

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2023

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
(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

27-2767540

(I.R.S. Employer
Identification No.)

**44 South Broadway, 4th Floor
White Plains, New York**

(Address of principal executive offices)

10601

(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
Preferred Stock Purchase Rights	N/A	The Nasdaq Global Market

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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

The number of shares of the registrant's Common Stock, par value \$0.001 per share, outstanding on July 31, 2023 was 17,309,270.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Turtle Beach Corporation
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	(in thousands, except per-share data)			
Net revenue	\$ 47,982	\$ 41,300	\$ 99,426	\$ 87,962
Cost of revenue	36,110	33,418	73,415	66,051
Gross profit	<u>11,872</u>	<u>7,882</u>	<u>26,011</u>	<u>21,911</u>
Operating expenses:				
Selling and marketing	10,351	11,587	19,874	22,416
Research and development	4,189	5,136	8,290	10,388
General and administrative	13,125	12,532	20,132	18,767
Total operating expenses	<u>27,665</u>	<u>29,255</u>	<u>48,296</u>	<u>51,571</u>
Operating loss	(15,793)	(21,373)	(22,285)	(29,660)
Interest expense (income)	(17)	84	146	193
Other non-operating expense, net	198	1,109	318	1,828
Loss before income tax	(15,974)	(22,566)	(22,749)	(31,681)
Income tax benefit	(54)	(4,740)	(124)	(7,379)
Net loss	<u>\$ (15,920)</u>	<u>\$ (17,826)</u>	<u>\$ (22,625)</u>	<u>\$ (24,302)</u>
Net loss per share				
Basic	\$ (0.93)	\$ (1.08)	\$ (1.34)	\$ (1.49)
Diluted	\$ (0.93)	\$ (1.08)	\$ (1.34)	\$ (1.49)
Weighted average number of shares:				
Basic	17,156	16,500	16,869	16,348
Diluted	17,156	16,500	16,869	16,348

See accompanying Notes to the Condensed Consolidated Financial Statements (unaudited)

Turtle Beach Corporation
Condensed Consolidated Statements of Comprehensive Income (Loss)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	(in thousands)			
Net loss	\$ (15,920)	\$ (17,826)	\$ (22,625)	\$ (24,302)
Other comprehensive income (loss):				
Foreign currency translation adjustment	(35)	(1,090)	410	(1,519)
Other comprehensive income (loss)	(35)	(1,090)	410	(1,519)
Comprehensive loss	\$ (15,955)	\$ (18,916)	\$ (22,215)	\$ (25,821)

See accompanying Notes to the Condensed Consolidated Financial Statements (unaudited)

Turtle Beach Corporation
Condensed Consolidated Balance Sheets

	June 30, 2023	December 31, 2022
ASSETS	(unaudited)	
	(in thousands, except par value and share amounts)	
Current Assets:		
Cash and cash equivalents	\$ 15,787	\$ 11,396
Accounts receivable, net	20,254	43,336
Inventories	67,831	71,252
Prepaid expenses and other current assets	8,927	9,196
Total Current Assets	112,799	135,180
Property and equipment, net	5,691	6,362
Goodwill	10,686	10,686
Intangible assets, net	2,238	2,612
Other assets	8,124	8,547
Total Assets	\$ 139,538	\$ 163,387
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Revolving credit facility	\$ —	\$ 19,053
Accounts payable	34,036	19,846
Other current liabilities	21,808	25,433
Total Current Liabilities	55,844	64,332
Income tax payable	2,196	2,076
Other liabilities	7,443	8,038
Total Liabilities	65,483	74,446
Commitments and Contingencies		
Stockholders' Equity		
Common stock, \$0.001 par value - 25,000,000 shares authorized; 17,309,270 and 16,569,173 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	17	17
Additional paid-in capital	214,245	206,916
Accumulated deficit	(139,223)	(116,598)
Accumulated other comprehensive income (loss)	(984)	(1,394)
Total Stockholders' Equity	74,055	88,941
Total Liabilities and Stockholders' Equity	\$ 139,538	\$ 163,387

See accompanying Notes to the Condensed Consolidated Financial Statements (unaudited)

Turtle Beach Corporation
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Six Months Ended	
	June 30, 2023	June 30, 2022
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (22,625)	\$ (24,302)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	1,948	2,458
Amortization of intangible assets	513	623
Amortization of debt financing costs	75	94
Stock-based compensation	6,929	3,567
Deferred income taxes	(209)	(7,110)
Change in sales returns reserve	(2,419)	(4,992)
Provision for obsolete inventory	(1,098)	(1,289)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	32,685	32,152
Inventories	5,457	(21,288)
Accounts payable	7,452	(9,914)
Prepaid expenses and other assets	691	1,055
Income taxes payable	(261)	1,550
Other liabilities	(4,928)	(13,851)
Net cash provided by (used for) operating activities	<u>24,210</u>	<u>(41,247)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,252)	(1,207)
Net cash used for investing activities	<u>(1,252)</u>	<u>(1,207)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on revolving credit facilities	99,785	36,209
Repayment of revolving credit facilities	(118,838)	(20,502)
Proceeds from exercise of stock options and warrants	1,358	538
Repurchase of common stock	(974)	—
Debt issuance costs	(80)	—
Net cash provided by (used for) financing activities	<u>(18,749)</u>	<u>16,245</u>
Effect of exchange rate changes on cash and cash equivalents	182	(634)
Net increase (decrease) in cash and cash equivalents	4,391	(26,843)
Cash and cash equivalents - beginning of period	11,396	37,720
Cash and cash equivalents - end of period	<u>\$ 15,787</u>	<u>\$ 10,877</u>
SUPPLEMENTAL DISCLOSURE OF INFORMATION		
Cash paid for interest	\$ 226	\$ 108
Cash paid (received) for income taxes	\$ (137)	\$ (2,539)

See accompanying Notes to the Condensed Consolidated Financial Statements (unaudited)

Turtle Beach Corporation
Condensed Consolidated Statement of Stockholders' Equity
(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulate d Deficit	Accumulate d Other Comprehen sive Income (Loss)	Total
	Shares	Amount				
	(in thousands)					
Balance at December 31, 2022	16,569	17	206,916	(116,598)	(1,394)	\$ 88,941
Net loss	—	—	—	(6,705)	—	\$ (6,705)
Other comprehensive income, net of tax	—	—	—	—	445	\$ 445
Issuance of restricted stock	14	—	—	—	—	\$ -
Stock options exercised	21	—	124	—	—	\$ 124
Stock-based compensation	—	—	1,959	—	—	\$ 1,959
Balance at March 31, 2023	16,604	\$ 17	\$ 208,999	\$ (123,303)	\$ (949)	\$ 84,764
Net loss	—	—	—	(15,920)	—	\$ (15,920)
Other comprehensive loss, net of tax	—	—	—	—	(35)	\$ (35)
Issuance of restricted stock	469	—	—	—	—	\$ -
Stock options exercised	322	—	1,234	—	—	\$ 1,234
Stock-based compensation	—	—	4,986	—	—	\$ 4,986
Repurchase of common stock	(86)	—	(974)	—	—	\$ (974)
Balance at June 30, 2023	17,309	\$ 17	\$ 214,245	\$ (139,223)	\$ (984)	\$ 74,055

	Common Stock		Additional Paid-In Capital	Accumulate d Deficit	Accumulate d Other Comprehen sive Income (Loss)	Total
	Shares	Amount				
	(in thousands)					
Balance at December 31, 2021	16,168	16	198,278	(57,052)	127	\$ 141,369
Net loss	—	—	—	(6,476)	—	(6,476)
Other comprehensive loss, net of tax	—	—	—	—	(429)	(429)
Issuance of restricted stock	30	—	—	—	—	—
Stock options exercised	47	—	361	—	—	361
Stock-based compensation	—	—	1,537	—	—	1,537
Balance at March 31, 2022	16,245	\$ 16	\$ 200,176	\$ (63,528)	\$ (302)	\$ 136,362
Net income	—	—	—	(17,826)	—	(17,826)
Other comprehensive income, net of tax	—	—	—	—	(1,090)	(1,090)
Issuance of restricted stock	257	—	—	—	—	—
Stock options exercised	24	1	176	—	—	177
Stock-based compensation	—	—	2,030	—	—	2,030
Balance at June 30, 2022	16,526	\$ 17	\$ 202,382	\$ (81,354)	\$ (1,392)	\$ 119,653

See accompanying Notes to the Condensed Consolidated Financial Statements (unaudited)

Turtle Beach Corporation
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1. Background and Basis of Presentation

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® and ROCCAT® 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 on 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 interim condensed 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. Certain information and footnote disclosures, normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), have been condensed or omitted pursuant to those rules and regulations. The Company believes that the disclosures made are adequate to make the information presented not misleading. The results of operations for the interim periods are not necessarily indicative of the results of operations for the entire fiscal year.

