | $ 35,007 | $ 79,680 | $ 112,494 | $ 132,912 |
| Gross Margin | 10,785 | 29,227 | 46,136 | 47,640 |
| Net Income (Loss) | (3,555) | 8,204 | 17,794 | 16,303 |
| Earnings (Loss) Per Share | | | | |
| Basic | $ (0.25) | $ 0.56 | $ 1.20 | $ 1.07 |
| Diluted | $ (0.25) | $ 0.51 | $ 1.04 | $ 0.93 |

**Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A - Controls and Procedures**

**Disclosure Controls and Procedures**

Disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are designed to ensure that (1) information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (2) that such information is accumulated and communicated to management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosures.

At the conclusion of the period covered by this Report, we carried out an evaluation, under the supervision of our Chief Executive Officer (our principal executive officer, or PEO) and our Chief Financial Officer (our principal financial officer, or PFO), of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our PEO and PFO concluded that our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, were effective as of December 31, 2021.

**Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) of the Exchange Act). Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Because of these inherent limitations, internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation and may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. In making this assessment, we used the framework and criteria established in Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment using those criteria, we concluded that, as of December 31, 2021, our internal control over financial reporting was effective.

BDO USA, LLP, the independent registered public accounting firm that audited the Company's financial statements included in this Report, has also audited the Company's internal control over financial reporting as of December 31, 2021 as stated in its report which appears following Item 9C of this Annual Report on Form 10-K.

**Changes in Internal Control over Financial Reporting**

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B - Other Information**

None.

**Item 9C- Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Turtle Beach Corporation
White Plains, New York

**Opinion on Internal Control over Financial Reporting**

We have audited Turtle Beach Corporation's (the "Company's") internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and schedule (collectively referred as "the financial statements") and our report dated March 2, 2022 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

New York, New York
March 2, 2022

## PART III

### Item 10 - Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated herein by reference to the information in our Definitive Proxy Statement to be filed with the SEC within 120 days after the end of the Company's fiscal year ended December 31, 2021 in connection with our 2021 Annual Meeting of Stockholders (the "2021 Proxy Statement") or an amendment to this Report filed within the same time period (the "Amendment"), in either case, set forth under the captions "Election of Directors," "Management Information," "Corporate Governance" and, if applicable, "Delinquent Section 16(a) Reports."

We have adopted a code of business conduct and ethics that applies to our Chief Executive Officer and Chief Financial Officer. This code of business conduct and ethics is available on the Company's website, corp.turtlebeach.com. The information on our website is not a part of or incorporated by reference into this Report. If the Company makes any amendments to this code other than technical, administrative or other non-substantive amendments, or grants any waivers, including implicit waivers, from a provision of this code to the Company's Chief Executive Officer or Chief Financial Officer, the Company will disclose the nature of the amendment or waiver, its effective date and to whom it applies by posting such information on the Company's website at corp.turtlebeach.com.

### Item 11 - Executive Compensation

The information required by this Item is incorporated herein by reference to the information in our 2021 Proxy Statement or the Amendment set forth under captions "Corporate Governance," and "Executive Compensation."

### Item 12 - Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference to the information in our 2021 Proxy Statement or the Amendment set forth under the captions "Executive Compensation" and "Security Ownership of Certain Beneficial Owners and Management."

### Item 13 - Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to the information in our 2021 Proxy Statement or the Amendment set forth under the captions "Corporate Governance" and "Executive Compensation."

### Item 14 - Principal Accounting Fees and Services

The information required by this Item is incorporated herein by reference to the information in our 2021 Proxy Statement or the Amendment set forth under the captions "Audit and Non-Audit Fees."

# PART IV

## Item 15. Exhibits and Financial Statement Schedules

a. List of documents filed as part of this Report:

1. The following Consolidated Financial Statements of the Company are filed as part of this Report:

   Report of Independent Registered Public Accounting Firm (BDO USA, LLP New York, New York, PCAOB #243);

   Consolidated Statements of Operations for the Fiscal Years Ended December 31, 2021, 2020 and 2019;

   Consolidated Statements of Comprehensive Income (Loss) for the Fiscal Years Ended December 31, 2021, 2020 and 2019;

   Consolidated Balance Sheets as of December 31, 2021 and 2020;

   Consolidated Statements of Stockholders' Equity for the Fiscal Years Ended December 31, 2021, 2020 and 2019;

   Consolidated Statements of Cash Flows for the Fiscal Years Ended December 31, 2021, 2020 and 2019; and

   Notes to the Consolidated Financial Statements.

2. The following financial schedule and related report for the years 2021, 2020 and 2019 is submitted herewith:

   Schedule II - Valuation and Qualifying Accounts; and

   All other schedules have been omitted because they are not applicable, not required or the information has been otherwise supplied in the financial statements or notes thereto.

3. The exhibits listed in the Exhibit Index attached hereto are filed as part of this Annual Report and incorporated herein by reference.

b. The exhibits listed in the Exhibit Index attached hereto are filed as part of this Annual Report and incorporated herein by reference.

c. Not applicable.

## Item 16. - Form 10-K Summary

None.