The December 31, 2022 Condensed Consolidated Balance Sheet has been derived from the Company’s audited financial statements included in its Annual Report on Form 10-K filed with the SEC on March 29, 2023 (“Annual Report”).

These financial statements should be read in conjunction with the annual financial statements and the notes thereto included in the Annual Report that contains information useful to understanding the Company’s businesses and financial statement presentations.

Use of estimates: The preparation of accompanying unaudited consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited consolidated financial statements and reported amounts of revenues and expenses during the reporting period. These estimates may change, as new events occur and additional information is obtained, and will be recognized in the consolidated financial statements in the period in which such changes occur. Future actual results could differ materially from these estimates.

Note 2. Summary of Significant Accounting Policies

The preparation of consolidated annual and quarterly financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Company’s consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. The Company can give no assurance that actual results will not differ from those estimates.

There have been no material changes to the significant accounting policies and estimates from the information provided in Note 1 of the notes to our consolidated financial statements in our Annual Report.

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 June 30, 2023 and December 31, 2022, the Company had not elected the fair value option for any financial assets and liabilities for which such an election would have been permitted. The following is a summary of the carrying amounts and estimated fair values of our financial instruments as of June 30, 2023 and December 31, 2022:

	June 30, 2023		December 31, 2022	
	Reported	Fair Value	Reported	Fair Value
(in thousands)				
Financial Assets and Liabilities:				
Cash and cash equivalents	\$ 15,787	\$ 15,787	\$ 11,396	\$ 11,396
Revolving credit facility	\$ —	\$ —	\$ 19,053	\$ 19,053

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 approximates fair value, due to the variable rate nature of the debt, as of June 30, 2023 and December 31, 2022.

Note 4. Allowance for Sales Returns

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
(in thousands)				
Balance, beginning of period	\$ 6,639	\$ 5,713	\$ 7,817	\$ 8,998
Reserve accrual	2,556	2,792	6,150	5,475
Recoveries and deductions, net	(3,797)	(4,499)	(8,569)	(10,467)
Balance, end of period	\$ 5,398	\$ 4,006	\$ 5,398	\$ 4,006

Note 5. Composition of Certain Financial Statement Items

Inventories

Inventories consist of the following:

	June 30,	December 31,
	2023	2022
(in thousands)		
Finished goods	\$ 67,071	\$ 70,407
Raw materials	760	845
Total inventories	\$ 67,831	\$ 71,252

Property and Equipment, net

Property and equipment, net, consists of the following:

	June 30, 2023	December 31, 2022
	(in thousands)	
Machinery and equipment	\$ 2,622	\$ 2,373
Software and software development	2,395	2,396
Furniture and fixtures	1,732	1,713
Tooling	10,488	9,901
Leasehold improvements	2,030	2,050
Demonstration units and convention booths	15,755	15,379
Total property and equipment, gross	35,022	33,812
Less: accumulated depreciation and amortization	(29,331)	(27,450)
Total property and equipment, net	\$ 5,691	\$ 6,362

Other Current Liabilities

Other current liabilities consist of the following:

	June 30, 2023	December 31, 2022
	(in thousands)	
Accrued employee expenses	\$ 2,508	\$ 4,171
Accrued tax-related payables	2,889	4,159
Accrued marketing	2,609	4,147
Accrued royalty	1,596	2,527
Accrued freight	2,027	1,746
Accrued expenses	10,179	8,683
Total other current liabilities	\$ 21,808	\$ 25,433

Note 6. Goodwill and Other Intangible Assets

Acquired Intangible Assets

Acquired identifiable intangible assets, and related accumulated amortization, as of June 30, 2023 and December 31, 2022 consisted of:

	June 30, 2023		
	Gross Carrying Value	Accumulated Amortization	Net Book Value
	(in thousands)		
Customer relationships	\$ 8,085	\$ 6,986	\$ 1,099
Tradenames	3,066	2,378	688
Developed technology	1,884	1,557	327
Foreign currency	(1,225)	(1,349)	124
Total Intangible Assets	\$ 11,810	\$ 9,572	\$ 2,238

December 31, 2022

	Gross Carrying Value	Accumulated Amortization	Net Book Value
	(in thousands)		
Customer relationships	\$ 8,085	\$ 6,750	\$ 1,335
Tradenames	3,066	2,147	919
Developed technology	1,884	1,495	389
Foreign currency	(1,375)	(1,344)	(31)
Total Intangible Assets	\$ 11,660	\$ 9,048	\$ 2,612

In connection with the October 2012 acquisition of TB Europe, the acquired intangible assets 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. During the fourth quarter of 2022, the Company made the decision to increasingly leverage the Turtle Beach brand across our product portfolio including PC products over time. Due to this decision, the Company prepared an impairment calculation to determine the present value of the ROCCAT tradename asset using the relief from royalty method. As a result of the present value calculation, in the fourth quarter 2022, the Company recorded an impairment charge of \$0.8 million for the ROCCAT tradename intangible asset.

In January 2021, the Company completed its acquisition of the business and assets relating to the Neat Microphones business. During the fourth quarter of 2022, as part of the 2023 annual operating and strategic plan process, the Company made the decision to transition microphone products to the Turtle Beach brand. As a result of this decision, there was no longer a basis for carrying the remaining net intangible assets related to the Neat brand. In the fourth quarter 2022, the Company recorded an impairment charge of \$1.1 million related to the remaining Neat net intangible assets.

Amortization expense related to definite lived intangible assets of \$0.0 million and \$0.5 million was recognized for the three and six months ended June 30, 2023, respectively, and \$0.3 million and \$0.6 million was recognized for the three and six months ended June 30, 2022.

As of June 30, 2023, estimated annual amortization expense related to definite lived intangible assets in future periods was as follows:

	(in thousands)
2023	\$ 516
2024	1,003
2025	425
2026	170
Thereafter	-
Total	\$ 2,114

There were no changes in the carrying values of goodwill for the six months ended June 30, 2023 from the balance as of December 31, 2022.

Note 7. Revolving Credit Facility and Long-Term Debt

	June 30, 2023	December 31, 2022
	(in thousands)	
Revolving credit facility, maturing April 2025	\$ -	\$ 19,053

Total interest expense, inclusive of amortization of deferred financing costs, on long-term debt obligations was \$0.1 million and \$0.2 million for the three and six months ended June 30, 2023, respectively, and \$0.1 million and \$0.2 million for the three and six months ended June 30, 2022, respectively.

Amortization of deferred financing costs was \$33 thousand and \$75 thousand for the three and six months ended June 30, 2023, respectively, and \$47 thousand and \$94 thousand for the three and six months ended June 30, 2022, respectively.

Revolving Credit Facility

On March 5, 2018, Turtle Beach and certain of its subsidiaries entered into an amended and restated loan, guaranty and security agreement (the “Credit Facility”) with Bank of America, N.A. (“Bank of America”), as administrative agent, collateral agent and security trustee for Lenders (as defined therein), which replaced the then existing asset-based revolving loan agreement. The Credit Facility was amended on each of December 17, 2018, May 31, 2019, and March 10, 2023. The Credit Facility, as amended, expires on April 1, 2025 and provides for a line of credit of up to \$80 million inclusive of a sub-facility limit of \$15 million for TB Europe, a wholly-owned subsidiary of Turtle Beach. In addition, the Credit Facility provides for a \$40 million accordion feature.