**Exhibits**

| | |
|---|---|
| 2.1* | Agreement and Plan of Merger, dated August 5, 2013, among the Company, Merger Sub and VTBH (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K originally filed with the SEC on August 5, 2013). |
| 3.1 | Articles of Incorporation of Turtle Beach Corporation, as amended (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q originally filed with the SEC on August 6, 2018). |
| 3.2 | Bylaws, as amended, of Turtle Beach Corporation (Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K originally filed with the SEC on June 20, 2019). |
| 3.3 | Third Amended and Restated Certificate of Incorporation of VTBH (Incorporated by reference to Exhibit B to Exhibit 3.1 to the Company's Current Report on Form 8-K originally filed with the Securities and Exchange Commission on August 5, 2013). |
| 4.1 | Stockholder Agreement dated August 5, 2013 among Turtle Beach Corporation and certain of our shareholders. (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 5, 2013). |
| 4.2 | Amendment No. 1 to the Stockholder Agreement, dated July 10, 2014, by and among the Company and the shareholders party thereto (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 10, 2014). |
| 4.3 | Form of Turtle Beach Corporation stock certificate (Incorporated by reference to Exhibit 4.1 to the Company's Form 10/A filed with the Securities and Exchange Commission on July 27, 2010.) |
| 4.7 | Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities and Exchange Act of 1934 (Incorporated by reference to Exhibit 4.7 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 13, 2020). |
| 10.1 | First Amendment to Amended and Restated Loan, Guaranty and Security Agreement, dated as of December 17, 2018, by and among Turtle Beach Corporation, Voyetra Turtle Beach, Inc., Turtle Beach Europe Limited, VTB Holdings, Inc., the financial institutions party thereto and Bank of America, N.A., as administrative agent, collateral agent and security trustee for the lenders. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 19, 2018). |
| 10.2† | Amended and Restated Turtle Beach Corporation 2013 Stock-Based Incentive Compensation Plan, as amended (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q originally filed with the SEC on August 9, 2019). |
| 10.3** | Form of Performance Stock Unit Agreement under the Amended and Restated Turtle Beach Corporation 2013 Stock-Based Incentive Compensation Plan. |
| 10.4** | Form of Restricted Stock Agreement under the Amended and Restated Turtle Beach Corporation 2013 Stock-Based Incentive Compensation Plan |
| 10.5† | Turtle Beach Corporation Annual Incentive Bonus Plan (Incorporated by reference to Annex F to the Company's Definitive Proxy Statement on Schedule 14A originally filed with the SEC on December 3, 2013). |
| 10.6† | VTB Holdings, Inc. 2011 Phantom Equity Appreciation Plan (Incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 12, 2014). |
| 10.7† | Offer Letter, dated as of August 13, 2012, between Voyetra Turtle Beach, Inc. and Juergen Stark (Incorporated by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 12, 2014). |
| 10.8† | Offer Letter, dated as of August 2, 2021, between Voyetra Turtle Beach, Inc. and Juergen Stark (Incorporated by reference to Exhibit 10.1 to the Company's Report on Form 8-K with the Securities and Exchange Commission on August 4, 2021). |
| 10.9† | Stock Option Agreement, dated as of May 20, 2015, by and between the Company and Juergen Stark (Incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2016). |
| 10.10† | Offer Letter, dated as of September 16, 2013, by and between Voyetra Turtle Beach, Inc. and John Hanson (Incorporated by reference to Exhibit 10.26 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 12, 2014). |

| | |
|---|---|
| 10.11† | Form of Indemnification Agreement (Incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2015). |
| 10.12† | Turtle Beach Corporation Amended and Restated Retention Plan, dated November 18, 2021 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 19, 2021). |
| 10.13† | Letter Agreement, dated November 19, 2021, between Turtle Beach Corporation and John Hanson (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 19, 2021). |
| 21** | Subsidiaries of the Company. |
| 23.1** | Consent of BDO USA, LLP. |
| 31.1** | Certification of Juergen Stark, Principal Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2** | Certification of John T. Hanson, Principal Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Juergen Stark, Principal Executive Officer and John Hanson, Principal Financial Officer. |
| | **Extensible Business Reporting Language (XBRL) Exhibits** |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document. ** |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document** |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document** |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document** |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document** |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document** |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |
| * | All exhibits and schedules to the Agreement and Plan of Merger have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish the omitted exhibits and schedules to the SEC upon request by the SEC. |
| ** | Filed herewith. |
| *** | Furnished herewith. |
| † | Management contract or compensatory plan. |

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

TURTLE BEACH CORPORATION

| | |
|---|---|
| Date: March 2, 2022 | By: /s/ JOHN T. HANSON<br>**John T. Hanson**<br>**Chief Financial Officer, Treasurer and Secretary**<br>(Principal Financial and Accounting Officer) |

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| | |
|---|---|
| Date: March 2, 2022 | /s/ JUERGEN STARK<br>Juergen Stark, Chairman and Chief Executive Officer<br>(Principal Executive Officer) |
| Date: March 2, 2022 | /s/ JOHN T. HANSON<br>John T. Hanson, Chief Financial Officer, Treasurer and Secretary<br>(Principal Financial and Accounting Officer) |
| Date: March 2, 2022 | /s/ WILLIAM E. KEITEL<br>William E. Keitel, Lead Independent Director |
| Date: March 2, 2022 | /s/ GREGORY BALLARD<br>Gregory Ballard, Director |
| Date: March 2, 2022 | /s/ YIE-HSIN HUNG<br>Yie-Hsin Hung, Director |
| Date: March 2, 2022 | /s/ KELLY THOMPSON<br>Kelly Thompson, Director |
| Date: March 2, 2022 | /s/ ANDREW WOLFE<br>Andrew Wolfe, Director |

**Turtle Beach Corporation**

Schedule II - Valuation and Qualifying Accounts

Years ended December 31, 2021, 2020 and 2019

| Description | Balance - Begin | Additions | Deductions / Other | Balance - End |
|---|---|---|---|---|
| | | (in thousands) | | |
| Year Ended December 31, 2021: | | | | |
| Allowance for sales returns | $ 11,233 | $ 21,506 | $ (23,742) | $ 8,997 |
| Allowance for cash discounts | 18,649 | 15,794 | $ (8,814) | 25,629 |
| Allowance for doubtful accounts | 15 | 468 | $ (381) | 102 |
| | | | | $ 34,728 |
| Year Ended December 31, 2020: | | | | |
| Allowance for sales returns | $ 8,815 | $ 21,193 | $ (18,775) | $ 11,233 |
| Allowance for cash discounts | 15,979 | 21,847 | $ (19,177) | 18,649 |
| Allowance for doubtful accounts | 146 | 0 | $ (131) | 15 |
| | | | | $ 29,897 |
| Year Ended December 31, 2019: | | | | |
| Allowance for sales returns | $ 9,212 | $ 16,866 | $ (17,263) | $ 8,815 |
| Allowance for cash discounts | 13,892 | 18,935 | (16,848) | 15,979 |
| Allowance for doubtful accounts | 167 | 6 | (27) | 146 |
| | | | | $ 24,940 |

**CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) WOULD BE LIKELY TO CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED. SUCH EXCLUDED INFORMATION IS DENOTED BY ASTERISKS IN BRACKETS [**].**

**Exhibit 10.3**

# TURTLE BEACH CORPORATION

## 2013 STOCK-BASED INCENTIVE COMPENSATION PLAN
## (as amended and restated effective June 14, 2019)

## PERFORMANCE STOCK UNIT SUMMARY OF GRANT

Turtle Beach Corporation, a Nevada corporation (the "Company"), pursuant to its 2013 Stock-Based Incentive Compensation Plan, as amended and restated effective June 14, 2019 (the "Plan"), hereby grants to the individual listed below (the "Grantee"), this performance stock unit grant representing the target number of performance stock units set forth below (the "Performance Stock Units") that may become earned and vested by the Grantee based on the level of achievement of the Performance Goals. The actual number of Performance Stock Units earned and vested will be based on the actual performance level achieved with respect to the Performance Goals set forth on Schedule A. The Performance Stock Units are subject in all respects to the terms and conditions set forth herein, in the Performance Stock Unit Award Agreement attached hereto as Exhibit A (the "Performance Stock Unit Award Agreement") and the Plan, each of which is incorporated herein by reference and made part hereof. Unless otherwise defined herein, capitalized terms used in this Performance Stock Unit Summary of Grant (the "Summary of Grant") and the Performance Stock Unit Award Agreement will have the meanings set forth in the Plan.

| | |
|---|---|
| Grantee: | ________________________ |
| Date of Grant: | ________________________ |
| Target Award: | ___________ Performance Stock Units |
| Performance Periods: | As set forth on Schedule A, each calendar year beginning on January 1 and ending on December 31 for calendar years 20__, 20__, and 20__ (each a "Performance Period", collectively, the "Performance Periods"). |
| Performance Goals: | Each Performance Period, the Performance Stock Units will vest as to (i) 50% of the Target Award allocable to such Performance Period based on Revenue Growth and (ii) 50% of the Target Award allocable to such Performance Period based on EBITDA, each set forth on Schedule A. |
| Vesting Schedule: | Except as set forth herein, the Performance Stock Units will become earned and vested based on the performance level achieved with respect to the Performance Goals and the Grantee continuing to be employed by, or provide service to, the Company or any Subsidiary through April 1 of the fiscal year following the end of each Performance Period as set forth in Schedule A (each "Vesting Date").<br><br>The number of Performance Stock Units set forth above is equal to the target number of shares of Company Stock that the Grantee will earn and become vested in for 100% achievement of the Performance Goals (referred to as the "Target Award"). The actual number of shares of Company Stock that the Grantee will become earned and vested in with respect to the Performance Stock Units may be greater or less than the Target Award, or even zero, and will be based on the performance level achieved by the Company with respect to the Performance Goals, as set forth on Schedule A. Performance level is measured based on the descriptions as set forth on Schedule A. If actual performance is between performance levels, the number of Performance Stock Units earned and vested will be interpolated on a straight line basis for pro-rata achievement of the Performance Goals; provided that failure to achieve the minimum performance level with respect to a Performance Goal will result in no Performance Stock Units being earned and vested with respect to that Performance Goal.<br><br>In the event the Grantee ceases to be employed by, or provide service to, the Company or any Subsidiary, for any reason other than in connection with a Change in Control, as set forth below, unvested Performance Stock Units shall be forfeited as of the date of termination of employment or service, irrespective of the level of achievement of the Performance Goals. |
| Vesting Upon Death, Disability or Certain | In the event a Change in Control occurs while the Grantee is employed by, or providing service to, the Company or any Subsidiary, the Performance Period will end on the date of the Change in Control and the Performance Stock Units attributable to the Performance Period in which the Change in Control occurs shall be converted to Restricted Stock |

| | |
|---|---|
| Termination Events: | Units, as defined in the Plan, that vest solely on the passage of time, in an amount equal to the greater of: (i) if performance is measurable (as determined by the Committee), the number of Performance Stock Units that would have vested based on the Company's actual performance level achieved with respect to the Performance Goals as of the Change in Control date, or (ii) the Target Award, effective as of the date of the Change in Control, and shall vest and be paid on the same dates as the Performance Stock Units. The Performance Stock Units attributable to the Performance Period or Cycles following the Performance Period in which the Change in Control occurs shall be converted to Restricted Stock Units in an amount equal to the Target Award applicable to such Performance Period or Cycles.<br><br>Notwithstanding the foregoing, if the Grantee's employment or service to the Company or any Subsidiary is terminated by the Company or any Subsidiary without Cause or if the Grantee terminates his or her employment for Good Reason (as defined in the Turtle Beach Corporation Amended and Restated Retention Plan Document) during the one-year period immediately following a Change in Control, the unvested portion of the converted Restricted Stock Units described immediately above shall fully vest as of the date of termination. |
| Vesting Upon Change in Control: | |

| | |
|---|---|
| Issuance Schedule: | The Grantee will receive a payment with respect to the Performance Stock Units earned and vested with respect to a Performance Period pursuant to this Performance Stock Unit Award Agreement, if any, as soon as practicable on or after the Vesting Date (the "Payment Date"). Payment will be made with respect to the Performance Stock Units on the Payment Date in accordance with the Performance Stock Unit Award Agreement, with each Performance Stock Unit earned and vested equivalent to one share of Company Stock. In no event will any fractional shares be issued. Except as set forth herein, the Grantee must be employed by the Company on each Vesting Date in order to earn and vest in the Performance Stock Units, unless the Committee determines otherwise. |

**Grantee Acceptance**:

By signing the acknowledgement below, the Grantee agrees to be bound by the terms and conditions of the Plan, the Performance Stock Unit Award Agreement and this Summary of Grant. The Grantee accepts as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan, this Summary of Grant or the Performance Stock Unit Award Agreement.