On March 10, 2023, the Company entered into a Third Amendment to Amended and Restated Loan, Guaranty and Security Agreement (the “Third Amendment”), by and among the Company, VTB, TBC Holding Company LLC, TB Europe, VTBH, the financial institutions party thereto from time to time and Bank of America, as administrative agent, collateral agent and security trustee for the lenders.

The Third Amendment provides for, among other things: (i) extending the maturity date of the Credit Facility from March 5, 2024 to April 1, 2025; (ii) updating the interest rate and margin terms; (iii) removing the FILO Loan facility; (iv) updating the sub-facility limit for TB Europe to \$15 million; (v) increasing our undrawn commitment fee by 0.125%; and (vi) transitioning the reference interest rates from LIBOR to BSBY, SONIA and EUIBOR, as applicable.

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 (i) a rate published by Bank of America or the U.S. Bloomberg Short-Term Bank Yield Index (“BSBY”) rate for loans denominated in U.S. Dollars, (ii) the Sterling Overnight Index Average Reference Rate (“SONIA”) for loans denominated in Sterling, (iii) and the Euro Interbank Offered Rate (“EUIBOR”) for loans denominated in Euros, plus in each case, an applicable margin, which is between 0.50% to 2.50% for base rate loans and UK base rate loans, and 1.50% to 3.50% for U.S. BSBY rate loans, U.S. BSBY daily floating rate loans and UK alternative currency loans. In addition, Turtle Beach is required to pay a commitment fee on the unused revolving loan commitment at a rate ranging from 0.375% to 0.50% and letter of credit fees and agent fees. As of June 30, 2023, interest rates for outstanding borrowings were 10.75% for base rate loans and 6.50% for LIBOR rate loans, which reference interest rates were still in effect prior to the Libor Transition Amendments.

The Company is subject to quarterly financial covenant testing if certain availability thresholds are not met or certain other events occur (as set forth in the Credit Facility). At such times, 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 the Company’s 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 June 30, 2023, the Company was in compliance with all financial covenants under the Credit Facility, as amended, and excess borrowing availability was approximately \$38.5 million.

Note 8. Income Taxes

In order to determine the quarterly provision for income taxes, the Company uses an estimated annual effective tax rate, which is based on expected annual income and statutory tax rates in the various jurisdictions. However, to the extent that application of the estimated annual effective tax rate is not representative of the quarterly portion of actual tax expense expected to be recorded for the year, the Company determines the provision for income taxes based on actual year-to-date income (loss). Certain significant or unusual items are separately recognized as discrete items in the period during which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

The following table presents the Company’s income tax expense and effective income tax rate:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(in thousands)			
Income tax benefit	\$ (54)	\$ (4,740)	\$ (124)	\$ (7,379)
Effective income tax rate	0.3%	21.0%	0.5%	23.3%

The effective tax rate for the three and six months ended June 30, 2023 was primarily impacted by a true-up to foreign incomes tax payable, partially offset by the change in U.S. valuation allowance, foreign taxes and interest on uncertain tax positions.

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. Interest and penalties associated with income tax matters are included in the provision for income taxes in the condensed consolidated statements of operations. As of June 30, 2023, the Company had uncertain tax positions of \$2.9 million, inclusive of \$0.8 million of interest and penalties.

As required by the authoritative guidance on accounting for income taxes the Company evaluates the realizability of deferred tax assets on a jurisdictional basis at each reporting date. Accounting for income taxes requires that a valuation allowance be established when it is more likely than not that all or a portion of the deferred taxes will not be realized. The Company considers all positive and negative evidence in determining if, based on the weight of such evidence, a valuation allowance is required. In circumstances where there is sufficient negative evidence indicating that the deferred tax assets are not more likely than not realizable, the Company establishes a valuation allowance. Due to the significant 2022 pre-tax loss, coupled with cumulative book losses projected in early future years, the Company recorded a valuation allowance on its net U.S. deferred tax assets as of December 31, 2022. The Company's continues to maintain this valuation allowance for the three months ended June 30, 2023.

The Company is subject to income taxes domestically and in various foreign jurisdictions. The Company files U.S., state and foreign income tax returns in jurisdictions with various statutes of limitations. The federal tax years open under the statute of limitations are 2019 through 2021, and the state tax years open under the statute of limitations are 2018 through 2021.

Note 9. Stock-Based Compensation

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(in thousands)			
Cost of revenue	\$ 162	\$ 96	\$ 337	\$ 122
Selling and marketing	410	539	900	937
Research and development	324	390	680	673
General and administrative	4,074	1,005	5,012	1,835
Total stock-based compensation	<u>\$ 4,970</u>	<u>\$ 2,030</u>	<u>\$ 6,929</u>	<u>\$ 3,567</u>

On May 1, 2023, the Company announced that the Company and Juergen Stark, Chairman, Chief Executive Officer and President of the Company, have agreed that Mr. Stark would not continue as Chief Executive Officer and President of the Company, with his employment to terminate effective as of the close of business on June 30, 2023. On May 2, 2023, the Company entered into a separation agreement with Mr. Stark, resulting in an acceleration of the total stock-based compensation associated with equity awards granted to him. During the six months ended June 30, 2023, the Company recorded a total of \$4.0 million in stock-based compensation expenses and related payroll that would not have been recognized if Mr. Stark had not announced his retirement.

The following table presents the stock activity and the total number of shares available for grant as of June 30, 2023:

	(in thousands)
Balance at December 31, 2022	550
Options Cancelled	11
Restricted Stock Granted	(504)
Restricted Stock Forfeited	13
Performance Shares Unearned	94
Performance Shares Granted	(163)
Balance at June 30, 2023	<u>1</u>

On July 6, 2023, the Company's stockholders approved an amendment to the plan to, among other things, (i) change the name to Turtle Beach Corporation 2023 Stock-Based Incentive Compensation Plan, and (ii) increase the number of shares of the Company's common stock, par value \$0.001 per share, authorized for issuance by 1,049,000.

Stock Option Activity

	Options Outstanding			
	Number of Shares Underlying Outstanding Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2022	1,577,545	\$ 7.66	5.81	\$ 2,465,015
Options Granted	-	-		
Options Exercised	(343,007)	3.96		
Options Forfeited	(11,485)	14.48		
Outstanding at June 30, 2023	1,223,053	\$ 8.63	4.44	\$ 4,707,610
Vested and expected to vest at June 30, 2023	1,222,015	\$ 8.73	4.44	\$ 4,699,256
Exercisable at June 30, 2023	1,087,615	\$ 8.76	4.14	\$ 4,211,217

Stock options are time-based and the majority are exercisable within 10 years of the date of grant, but only to the extent they have vested. The options generally vest as specified in the option agreements subject to acceleration in certain circumstances. In the event participants in the plan cease to be employed or engaged by the Company, all vested options would be forfeited if they are not exercised within 90 days. Forfeitures on option grants are estimated at 10% for non-executives and 0% for executives based on evaluation of historical and expected future turnover. Stock-based compensation expense was recorded net of estimated forfeitures, such that expense was recorded only for those stock-based awards 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).

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 options exercised was \$2.4 million for the six months ended June 30, 2023.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of options granted as of the grant date. There were no new options granted during the six months ended June 30, 2023. The total estimated fair value of employee options vested during the six months ended June 30, 2023 was \$0.6 million. As of June 30, 2023, total unrecognized compensation cost related to non-vested stock options granted to employees was \$0.6 million, which is expected to be recognized over a remaining weighted average vesting period of 0.8 years.

Restricted Stock Activity

	Shares	Weighted Average Grant Date Fair Value Per Share
Nonvested restricted stock at December 31, 2022	865,446	\$ 18.75
Granted	504,092	9.97
Vested	(546,939)	16.53
Shares forfeited	(13,028)	17.78
Nonvested restricted stock at June 30, 2023	809,571	\$ 14.80

As of June 30, 2023, total unrecognized compensation costs related to the nonvested restricted stock awards was \$11.1 million, which will be recognized over a remaining weighted average vesting period of 2.7 years.

Performance-Based Restricted Share Units

As of June 30, 2023, the Company had 256,342 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%. As of June 30, 2023, achievement of the performance conditions associated with the 2023, 2022 and 2021 performance shares was deemed not probable.

Note 10. Net Loss Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands, except per-share data)			
Net loss	\$ (15,920)	\$ (17,826)	\$ (22,625)	\$ (24,302)
Weighted average common shares outstanding — Basic	17,156	16,500	16,869	16,348
Plus incremental shares from assumed conversions:				
Dilutive effect of restricted stock	—	—	—	—
Dilutive effect of stock options	—	—	—	—
Dilutive effect of warrants	—	—	—	—
Weighted average common shares outstanding — Diluted	17,156	16,500	16,869	16,348
Net loss per share:				
Basic	\$ (0.93)	\$ (1.08)	\$ (1.34)	\$ (1.49)
Diluted	\$ (0.93)	\$ (1.08)	\$ (1.34)	\$ (1.49)

Incremental shares from stock options and restricted stock awards are computed using 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 and unrecognized compensation expense for outstanding awards.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Stock options	1,363	1,655	1,384	1,672
Unvested restricted stock awards	908	963	860	915
Warrants	550	550	550	550
Total	2,821	3,168	2,794	3,137

Note 11. Segment Information

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
North America	\$ 32,356	\$ 27,384	\$ 73,068	\$ 58,752
Europe and Middle East	11,861	9,179	21,587	21,301
Asia Pacific	3,765	4,737	4,771	7,909
Total net revenues	\$ 47,982	\$ 41,300	\$ 99,426	\$ 87,962

Note 12. 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, VTB Holdings, Inc. ("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 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 remaining defendants, including the Company, prevailed on all counts with final judgment entered in their favor on September 3, 2021. Plaintiff is appealing that judgment.

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.

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 ("TB Europe") relating to the use by VTB and TB Europe of the sign STEALTH on and in relation to gaming headsets in the UK. On November 16, 2022 the parties entered into a confidential settlement agreement in full and final settlement of all claims regarding this matter. Accordingly, the High Court claim has been discontinued.

The Company will continue to vigorously defend itself in the foregoing unresolved 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 June 30, 2023 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 its 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 warranty reserve, which are included in accrued liabilities:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(in thousands)			
Warranty, beginning of period	\$ 616	\$ 789	\$ 618	\$ 856
Warranty costs accrued	190	72	375	193
Settlements of warranty claims	(166)	(143)	(353)	(331)
Warranty, end of period	<u>\$ 640</u>	<u>\$ 718</u>	<u>\$ 640</u>	<u>\$ 718</u>

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	June 30, 2023
		(in thousands)
Right-of-use assets	Other assets	<u>\$ 7,514</u>
Lease liability obligations, current	Other current liabilities	\$ 1,092
Lease liability obligations, noncurrent	Other liabilities	7,091
Total lease liability obligations		<u>\$ 8,183</u>
Weighted-average remaining lease term (in years)		6.3
Weighted-average discount rate		4.3%

During the six months ended June 30, 2023, the Company recognized approximately \$0.8 million of lease costs in operating expenses and approximately \$0.6 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 June 30, 2023, are as follows:

	(in thousands)
2023	\$ 647
2024	1,437
2025	1,451
2026	1,361
2027	1,383
Thereafter	3,182
Total minimum payments	<u>9,461</u>
Less: Imputed interest	(1,278)
Total	<u><u>\$ 8,183</u></u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our operations should be read together with our unaudited condensed consolidated financial statements and the related notes included in Part I of this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2023 (the "Annual Report.")

This Report on Form 10-Q contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements in this Report are indicated by words such as "anticipates," "expects," "believes," "intends," "plans," "estimates," "projects," "strategies" and similar expressions or negatives thereof. Caution should be taken not to place undue reliance on any such forward-looking statements because they involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such statements. Forward-looking statements are based on the beliefs, as well as assumptions made by, and information currently available to, the Company's management and are made only as of the date hereof. The Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as required by the federal securities laws. In addition, forward-looking statements are subject to certain risks and uncertainties, including those described elsewhere in this Quarterly Report on Form 10-Q that could cause actual results to differ materially from the Company's historical experience and its present expectations or projections.

Business Overview

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® and ROCCAT® brands. Turtle Beach is a worldwide leader of feature-rich gaming 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.

Business Trends

Turtle Beach participates in the global software and accessories gaming market, which is estimated to be approximately \$193 billion. The global gaming audience now exceeds global cinema and music markets with over three billion active gamers worldwide. Gaming peripherals, such as headsets, keyboards, mice, microphones, controllers, and simulation controls are estimated to be an \$8.4 billion business globally with about 80% of that market in the Americas and Europe where the Company's business is focused.

The console and PC gaming accessory markets are also driven by major game launches and long-running franchises that encourage players to continually buy equipment and accessories. On Xbox, PlayStation, Nintendo Switch 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 drive increased demand for gaming headsets. 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.

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. In 2022, there were over 530 million esports viewers, approximately 50% of whom considered themselves "esports enthusiasts," and that number is expected to increase to roughly 650 million viewers by 2025 according to an April 2022 report from Newzoo.

Many gamers play online where a gaming headset, which includes a microphone, is required because it allows players to communicate with each other in real-time, provides a more immersive experience, and delivers a competitive advantage.

Console Headset Market

Turtle Beach is the leading console gaming headset manufacturer in the U.S. and other major console markets. Turtle Beach 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 seek when shopping for a gaming headset.

The global market for console gaming headsets, in which Turtle Beach has been the market leader for the past 13 years, is estimated to be approximately \$1.4 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 launched their latest consoles, Xbox Series X|S and PlayStation 5, ahead of the 2020 holiday season, and in 2021/2022 demand for the latest Xbox and PlayStation consoles exceeded the available supply for consumers to purchase. In 2023, the demand for gaming consoles is expected to improve as additional supplies are available, which is expected to help the overall console market reach single digit percentage growth.

Nintendo has sold over 122.5 million units of its highly popular Nintendo Switch since the platform's release in early 2017. Nintendo continues adding and expanding its library of games, including an increased number of multiplayer chat-enabled games. Nintendo also sells the Nintendo Switch Lite, a follow-on product that offers gamers the hand-held only version of their popular gaming console.

PC Accessories Market

The market for PC gaming headsets, mice, and keyboards is estimated to be approximately \$3.2 billion. PC gaming continues to be a main gaming platform in the U.S. and 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 LED lighting and software to unify the lighting with other devices for a visually consistent PC gaming appearance. Similarly, PC gaming keyboards often deliver a competitive advantage by offering options for mechanical and optical key switches that feel and sound different and offer customizable lighting.

Controllers and Gaming Simulation Market

In 2022, we further expanded our gaming simulation and gaming controller product lines. For the flight simulation market, we launched the VelocityOne™ Pedals and VelocityOne™ Stand, which perfectly pair with the VelocityOne Flight™ simulation control system for the complete, most immersive flight simulation experience on the market, and also launched the VelocityOne™ Flightstick, which is a single stick joystick controller for air and space flight combat games. For the gamepads/controllers market, we added new colorways for its original Recon Controller, as well as launched the lower-cost REACT-R controller, and mobile-focused Recon Cloud and Atom controller offerings. These markets increased our total addressable market by \$1 billion, with third-party game controllers at roughly \$500 million and PC/console flight simulation hardware at roughly \$500 million in the global market.

Supply Chain and Operations

We have a global network of suppliers that manufacture products to meet the quality standards sought by our customers and our cost objectives. 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.

We have experienced and may continue to experience increased freight costs and component availability challenges, which have begun to abate in 2023. As a result, Turtle Beach continues to take proactive steps to limit the impact of these challenges and are working closely with our manufacturing and freight providers to reduce costs.

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 measures 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 other 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 Margin* is defined as gross margin excluding depreciation and amortization, and stock-based compensation.

We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors about our operating profitability adjusted for certain non-cash items, non-routine items that we do not expect to continue at the same level in the future, as well as other items that are not core to our operations. Further, we believe Adjusted EBITDA provides a meaningful measure of operating profitability because we use it for evaluating our business performance, making budgeting decisions, and comparing our performance against that of other peer companies using similar measures. However, Adjusted EBITDA is not a measure 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.