The Grantee acknowledges delivery of the Plan and the Plan prospectus together this with this Summary of Grant and the Performance Stock Unit Award Agreement. Additional copies of the Plan and the Plan prospectus are available by contacting Megan Wynne at [**].

Agreed and accepted:

______________________________
Grantee

______________________________
Date

## SCHEDULE A

## PERFORMANCE GOALS

***1. Revenue Growth Performance Goal***

The number of Performance Stock Units that may become earned and vested will be determined based on the actual performance level of Revenue Growth (as defined below) in excess of Market Growth (as defined below), if any, achieved with respect to the below performance measures during the applicable Performance Period (the "Performance Goals" and each individual measure, a "Performance Goal").

"Market" means, for the applicable Performance Period, [**].

"Market Growth" means a quotient (expressed as a percentage) equal to (a) the difference between (i) Market for the applicable Performance Period and (ii) Market for the Performance Period prior to the applicable Performance Period; over (b) Market for the Performance Period prior to the applicable Performance Period. For example: if Market for the 20__ Performance Period = 100 units and Market for the 20__ Performance Period = 105 units, then Market Growth will equal 5%.

"Net Revenue" means, for the applicable Performance Period, the Company's Net Revenue as reported in the Company's consolidated statement of operations filed with the Company's Annual Report on Form 10-K.

"Revenue Growth" means a quotient (expressed as a percentage) equal to (a) the difference between (i) Net Revenue for the applicable Performance Period and (ii) Net Revenue for the Performance Period prior to the applicable Performance Period; over (b) Net Revenue for the Performance Period prior to the applicable Performance Period. For example: if Net Revenue for the 2021 Performance Period = $100,000,000 and Net Revenue for the 2022 Performance Period = $110,000,000, then Revenue Growth will equal 10%.

| **January 1, 2021-December 31, 2023 Performance Periods** | | | | |
|---|---|---|---|---|
| **Performance Cycle** | **Target Vesting Allocation*** | **Performance Level** | **Performance Goals** | **Percentage of Performance Stock Units Earned and Vested** |
| January 1 – December 31, 20__ | 33% | Threshold | Revenue Growth = Market Growth | 50% |
| | | Target | Revenue Growth = Market Growth + 5% | 100% |
| | | Stretch | Revenue Growth = Market Growth + 10% | 200% |
| January 1 – December 31, 20__ | 33% | Threshold | Revenue Growth = Market Growth | 25% |
| | | Target | Revenue Growth = Market Growth + 5% | 100% |
| | | Stretch | Revenue Growth = Market Growth + 10% | 200% |
| January 1 – December 31, 20__ | 34% | Threshold | Revenue Growth = Market Growth | 25% |
| | | Target | Revenue Growth = Market Growth + 5% | 100% |
| | | Stretch | Revenue Growth = Market Growth + 10% | 200% |

*The actual number of Performance Stock Units earned and vested will be based on the actual performance level achieved at or between each performance level and will be interpolated on a straight line basis for pro-rata achievement of the Performance Goals; provided that if the actual performance level achieved does not meet threshold performance level for the applicable Performance Goal, then no Performance Stock Units will be earned and vested for that Performance Goal pursuant to this Agreement. The actual number of Performance Stock Units earned and vested will be determined by the Committee based on the actual performance level achieved with respect to the applicable Performance Goals.

*2. EBITDA Percentage of Net Revenue*

The number of Performance Stock Units that may become earned and vested will be determined based on the actual performance level of EBITDA (as defined below) as a percentage of Net Revenue (as defined below), determined by dividing (a) EBITDA by (b) Net Revenue for the applicable Performance Period, with respect to the following performance measure during the applicable Performance Period (the "Performance Goals" and each individual measure, a "Performance Goal").

"EBITDA" means, for the applicable Performance Period, the Company's Adjusted Earnings Before Income Tax, Depreciation, and Amortization as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations filed with the Company's Annual Report on Form 10-K.

"Net Revenue" means, for the applicable Performance Period, the Company's Net Revenue as reported in the Company's consolidated statement of operations filed with the Company's Annual Report on Form 10-K.

**Performance Periods**

| **January 1 – December 31, 20__** | **January 1 – December 31, 20__** | **January 1 – December 31, 20__** | **Percentage of Performance Stock Units Earned and Vested**** |
|---|---|---|---|
| **Target Vesting Allocation:** | | | |
| 33% | 33% | 34% | |
| **EBITDA %** | **EBITDA %** | **EBITDA %** | |
| 6% | 7% | 8% | **0%** |
| 8% | 9% | 10% | **50%** |
| 10% | 11% | 12% | **75%** |
| **12%** | **13%** | **14%** | **100%** |
| 14% | 15% | 16% | **125%** |
| 15% | 16% | 17% | **150%** |
| 16% | 17% | 18% | **200%** |

**The actual number of Performance Stock Units earned and vested will be based on the actual performance level achieved at or between each performance level and will be interpolated on a straight line basis for pro-rata achievement of the Performance Goals. The actual number of Performance Stock Units earned and vested will be determined by the Committee based on the actual performance level achieved with respect to the applicable Performance Goals.

**EXHIBIT A**

**TURTLE BEACH CORPORATION**
**2013 STOCK-BASED INCENTIVE COMPENSATION PLAN**
**(as amended and rested effective June 14, 2019)**

**PERFORMANCE STOCK UNIT AWARD AGREEMENT**

This PERFORMANCE STOCK UNIT AWARD AGREEMENT ("Agreement") dated as of _________, 20__ (the "Grant Date"), is by and between Turtle Beach Corporation, a Nevada corporation (the "Company"), and [EMPLOYEE NAME] (the "Grantee").