Adjusted EBITDA (and a reconciliation to Net income (loss), the nearest GAAP financial measure) for the three and six months ended June 30, 2023 and June 30, 2022, are as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(in thousands)			
Net loss	\$ (15,920)	\$ (17,826)	\$ (22,625)	\$ (24,302)
Interest expense (income)	(17)	84	146	193
Depreciation and amortization	1,219	1,577	2,461	3,081
Stock-based compensation	4,970	2,030	6,929	3,567
Income tax benefit	(54)	(4,740)	(124)	(7,379)
Restructuring expense	—	527	—	527
CEO transition related costs	2,874	—	2,874	—
Proxy contest and other	1,333	6,267	2,419	6,499
Adjusted EBITDA	<u>\$ (5,595)</u>	<u>\$ (12,081)</u>	<u>\$ (7,920)</u>	<u>\$ (17,814)</u>

Comparison of the Three Months Ended June 30, 2023 to the Three Months Ended June 30, 2022

Net loss for the three months ended June 30, 2023 was \$(15.9) million with Adjusted EBITDA of \$(5.6) million, compared to \$(17.8) million with Adjusted EBITDA of \$(12.1) million for the prior year, due to higher revenue and improved margins that were positively impacted by a less promotional environment, lower freight costs and lower recurring operating expenses.

Net loss for the six months ended June 30, 2023 was \$(22.6) million with Adjusted EBITDA of \$(7.9) million, compared to \$(24.3) million with Adjusted EBITDA of \$(17.8) million for the prior year, due to higher revenue driven by consumer demand, lower freight costs and lower recurring operating expenses.

Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Net revenue	\$ 47,982	\$ 41,300	\$ 99,426	\$ 87,962
Cost of revenue	36,110	33,418	73,415	66,051
Gross profit	11,872	7,882	26,011	21,911
Operating expenses	27,665	29,255	48,296	51,571
Operating loss	(15,793)	(21,373)	(22,285)	(29,660)
Interest expense (income)	(17)	84	146	193
Other non-operating expense, net	198	1,109	318	1,828
Loss before income tax	(15,974)	(22,566)	(22,749)	(31,681)
Income tax benefit	(54)	(4,740)	(124)	(7,379)
Net loss	<u>\$ (15,920)</u>	<u>\$ (17,826)</u>	<u>\$ (22,625)</u>	<u>\$ (24,302)</u>

Net Revenue and Gross Profit

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Net Revenue	\$ 47,982	\$ 41,300	\$ 99,426	\$ 87,962
Gross Profit	\$ 11,872	\$ 7,882	\$ 26,011	\$ 21,911
Gross Margin	24.7%	19.1%	26.2%	24.9%
Cash Margin (1)	26.1%	20.8%	27.5%	26.4%

(1) Excludes depreciation and amortization, and stock-based compensation

Comparison of the Three Months Ended June 30, 2023 to the Three Months Ended June 30, 2022

Net revenue for the three months ended June 30, 2023 was \$48.0 million, a \$6.7 million increase from \$41.3 million as consumer demand for our products increased and channel inventory levels stabilized led by console gaming headsets and flight simulation products.

For the three months ended June 30, 2023, gross margin increased to 24.7% from 19.1% in the comparable prior year period driven by lower freight costs including air freight, a less promotional environment and business mix.

Comparison of the Six Months Ended June 30, 2023 to the Six Months Ended June 30, 2022

Net revenue for the six months ended June 30, 2023 was \$99.4 million, a \$6.7 million increase from \$88.0 million reflecting a stronger U.S. console gaming headset market and increased consumer demand.

For the six months ended June 30, 2023, gross margin increased to 26.2% from 24.9% in the comparable prior year period as a result of lower freight and logistics costs, partially offset by higher promotional spend.

Operating Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Selling and marketing	\$ 10,351	\$ 11,587	\$ 19,874	\$ 22,416
Research and development	4,189	5,136	8,290	10,388
General and administrative	13,125	12,532	20,132	18,767
Total operating expenses	<u>\$ 27,665</u>	<u>\$ 29,255</u>	<u>\$ 48,296</u>	<u>\$ 51,571</u>

Selling and Marketing

Selling and marketing expenses for the three and six months ended June 30, 2023 totaled \$10.4 million and \$19.9 million, respectively, compared to \$11.6 million and \$22.4 million for the three and six months ended June 30, 2022, respectively, due to more targeted marketing spend to drive sales growth.

Research and Development

Research and development costs for the three and six months ended June 30, 2023 were \$4.2 million and \$8.3 million, respectively, compared to \$5.1 million and \$10.4 million for the three and six months ended June 30, 2022, respectively, due to expense management initiatives during the prior year to align headcount with new product and portfolio expansion strategies.

General and Administrative

General and administrative expenses for the three months ended June 30, 2023 totaled \$13.1 million compared to \$12.5 million for the three months ended June 30, 2022. Excluding certain non-recurring executive compensation, proxy contest and shareholders' litigation costs, expenses decreased \$1.3 million primarily due to lower non-cash stock-based compensation and employee expenses.

General and administrative expenses for the six months ended June 30, 2023 totaled \$20.1 million compared to \$18.8 million for the six months ended June 30, 2022. Excluding certain non-recurring executive compensation, proxy contest and shareholders' litigation costs, expenses decreased \$1.4 million primarily due to lower non-cash stock-based compensation, employee expenses and certain corporate legal costs, partially offset by higher professional services costs.

Income Taxes

Income tax benefit for the six months ended June 30, 2023 was (\$0.1) million at an effective tax rate of 0.5% compared to income tax benefit for the six months ended June 30, 2022 of (\$7.4) million at an effective tax rate of 23.3%. The effective tax rate for the six months ended June 30, 2023 was primarily impacted by a true-up to foreign incomes tax payable, partially offset by the change in U.S. valuation allowance, foreign taxes and interest on uncertain tax positions.

Liquidity and Capital Resources

Our primary sources of working capital are cash flows from operations and availability under our revolving credit facility. We have funded operations and acquisitions in recent periods with operating cash flows and borrowings under our revolving credit facility.

The following table summarizes our sources and uses of cash:

	Six Months Ended June 30,	
	2023	2022
	(in thousands)	
Cash and cash equivalents at beginning of period	\$ 11,396	\$ 37,720
Net cash provided by (used for) operating activities	24,210	(41,247)
Net cash used for investing activities	(1,252)	(1,207)
Net cash provided by (used for) financing activities	(18,749)	16,245
Effect of foreign exchange on cash	182	(634)
Cash and cash equivalents at end of period	<u>\$ 15,787</u>	<u>\$ 10,877</u>

Operating activities

Cash provided by operating activities for the six months ended June 30, 2023 was \$24.2 million, an increase of \$65.5 million as compared to cash used for operating activities of \$41.2 million for the six months ended June 30, 2022. The increase is primarily the result of market-driven inventory management activity, higher gross receipts and expense management initiatives during the prior year.

Investing activities

Cash used for investing activities was \$1.3 million for the six months ended June 30, 2023, which was related to certain capital investments, compared to \$1.2 million for the six months ended June 30, 2022.

Financing activities

Net cash used for financing activities was (\$18.7) million during the six months ended June 30, 2023 compared to net cash provided by financing activities of \$16.2 million during the six months ended June 30, 2022. Financing activities during the six months ended June 30, 2023 consisted primarily of \$19.1 million revolving credit facility net repayments.

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 short-term and long-term funding for working capital and capital expenditures including amounts to develop new products, fund future stock repurchases and to pursue strategic opportunities. Significant assumptions underlie this belief, including, among other things, that there will be no material adverse developments in our business, liquidity or capital requirements.

In addition, the Company monitors the capital markets on an ongoing basis and may consider raising capital if favorable market conditions develop.

Foreign cash balances at June 30, 2023 and December 31, 2022 were \$4.3 million and \$6.5 million, respectively.