RECITALS

WHEREAS, the Company desires to afford the Grantee an opportunity to own Performance Stock Units of the Company as hereinafter provided, in accordance with the provisions of the Turtle Beach Corporation Amended and Restated 2013 Stock-Based Incentive Compensation Plan, as amended (the "Plan"), a copy of which is attached hereto as Exhibit B;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. The Company hereby grants to the Grantee an award of Performance Stock Units (the "Performance Stock Units") in an amount of the Target Award, as set forth in the Summary of Grant, subject to the vesting and other terms and conditions of this Agreement.

2. Performance Stock Unit Account. Performance Stock Units represent hypothetical shares of common stock of the Company ("Common Stock") and not actual shares of stock. The Company shall establish and maintain a Performance Stock Unit account, as a bookkeeping account on its records, for the Grantee and shall record in such account the number of Performance Stock Units granted to the Grantee. No shares of Common Stock shall be issued to the Grantee at the time the grant is made, and the Grantee shall not be, nor have any of the rights or privileges of, a stockholder of the Company with respect to any Performance Stock Units recorded in the account.

3. Vesting.

(a) The Performance Stock Units will become earned and vested based on the actual performance level achieved with respect to the Performance Goals (as set forth on Schedule A to the Summary of Grant) and the Grantee continuing to be employed by, or provide service to, the Company through a Vesting Date (as defined in the Summary of Grant).

(b) The Committee will, as soon as practicable following the last day of the Performance Period (as defined in the Summary of Grant), determine (i) the extent, if any, to which, each of the Performance Goals has been achieved with respect to the Performance Period and (ii) the number of shares of Common Stock, if any, which, the Grantee will be entitled to receive with respect to this Agreement. Such determination will be final, conclusive and binding on the Grantee, and on all other persons, to the maximum extent permitted by law. In the event that the Committee makes a final determination that the Performance Goals have not been achieved, the Grantee will have no further rights to receive shares of Common Stock hereunder.

(c) Except as set forth in the Summary of Grant, if the Grantee ceases to be employed by, or provide service to, the Company or any Subsidiary for any reason prior to a Vesting Date, the Grantee will forfeit all rights to receive shares of Common Stock hereunder and the Grantee will not have any rights with respect to any portion of the shares of Common Stock that have not yet become vested as of the date the Grantee ceases to be employed by, or provide service to, the Company, irrespective of the level of achievement of the Performance Goals.

4. Payment/Conversion of Performance Stock Units.

(a) Except as otherwise provided in this Section 4, if the Performance Stock Units vest in accordance with Section 3 or 5(b), the Grantee shall be entitled to receive payment of the vested Performance Stock Units as soon as practicable after the applicable Vesting Date, but no later than April 1 of the fiscal year following the end of the applicable Performance Period.

(b) On the applicable Payment Date, each vested Performance Stock Unit credited to the Grantee's account shall be settled in (i) cash with a value equal to the Fair Market Value of the shares of Common Stock underlying the Performance Stock Units, (ii) shares of Common Stock of the Company equal to the number of vested Performance Stock Units, or (iii) a combination of the above, in each case as determined by the Committee in its sole discretion and subject to compliance with the six-month delay described in Section 17 below, if applicable, and the payment of any federal, state, local, or foreign withholding taxes as described in Section 10 below. The obligation of the Company to distribute shares of Common Stock shall be subject to the rights of the Company as set forth in the Plan and to all applicable laws, rules, regulations, and such approvals by governmental agencies as may be deemed appropriate by the Committee, including as set forth in Section 12 below.

5. Effect of Termination of Employment.

(a) If the Grantee ceases to be employed by, or provide service to, the Company or any Subsidiary, for any reason other than in the event of a Change in Control, as set forth in Section 5(b) below, the Award shall immediately cease to vest, and the unvested portion shall be forfeited as of the date of termination of employment or service.

(b) Notwithstanding the foregoing, if the Grantee's employment is terminated by the Company or any Subsidiary without Cause or if the Grantee terminates his or her employment for Good Reason (as defined in the Turtle Beach Corporation Amended and Restated Retention Plan Document) during the one-year period immediately following a Change in Control, the unvested portion of the Award shall vest as of the date of such termination, and such termination date shall be a "Vesting Date" for purposes of this Agreement.

6. Change in Control. Except as provided in Section 5 above and the Summary of Grant, the provisions of the Plan applicable to a Change in Control shall apply to the Performance Stock

Units, and, in the event of a Change in Control, the Committee may take such actions as it deems appropriate pursuant to the Plan.

7. Restrictions; Transferability of Performance Stock Units. The Performance Stock Units and any rights relating thereto are not assignable or transferable, and the Performance Stock Units shall not be alienated, pledged, or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Performance Stock Units during the Performance Period shall be wholly ineffective and, if any such attempt is made, the Performance Stock Units shall be forfeited by the Grantee and all of the Grantee's rights in and to the Performance Stock Units shall immediately terminate without any payment or consideration due to the Grantee.

8. No Right to Continued Service. Neither the Plan nor this Agreement shall confer upon the Grantee any right to be retained in any position with the Company or any Subsidiary. Further, nothing in the Plan or this Agreement shall be construed to limit the discretion of the Company to terminate the Grantee's employment, at any time, with or without Cause.

9. Plan Terms; Definitions. The Performance Stock Units covered by the Award are issued under the Plan and governed by its terms. Except as specifically set forth herein, in the event of any inconsistency in the Plan and this Agreement, the Plan's terms control. Any term capitalized herein that is not separately defined shall have the meaning set forth in the Plan.

10. Income Taxes; Withholding Taxes. The Grantee is solely responsible for the satisfaction of all taxes that may arise in connection with the Performance Stock Units pursuant to this Agreement. At the time of taxation, the Company shall have the right to deduct from other compensation or from amounts payable with respect to the Performance Stock Units, including by withholding shares of the Company's Common Stock, an amount equal to the federal (including FICA), state, local and foreign income and payroll taxes and other amounts as may be required by law to be withheld with respect to the Performance Stock Units. Without limiting the foregoing, upon payment of the Performance Stock Units, the Company may withhold shares of Common Stock subject to the vested Performance Stock Units to cover any of the applicable withholding for related FICA tax and income tax liabilities (not to exceed the maximum statutory rates).

11. Governing Law. To the extent that Federal laws do not otherwise control, the validity, construction, interpretation, and effect of this instrument shall exclusively be governed by, and determined in accordance with, the applicable laws of the State of California, excluding any conflicts or choice of law rule or principle.

12. Grant Subject to Applicable Laws and Company Policies. This Award of Performance Stock Units shall also be subject to the Company's stock ownership guidelines, any applicable clawback or recoupment policies, share trading policies, and other policies that may be implemented by the Board from time to time in accordance with applicable law. Notwithstanding anything in this Agreement to the contrary, the Plan, this Agreement, and the Performance Stock Units awarded hereunder shall be subject to all applicable laws, including any laws, regulations, restrictions, or governmental guidance that becomes applicable in the event of the Company's participation in any governmental programs, and the Committee reserves the right to modify this Agreement and the Performance Stock Units as necessary to conform to any restrictions imposed

by any such laws, regulations, restrictions, or governmental guidance or to conform to any applicable clawback or recoupment policies, share trading policies, and other policies that may be implemented by the Board from time to time. As a condition of participating in the Plan, and by the Grantee's acceptance of the Performance Stock Units, the Grantee is deemed to have agreed to any such modifications that may be imposed by the Committee, and agrees to sign such waivers or acknowledgments as the Committee may deem necessary or appropriate with respect to such modifications.

13. Entire Agreement; Receipt of Documents. This Agreement and the Plan set forth the entire understanding of the parties hereto and supersede all prior agreements, arrangements, and communications, whether oral or written, pertaining to the subject matter hereof. The Grantee hereby acknowledges receipt of a copy of the Plan and this Agreement, represents that he or she has read and understands the terms and provisions thereof, and accepts the Award subject to all the terms and conditions of the Plan and this Agreement.

14. Counterparts. This Agreement may be executed and delivered in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. This Agreement shall become effective only when counterparts have been executed and delivered by all parties whose names are set forth on the signature page(s) hereof. Any signature delivered by fax or in pdf format shall have the same force and effect as an original signature.

15. Binding Effect; Benefits. This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and assigns. Nothing in this Agreement, express or implied, is intended or shall be construed to give any person or entity other than the parties to this Agreement or their respective successors or assigns any legal or equitable right, remedy or claim under or in respect of any agreement or any provision contained herein.

16. Waiver. The waiver by either party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach and no failure by either party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights or privileges hereunder or shall be deemed a waiver of such party's rights to exercise the same at any subsequent time or times hereunder.

17. Section 409A. This Award of Performance Stock Units is intended to be exempt from or comply with the applicable requirements of section 409A of the Code and shall be administered in accordance with section 409A of the Code. Notwithstanding anything in this Agreement to the contrary, if the Performance Stock Units constitute "deferred compensation" under section 409A of the Code and the Performance Stock Units become vested and settled upon the Grantee's termination of employment, payment with respect to the Performance Stock Units shall be delayed for a period of six months after the Grantee's termination of employment if the Grantee is a "specified employee" as defined under section 409A of the Code (as determined by the Committee), if required pursuant to section 409A of the Code. If payment is delayed, the shares of Common Stock of the Company shall be distributed within 30 days of the date that is the six-month anniversary of the Grantee's termination of employment. If the Grantee dies during the six-month delay, the shares shall be distributed in accordance with the Grantee's will or under the applicable laws of descent and distribution. Notwithstanding any provision to the contrary herein,

payments made with respect to this Award of Performance Stock Units may only be made in a manner and upon an event permitted by section 409A of the Code, and all payments to be made upon a termination of employment hereunder may only be made upon a “separation from service” as defined under section 409A of the Code. To the extent that any provision of this Agreement would cause a conflict with the requirements of section 409A of the Code, or would cause the administration of the Performance Stock Units to fail to satisfy the requirements of section 409A of the Code, such provision shall be deemed null and void to the extent permitted by applicable law. In no event shall a Grantee, directly or indirectly, designate the calendar year of payment. If the Performance Stock Units constitute “deferred compensation” under section 409A of the Code and payment is subject to the execution of a release of claims in favor of the Company and its Affiliates, and if payment with respect to the Performance Stock Units that is subject to the execution of the release could be made in more than one taxable year, payment shall be made in the later taxable year.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute and attest this instrument, and the Grantee has placed his or her signature hereon, effective as of the Grant Date set forth above.

TURTLE BEACH CORPORATION

By:

Name:
Title:

By:

Grantee:
Date:

**EXHIBIT B**

*[INSERT COPY OF PLAN]*

**Exhibit 10.4**

**TURTLE BEACH CORPORATION**
**2013 STOCK-BASED INCENTIVE COMPENSATION PLAN**
**(as amended as of June 14, 2019)**

## RESTRICTED STOCK UNIT AWARD AGREEMENT

This RESTRICTED STOCK UNIT AWARD AGREEMENT (“Agreement”) dated as of _________, 20__ (the “Grant Date”), is by and between Turtle Beach Corporation, a Nevada corporation (the “Company”), and [EMPLOYEE NAME] (the “Grantee”).