Revolving Credit Facility

On March 5, 2018, Turtle Beach and certain of its subsidiaries entered into an amended and restated loan, guaranty and security agreement (the "Credit Facility") with Bank of America, N.A. ("Bank of America"), as administrative agent, collateral agent and security trustee for Lenders (as defined therein), which replaced the then existing asset-based revolving loan agreement. The Credit Facility was amended on each of December 17, 2018, May 31, 2019, and March 10, 2023. The Credit Facility, as amended, expires on April 1, 2025 and provides for a line of credit of up to \$80 million inclusive of a sub-facility limit of \$15 million for TB Europe, a wholly-owned subsidiary of Turtle Beach. In addition, the Credit Facility provides for a \$40 million accordion feature.

On March 10, 2023, the Company entered into a Third Amendment to Amended and Restated Loan, Guaranty and Security Agreement (the "Third Amendment"), by and among the Company, VTB, TBC Holding Company LLC, TB Europe, VTBH, the financial institutions party thereto from time to time and Bank of America, as administrative agent, collateral agent and security trustee for the lenders.

The Third Amendment provides for, among other things: (i) extending the maturity date of the Credit Facility from March 5, 2024 to April 1, 2025; (ii) updating the interest rate and margin terms; (iii) removing the FILO Loan facility; (iv) updating the sub-facility limit for TB Europe to \$15 million; (v) increasing our undrawn commitment fee by 0.125%; and (vi) transitioning the reference interest rates from LIBOR to BSBY, SONIA and EUIBOR, as applicable.

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 (i) a rate published by Bank of America or the U.S. Bloomberg Short-Term Bank Yield Index (“BSBY”) rate for loans denominated in U.S. Dollars, (ii) the Sterling Overnight Index Average Reference Rate (“SONIA”) for loans denominated in Sterling, (iii) and the Euro Interbank Offered Rate (“EUIBOR”) for loans denominated in Euros, plus in each case, an applicable margin, which is between 0.50% to 2.50% for base rate loans and UK base rate loans, and 1.50% to 3.50% for U.S. BSBY rate loans, U.S. BSBY daily floating rate loans and UK alternative currency loans. In addition, Turtle Beach is required to pay a commitment fee on the unused revolving loan commitment at a rate ranging from 0.375% to 0.50% and letter of credit fees and agent fees. As of June 30, 2023, interest rates for outstanding borrowings were 10.75% for base rate loans and 6.50% for LIBOR rate loans, which reference interest rates were still in effect prior to the Libor Transition Amendments.

The Company is subject to quarterly financial covenant testing if certain availability thresholds are not met or certain other events occur (as set forth in the Credit Facility). At such times, 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 the Company’s 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.

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. For a discussion of the critical estimates that affect the condensed consolidated financial statements, see “Critical Accounting Estimates” included in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report.

See Note 2, “Summary of Significant Accounting Policies,” to the unaudited condensed consolidated financial statements contained herein 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 3 - 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 June 30, 2023 and December 31, 2022, we did 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 June 30, 2023 and December 31, 2022, our monetary assets and liabilities that 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, 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. Inflationary pressures can also have a negative impact on demand for the products we sell. Reduced or delayed discretionary spending by consumers in response to inflationary pressures has reduced consumer demand for our products, resulting in

reduced sales. In 2022, we experienced a higher rate of inflation than in recent years resulting in higher cost of goods, selling expenses, and general and administrative expenses. Such increases have had and may continue to have a negative impact on the Company's profit margins if selling prices of products do not increase with the increased costs.

Item 4 - 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 Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision of our Principal Executive Officer (or PEO) and 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 June 30, 2023.

Changes in Internal Control over Financial Reporting

In our annual report on Form 10-K for the year ended December 31, 2022, we identified a material weakness in internal control related to the proper design and implementation of certain controls over our income tax provision and management's review of the income tax provision. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Corporation's annual or interim financial statements will not be prevented or detected on a timely basis.

Management implemented its plan to remediate the material weakness described above, which consisted of the following elements:

- Management, with the assistance of a third party, performed an evaluation of the processes and procedures around the Company's tax provision processes, internal control design gaps, and recommend process enhancements.
- Implemented enhancements and process improvements, including the design and implementation of well defined controls and related control attributes regarding tax law changes, deferred taxes, uncertain tax positions and income tax disclosures.
- Developed a detailed timeline of the tax provision calculation, to ensure that sufficient time is allocated to complete the process as designed.

As of June 30, 2023, management has determined that the material weakness identified has been remediated.

Other than the material weakness remediated above, there have been no changes in our internal control over financial reporting during the period covered that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our process for evaluating controls and procedures is continuous and encompasses constant improvement of the design and effectiveness of established controls and procedures and the remediation of any deficiencies, which may be identified during this process.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II. OTHER INFORMATION

Item 1 - Legal Proceedings

Please refer to Note 12, “Commitments and Contingencies” in the notes to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated into this item by reference.

Item 1A - Risk Factors

Information regarding risk factors appears in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

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 Board of Directors approved an extension and expansion of this stock repurchase program up to \$25.0 million of its common shares, expiring April 9, 2023. On March 3, 2023, the Company’s Board of Directors approved a two-year extension of this stock repurchase plan.

Period	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
April 1-30, 2023	—	\$ —	—	—
May 1-31, 2023	—	\$ —	—	—
June 1-30, 2023	85,903	\$ 11.34	85,903	\$ 16,619,836
Total	85,903	\$ 11.34	85,903	

Item 5 - Other Information

Rule 10b5-1 Trading Plans

On May 15, 2023, Juergen Stark, who served as our Chairman, President and Chief Executive Officer at the time of adoption, adopted a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c) for the sale of up to 50,000 shares of the Company’s common stock and exercise and sale of up to 250,000 options to purchased shares of the Company’s common stock until December 29, 2023.

Item 6. Exhibits

- 3.1 [Articles of Incorporation of Turtle Beach Corporation, as amended \(Incorporated by reference to Exhibit 3.1 to Company's 10-Q filed August 6, 2018\).](#)
- 3.2 [Bylaws, as amended, of Turtle Beach Corporation \(Incorporated by reference to Exhibit 3.1 to the Company's 8-K filed June 20, 2019\).](#)
- 4.1 [Rights Agreement, dated as of March 28, 2023, by and between Turtle Beach Corporation and Issuer Direct Corporation, as rights agent \(Incorporated by reference to Exhibit 4.1 to the Company's Form 8-K originally filed with the Securities and Exchange Commission on March 29, 2023\).](#)
- 4.2 [Amendment No. 1 to Rights Agreement, dated as of June 15, 2023, by and between Turtle Beach Corporation and Issuer Direct Corporation, as rights agent \(Incorporated by reference to Exhibit 4.1 to the Company's 8-K originally filed with the Securities and Exchange Commission on June 16, 2023\).](#)
- 10.1† [Separation Letter Agreement and Release, dated May 1, 2023, between Turtle Beach Corporation and Juergen Stark \(Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K originally filed with the Securities and Exchange Commission on May 2, 2023\).](#)
- 10.2† [Consulting Services Agreement, dated June 26, 2023, between Turtle Beach Corporation and JStark Industries, LLC \(Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K originally filed with the Securities and Exchange Commission on June 29, 2023\).](#)
- 10.3† [Letter Agreement, dated June 20, 2023, between Turtle Beach Corporation and Cris Keirn \(Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K originally filed with the Securities and Exchange Commission on June 21, 2023\).](#)
- 10.4†** [Turtle Beach Corporation 2023 Stock-Based Incentive Compensation Plan, as amended.](#)
- 10.5†** [Form of Performance Stock Unit Agreement under the Turtle Beach Corporation 2023 Stock-Based Incentive Compensation Plan.](#)
- 10.6†** [Form of Restricted Stock Agreement under the Turtle Beach Corporation 2023 Stock-Based Incentive Compensation Plan.](#)
- 10.7†** [Form of Deferred Stock Award Agreement under the Amended and Restated Turtle Beach Corporation 2023 Stock-Based Incentive Compensation Plan.](#)
- 10.8 [Waiver of Replacement Rights Agreement, dated June 17, 2023, by and among Turtle Beach Corporation, The Donerail Group LP and the other parties thereto \(Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K originally filed with the Securities and Exchange Commission on June 22, 2023\).](#)
- 31.1 ** [Certification of Cris Keirn, 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 Cris Keirn, Principal Executive Officer and John Hanson, Principal Financial Officer.](#)

Extensible Business Reporting Language (XBRL) Exhibits

- 101.INS Inline XBRL Instance 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 Labels Linkbase Document
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document

** Filed herewith.

† Includes a management contract or any compensatory plan, contract or arrangement.