RECITALS

AS, the Company desires to afford the Grantee an opportunity to own Restricted Stock Units of the Company as hereinafter provided, in accordance with the provisions of the Turtle Beach Corporation 2013 Stock-Based Incentive Compensation Plan, as amended (the “Plan”), a copy of which is attached hereto as Exhibit A;

HEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto, intending to be legally bound hereby, agree as follows:

**1.** Grant of Restricted Stock Units. The Company hereby grants to the Grantee an award (the “Award”) of [# of RSUs] Restricted Stock Units (the “Restricted Stock Units”), subject to the vesting and other terms and conditions of this Agreement.

**2.** Restricted Unit Account. Restricted Stock Units represent hypothetical shares of common stock of the Company (“Common Stock”) and not actual shares of stock. The Company shall establish and maintain a Restricted Unit account, as a bookkeeping account on its records, for the Grantee and shall record in such account the number of Restricted Stock Units granted to the Grantee. No shares of Common Stock shall be issued to the Grantee at the time the grant is made, and the Grantee shall not be, nor have any of the rights or privileges of, a stockholder of the Company with respect to any Restricted Stock Units recorded in the account.

**3.** Vesting. Provided the Grantee remains employed by the Company or any Subsidiary through the applicable vesting date set forth in this Section 3 (the “Vesting Date”) and meets all applicable requirements set forth in this Agreement, the Restricted Stock Units shall vest with respect to 1/4 of the Restricted Stock Units on each of the first four anniversaries of the Grant Date. The period between the Grant Date and the applicable Vesting Date is the “Restricted Period.” The vesting of Restricted Stock Units shall be cumulative, but shall not exceed 100% of the Restricted Stock Units. If the foregoing schedule would produce fractional Restricted Stock Units, the number of Restricted Stock Units that vest shall be rounded down to the nearest whole Restricted Stock Unit.

**4.** Payment/Conversion of Restricted Stock Units.

(a) Except as otherwise provided in this Section 4, if the Restricted Stock Units vest in accordance with Section 3 or 5(b), the Grantee shall be entitled to receive payment of the vested Restricted Stock Units as soon as practicable after the applicable Vesting Date.

(b) On the applicable payment date, each vested Restricted Stock Unit credited to the Grantee's account shall be settled in (i) cash with a value equal to the Fair Market Value of the shares of Common Stock underlying the Restricted Stock Units, (ii) shares of Common Stock of the Company equal to the number of vested Restricted Share Units, or (iii) a combination of the above, in each case as determined by the Committee and subject to compliance with the six-month delay described in Section 17 below, if applicable, and the payment of any federal, state, local, or foreign withholding taxes as described in Section 10 below. The obligation of the Company to distribute shares of Common Stock shall be subject to the rights of the Company as set forth in the Plan and to all applicable laws, rules, regulations, and such approvals by governmental agencies as may be deemed appropriate by the Committee, including as set forth in Section 12 below.

**5.** Effect of Termination of Employment.

(a) If the Grantee ceases to be employed by the Company or any Subsidiary for any reason, the Award shall immediately cease to vest and the unvested portion shall be forfeited.

(b) Notwithstanding the foregoing, if the Grantee's employment is terminated by the Company or any Subsidiary without Cause [or if the Grantee terminates his or her employment for Good Reason (as defined in the Turtle Beach Corporation Amended and Restated Retention Plan Document)] during the one-year period immediately following a Change in Control, the unvested portion of the Award shall vest upon such termination, and such termination date shall be a "Vesting Date" for purposes of this Agreement.

**6.** Change in Control. Except as provided in Section 5 above, the provisions of the Plan applicable to a Change in Control shall apply to the Restricted Stock Units, and, in the event of a Change in Control, the Committee may take such actions as it deems appropriate pursuant to the Plan.

**7.** Restrictions; Transferability of Restricted Stock Units. The Restricted Stock Units and any rights relating thereto are not assignable or transferable and the Restricted Stock Units shall not be alienated, pledged, or otherwise transferred or encumbered by the Grantee. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the Restricted Stock Units during the Restricted Period shall be wholly ineffective and, if any such attempt is made, the Restricted Stock Units shall be forfeited by the Grantee and all of the Grantee's rights in and to the Restricted Stock Units shall immediately terminate without any payment or consideration due to the Grantee.

**8.** No Right to Continued Service. Neither the Plan nor this Agreement shall confer upon the Grantee any right to be retained in any position with the Company or any Subsidiary. Further, nothing in the Plan or this Agreement shall be construed to limit the discretion of the Company to terminate the Grantee's employment, at any time, with or without Cause.

**9.** Plan Terms; Definitions. The Restricted Stock Units covered by the Award are issued under the Plan and governed by its terms. Except as specifically set forth herein, in the event of any inconsistency in the Plan and this Agreement, the Plan's terms control. Any term capitalized herein that is not separately defined shall have the meaning set forth in the Plan.

**10.** Income Taxes; Withholding Taxes. The Grantee is solely responsible for the satisfaction of all taxes that may arise in connection with the Restricted Stock Units pursuant to this Agreement. At the time of taxation, the Company shall have the right to deduct from other compensation or from amounts payable with respect to the Restricted Stock Units, including by withholding shares of the Company's Common Stock, an amount equal to the federal (including FICA), state, local and foreign income and payroll taxes and other amounts as may be required by law to be withheld with respect to the Restricted Stock Units. Without limiting the foregoing, upon payment of the Restricted Stock Units, the Company may withhold shares of Common Stock subject to the vested Restricted Stock Units to cover any of the applicable withholding for related FICA tax and income tax liabilities (not to exceed the maximum statutory rates).

**11.** Governing Law. To the extent that Federal laws do not otherwise control, the validity, construction, interpretation, and effect of this instrument shall exclusively be governed by, and determined in accordance with, the applicable laws of the State of California, excluding any conflicts or choice of law rule or principle.