SIGNATURES

Pursuant to the requirements 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: August 7, 2023

By: _____ /s/ JOHN T. HANSON

John T. Hanson
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

TURTLE BEACH CORPORATION
2023 STOCK-BASED INCENTIVE COMPENSATION PLAN
(as amended pursuant to Amendment No. 2023-1, incorporated herein)

1. Purpose of the Plan

The purpose of the Plan is to assist the Company, its Subsidiaries and Affiliates in attracting and retaining valued Employees, Consultants and Non-Employee Directors by offering them a greater stake in the Company's success and a closer identity with it, and to encourage ownership of the Company's stock by such Participants.

2. Definitions

As used herein, the following definitions shall apply:

2.1 "Affiliate" means any entity other than the Subsidiaries in which the Company has a substantial direct or indirect equity interest, as determined by the Board.

2.2 "Award" means a grant of Common Stock, Deferred Stock, Restricted Stock, Restricted Stock Units, Options or SARs under the Plan.

2.3 "Award Agreement" means the written agreement, instrument or document evidencing an Award or Prior Plan Award, including any such item in an electronic medium.

2.4 "Board" means the Board of Directors of the Company.

2.5 "Cause" shall have the meaning ascribed to it in a Participant's employment or consulting agreement or, if no employment or consulting agreement is in effect or if "cause" is not defined therein, "Cause" shall mean: (a) the Participant's conviction of or plea of guilty or nolo contendere to a felony; (b) a determination by the Board that the Participant committed fraud, misappropriation or embezzlement against any person; (c) the Participant's material breach of the terms of any material written agreement with the Company or any affiliate to which Participant is a party; (d) the Participant's willful misconduct or gross neglect in performance of Participant's duties; or (e) the Participant's failure or refusal to carry out material responsibilities reasonably assigned by the Board or the Company's Chief Executive Officer to the Participant; provided, however, that with respect to subsections (c), (d) and (e) above, Cause will only be deemed to occur after written notice to the Participant of such action or inaction giving rise to Cause and the failure by the Participant to cure such action or inaction (which is capable of cure) within 30 days after written notice.

2.6 "Change in Control" means, after the Effective Date, any of the following events:

(a) a "person" (as such term is used in Sections 13(d) and 14(d) of the 1934 Act), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13D-3 under the 1934 Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities; or

(b)during any period of two consecutive years, individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Section 2.6(a), Section 2.6(c) or Section 2.6(d) hereof) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously approved, cease for any reason to constitute a majority thereof; or

(c)the Company merges or consolidates with any other corporation, other than in a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

(d)the complete liquidation of the Company or the sale or other disposition of all or substantially all of the Company's assets.

Notwithstanding anything in the Plan or an Award Agreement to the contrary, if an Award is subject to Section 409A of the Code, no event that, but for this Section, would be a Change in Control as defined in the Plan or the Award Agreement, as applicable, shall be a Change in Control unless such event is also a "change in control event" as defined in Section 409A of the Code.

2.7 "Code" means the Internal Revenue Code of 1986, as amended, and the Treasury regulations promulgated thereunder. A reference to any provision of the Code or the Treasury regulations promulgated thereunder shall include reference to any successor provision of the Code or the Treasury regulations.

2.8 "Committee" means the committee designated by the Board to administer the Plan under Section 4.

2.9 "Common Stock" means the common stock of the Company, par value \$0.001 per share, or such other class or kind of shares or other securities resulting from the application of Section 15.

2.10"Company" means Turtle Beach Corporation, a Nevada corporation, or any successor corporation.

2.11"Consultant" means an individual who renders services to the Company, a Subsidiary or an Affiliate as a consultant, advisor or independent contractor.

2.12"Deferral Period" means the period during which the receipt of a Deferred Stock Award under Section 8 will be deferred.

2.13“Deferred Stock” means Common Stock to be delivered at the end of a Deferral Period and awarded by the Committee under Section 8.

2.14“Disability” means with respect to a Participant, means “disability” as defined from time to time under any long-term disability plan of the Company or Subsidiary with which the Participant is employed. Notwithstanding the foregoing, for any Awards that constitute nonqualified deferred compensation within the meaning of Section 409A(d) of the Code and provide for an accelerated payment in connection with any Disability, Disability shall have the same meaning as set forth in any regulations, revenue procedure, revenue rulings or other pronouncements issued pursuant to Section 409A of the Code.

2.15 “Effective Date” means June 14, 2019.

2.16“Employee” means an individual, including an officer or director, who is employed by the Company, a Subsidiary or an Affiliate.

2.17“Fair Market Value” means the fair market value of Common Stock determined by such methods or procedures as shall be established from time to time by the Committee in good faith and in accordance with applicable law. Unless otherwise determined by the Committee, the Fair Market Value of Common Stock shall mean, on any given date, the closing price of a share of Common Stock on the principal national securities exchange on which the Common Stock is listed on such date or, if Common Stock was not traded on such date, on the last preceding day on which the Common Stock was traded.

2.18“Incentive Stock Option” means an Option or a portion thereof intended to meet the requirements of an incentive stock option as defined in Section 422 of the Code and designated as an Incentive Stock Option in the applicable Award Agreement.

2.19“1934 Act” means the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder. A reference to any provision of the 1934 Act or rule promulgated under the 1934 Act shall include reference to any successor provision or rule.

2.20“Non-Employee Director” means a member of the Board who meets the definition of a “non-employee director” under Rule 16b-3(b)(3) promulgated under the 1934 Act.

2.21“Non-Qualified Option” means an Option or a portion thereof not intended to be an Incentive Stock Option and designated as a Non-Qualified Option in the applicable Award Agreement.

2.22“Option” means a right to purchase a specified number of shares of Common Stock at a specified price awarded by the Committee under Section 11 of the Plan.

2.23 “Participant” means any Employee, Consultant or Non-Employee Director who receives an Award.

2.24“Performance-Based Award” means any form of Award permitted under this Plan, where the Participant’s right to, and payment of, such Award is conditioned upon the achievement of specified Performance Goals. The Committee will have full discretion to select the length of any applicable Performance Cycle, the kind and/or level of the applicable Performance Goal, and whether the Performance Goal is to apply to the Company, an Affiliate, any division or business unit thereof, or to an individual.

2.25“Performance Cycle” means the period selected by the Committee during which the performance of the Company, any Subsidiary, any Affiliate or any business unit thereof, or any individual, is measured for the purpose of determining the extent to which a Performance Goal has been achieved.

2.26“Performance Goal” means the written goal or goals established by the Committee for purposes of establishing the criteria applicable to a Performance-Based Award for a Participant during a Performance Cycle, which may include, but shall not be limited to, any one or more of the following as they relate to the Company, its Subsidiaries or Affiliates (or any business unit or department thereof): (i) stock price, (ii) market share, (iii) sales, (iv) earnings per share, (v) diluted earnings per share, (vi) diluted net income per share, (vii) return on stockholder equity, (viii) costs, (ix) cash flow, (x) return on total assets, (xi) return on capital or invested capital, (xii) return on net assets, (xiii) operating income, (xiv) net income, (xv) earnings (or net income) before interest, taxes, depreciation and amortization, (xvi) improvements in capital structure, (xvii) gross, operating or other margins, (xviii) budget and expense management, (xix) productivity ratios, (xx) working capital targets, (xxi) enterprise value, (xxii) safety record, (xxiii) completion of acquisitions or business expansion of the company, our subsidiaries or affiliates (or any business unit or department thereof) (xxiv) economic value added or other value added measurements, (xxv) expense targets, (xxvi) operating efficiency, (xxvii) regulatory body approvals for commercialization of products (xxviii) implementation or completion of critical projects or related milestones, (xxix) quality control, (xxx) supply chain achievements and (xxxi) marketing and distribution of products, in all cases, whether measured absolutely or relative to an index or peer group. The Committee shall have discretion to determine the specific targets with respect to each of these categories of Performance Goals. The Committee may also grant Performance-Based Awards that are based on Performance Goals other than those set forth above. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the Performance Goals unsuitable, the Committee may modify such Performance Goals or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable.