**12.** Grant Subject to Applicable Laws and Company Policies. **This Award of Restricted Stock Units shall also be subject to the Company's stock ownership guidelines, any applicable clawback or recoupment policies, share trading policies, and other policies that may be implemented by the Board from time to time in accordance with applicable law. Notwithstanding anything in this Agreement to the contrary, the Plan, this Agreement, and the Restricted Stock Units awarded hereunder shall be subject to all applicable laws, including any** laws**, regulations, restrictions, or governmental guidance that becomes applicable in the event of the Company's participation in any governmental programs, and the Committee reserves the right to modify this Agreement and the Restricted Stock Units as necessary to conform to any restrictions imposed by any such laws, regulations, restrictions, or governmental guidance or to conform to any applicable clawback or recoupment policies, share trading policies, and other policies that may be implemented by the Board from time to time. As a condition of participating in the Plan, and by the Grantee's acceptance of the Restricted Stock Units, the Grantee is deemed to have agreed to any such modifications that may be imposed by the Committee, and agrees to sign such waivers or acknowledgments as the Committee may deem necessary or appropriate with respect to such modifications.**

**13.** Entire Agreement; Receipt of Documents. This Agreement and the Plan set forth the entire understanding of the parties hereto and supersede all prior agreements, arrangements, and communications, whether oral or written, pertaining to the subject matter hereof. The Grantee hereby acknowledges receipt of a copy of the Plan and this Agreement, represents that he or she has read and understands the terms and provisions thereof, and accepts the Award subject to all the terms and conditions of the Plan and this Agreement.

**14.** Counterparts. This Agreement may be executed and delivered in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. This Agreement shall become effective only when counterparts have been executed and delivered by all parties whose names are set forth on the signature page(s) hereof. Any signature delivered by fax or in pdf format shall have the same force and effect as an original signature.

**15.** Binding Effect; Benefits. This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and assigns. Nothing in this Agreement, express or implied, is intended or shall be construed to give any person or entity other than the parties to this Agreement or their respective successors or assigns any legal or equitable right, remedy or claim under or in respect of any agreement or any provision contained herein.

**16.** Waiver. The waiver by either party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach and no failure by either party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights or privileges hereunder or shall be deemed a waiver of such party's rights to exercise the same at any subsequent time or times hereunder.

**17.** Section 409A. This Award of Restricted Stock Units is intended to be exempt from or comply with the applicable requirements of section 409A of the Code and shall be administered in accordance with section 409A of the Code. Notwithstanding anything in this Agreement to the contrary, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code and the Restricted Stock Units become vested and settled upon the Grantee's termination of employment, payment with respect to the Restricted Stock Units shall be delayed for a period of six months after the Grantee's termination of employment if the Grantee is a "specified employee" as defined under section 409A of the Code (as determined by the Committee), if required pursuant to section 409A of the Code. If payment is delayed, the shares of Common Stock of the Company shall be distributed within 30 days of the date that is the six-month anniversary of the Grantee's termination of employment. If the Grantee dies during the six-month delay, the shares shall be distributed in accordance with the Grantee's will or under the applicable laws of descent and distribution. Notwithstanding any provision to the contrary herein, payments made with respect to this Award of Restricted Stock Units may only be made in a manner and upon an event permitted by section 409A of the Code, and all payments to be made upon a termination of employment hereunder may only be made upon a "separation from service" as defined under section 409A of the Code. To the extent that any provision of this Agreement would cause a conflict with the requirements of section 409A of the Code, or would cause the administration of the Restricted Stock Units to fail to satisfy the requirements of section 409A of the Code, such provision shall be deemed null and void to the extent permitted by applicable law. In no event shall a Grantee, directly or indirectly, designate the calendar year of payment. If the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code and payment is subject to the execution of a release of claims in favor of the Company and its Affiliates, and if payment with respect to the Restricted Stock Units that is subject to the execution of the release could be made in more than one taxable year, payment shall be made in the later taxable year.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute and attest this instrument, and the Grantee has placed his or her signature hereon, effective as of the Grant Date set forth above.

TURTLE BEACH CORPORATION

By:

Name:
Title:

By:

Grantee:
Date:

**EXHIBIT A**

*[INSERT COPY OF PLAN]*

**Exhibit 21**

**List of Subsidiaries of**
**Turtle Beach Corporation**

VTB Holdings, Inc.
Voyetra Turtle Beach, Inc.
TBC Holding Company LLC
Turtle Beach Europe Limited
TB Germany GmbH

**Exhibit 23.1**

Consent of Independent Registered Public Accounting Firm

Turtle Beach Corporation
White Plains, New York

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 33-188389, No. 333-173017, No. 333-225106 and No.333-226622) and Form S-8 (No. 333-171383, No. 333-181653, No. 333-188390, No. 333-193982, No. 333-230691 and No. 333-233179) of Turtle Beach Corporation of our reports dated March 2, 2022, relating to the consolidated financial statements and schedule, and the effectiveness of Turtle Beach Corporation's internal control over financial reporting, which appear in this Annual Report on Form 10-K.

/s/ BDO USA, LLP
New York, New York

March 2, 2022

**Exhibit 31.1**

**CERTIFICATION**

I, Juergen Stark, certify that:

1. I have reviewed this annual report on Form 10-K of Turtle Beach Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:March 2, 2022

By: /s/ JUERGEN STARK
Juergen Stark
*Chief Executive Officer and President*

**Exhibit 31.2**

## CERTIFICATION

I, John T. Hanson, certify that:

1. I have reviewed this annual report on Form 10-K of Turtle Beach Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:March 2, 2022

By: /s/ JOHN T. HANSON
John T. Hanson
*Chief Financial Officer, Treasurer and Secretary*

**Exhibit 32.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Turtle Beach Corporation (the “Company”) on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Juergen Stark, Chief Executive Officer of the Company, and John T. Hanson, Chief Financial Officer of the Company, certify to our knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 2, 2022

By: /s/ JUERGEN STARK
Juergen Stark
*Chief Executive Officer and President*
*(Principal Executive Officer)*

Date: March 2, 2022

By: /s/ JOHN T. HANSON
John T. Hanson
*Chief Financial Officer, Treasurer and Secretary*
*(Principal Financial Officer)*