2.27“Plan” means the Turtle Beach Corporation 2023 Stock-Based Incentive Compensation Plan herein set forth, as amended from time to time.

2.28“Prior Plans” means the 2010 Stock Option Plan of Parametric Sound Corporation and the 2012 Stock Option Plan of Parametric Sound Corporation, in each case as amended.

2.29 “Prior Plan Award” means an “Option” as defined in the applicable Prior Plan.

“Restricted Stock” means Common Stock awarded by the Committee under Section 9 of

“Restricted Stock Unit” means the right to a payment in Common Stock or in cash, or in a

combination thereof, awarded by the Committee under Section 10 of the Plan.

2.32“Restriction Period” means the period during which Restricted Stock awarded under Section 9 of the Plan and Restricted Stock Units awarded under Section 10 of the Plan are subject to forfeiture.

2.33 “SAR” means a stock appreciation right awarded by the Committee under Section 12 of the Plan.

2.34 “Subsidiary” means any corporation (other than the Company), partnership, joint venture or other business entity of which 50% or more of the outstanding voting power is beneficially owned, directly or indirectly, by the Company.

2.35“Ten Percent Stockholder” means a person who on any given date owns, either directly or indirectly (taking into account the attribution rules contained in Section 424(d) of the Code), stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or a Subsidiary.

3. Eligibility

Any Employee, Consultant or Non-Employee Director is eligible to receive an Award.

4. Administration and Implementation of Plan

4.1 The Plan shall be administered by the Committee. Any action of the Committee in administering the Plan shall be final, conclusive and binding on all persons, including the Company, its Subsidiaries and Affiliates, their Employees, Consultants and directors, Participants, persons claiming rights from or through Participants and stockholders of the Company. No member of the Committee shall be personally liable for any action, determination, or interpretation taken or made in good faith by the Committee with respect to the Plan, any Awards granted hereunder or any Prior Plan Awards, and all members of the Committee shall be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

4.2 Subject to the provisions of the Plan, the Committee shall have full and final authority in its discretion (a) to select the Employees, Consultants and Non-Employee Directors who will receive Awards pursuant to the Plan, (b) to determine the type or types of Awards to be granted to each Participant, (c) to determine the number of shares of Common Stock to which an Award will relate, the terms and conditions of any Award granted under the Plan (including, but not limited to, restrictions as to vesting, transferability or forfeiture, exercisability or settlement of an Award and waivers or accelerations thereof, and waivers of or modifications to performance conditions relating to an Award, based in each case on such considerations as the Committee shall determine) and all other matters to be determined in connection with an Award;

(d) to determine whether, to what extent, and under what circumstances an Award may be canceled, forfeited, or surrendered; (e) to determine whether Performance Goals to which the settlement of an Award is subject are satisfied; (f) to correct any defect or supply any omission or reconcile any inconsistency in the Plan, and to adopt, amend and rescind such rules and regulations as, in its opinion, may be advisable in the administration of the Plan; and (g) to construe and interpret the Plan and to make all other determinations as it may deem necessary or advisable for the administration of the Plan.

4.3 The Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter, such terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of the Participant's termination of employment or service with the Company or any Subsidiary or Affiliate; provided, however, that the Committee shall retain full power to accelerate or waive any such term or condition as it may have previously imposed, including, without limitation, any vesting period. All Awards shall be evidenced by an Award Agreement. The right of a Participant to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such Performance Goals as may be specified by the Committee.

4.4 To the extent permitted by applicable law, the Committee may delegate some or all of its authority with respect to the Plan and Awards to any executive officer of the Company or any other person or persons designated by the Committee, in each case, acting individually or as a committee, provided that the Committee may not delegate its authority hereunder to make awards to Employees who are (i) "officers" as defined in Rule 16a-1(f) under the 1934 Act or (ii) officers or other Employees who are delegated authority by the Committee pursuant to this Section. Any delegation hereunder shall be subject to the restrictions and limits that the Committee specifies at the time of such delegation or thereafter. The Committee may, at any time, rescind the authority delegated to any person pursuant to this Section. Any action undertaken by any such person or persons in accordance with the Committee's delegation of authority pursuant to this Section shall have the same force and effect as if undertaken directly by the Committee.

5. Minimum Vesting Requirement

Notwithstanding any other provision of the Plan to the contrary, Awards granted under the Plan shall not vest over a period of less than one year from the date on which the Award is granted; provided that the following Awards shall not be subject to the foregoing minimum vesting requirement: any (i) Substitute Awards (as such term is defined in Section 6.4(d)), (ii) Awards to Non-Employee Directors that vest on the earlier of the one-year anniversary of the date of grant and the next annual meeting of stockholders that is at least 50 weeks after the immediately preceding year's annual meeting, and (iii) any additional Awards that the Committee may grant, up to a maximum of five percent (5%) of the available share reserve authorized or issuance under the Plan under Section 6.1 (subject to adjustment under Section 15); provided, further, that the Committee may authorize acceleration of vesting of such Awards in the event of the Participant's death or Disability, or the occurrence of a Change in Control as provided in Section 14.

6. Shares of Stock Subject to the Plan

6.1 Number of Shares. Subject to adjustment as provided in Section 15 and the provisions of this Section 6, the total number of shares of Common Stock reserved and available for issuance pursuant to Awards granted under the Plan shall be 4,302,353, plus effective as of the date of stockholder approval, an additional 1,049,000 shares of Common Stock.

6.2 Award Limits. Subject to adjustment as provided in Section 15, (i) the maximum number of shares of Common Stock available for Awards that are intended to be Incentive Stock Options shall not exceed 5,351,353 and (ii) the maximum number of shares of Common Stock available for Awards that may be granted to any individual Participant (other than a Non-Employee Director) shall not exceed 500,000 during any calendar year.

6.3 Awards to Non-Employee Directors. The maximum aggregate number of shares of Common Stock associated with any Award made under the Plan in any calendar year to any one Non-Employee Director shall be 250,000 shares.

6.4 Share Counting.

(a) Lapsed Awards. If any Award or Prior Plan Award is forfeited, canceled, or such Award otherwise terminates, any shares subject to such Award or Prior Plan Award shall not be counted against the number of shares available for issuance pursuant to the Plan.

(b) No Net Counting of Options or SARs. SARs or Options shall be counted in full against the number of shares available for future Awards under the Plan, regardless of the number of shares of Common Stock issued upon settlement of the SAR or Option. Accordingly, if in accordance with the terms of the Plan, a Participant exercises an Option by either tendering previously owned shares of Common Stock or through net settlement, then such shares surrendered to exercise the Option shall continue to count against the aggregate number of shares available for grant under the Plan set forth in Section 6.1 above. For the avoidance of doubt, if shares are repurchased by the Company on the open market with the proceeds of the exercise price of Options (including Options granted under the Prior Plan), such shares may not again be made available for issuance under the Plan.

(c) Withholding. If any shares subject to an Award or Prior Plan Award are retained or reacquired by the Company in payment of an exercise price or satisfaction of a withholding or other tax obligation in connection with any Award, such shares shall not be made available for future Awards under the Plan.

(d) Items Not Included. The following items shall not count against the aggregate number of shares available for future Awards under the Plan: (i) the payment in cash of dividends or dividend equivalents under any outstanding Award; (ii) any Award that is settled in cash rather than by issuance of shares of Common Stock; or (iii) Awards granted through the assumption of, or in substitution for, outstanding awards previously granted to individuals who become Participants as a result of a merger, consolidation, acquisition or other corporate transaction involving the Company or any Subsidiary ("Substitute Awards").

6.5 Source of Shares. Any shares issued hereunder may consist, in whole or in part, of authorized and unissued shares, treasury shares, or shares purchased on the open market.

7. Common Stock

An Award of Common Stock is a grant by the Company of a specified number of shares of Common Stock to the Participant, which shares are not subject to forfeiture except as set forth in Section 23. Upon the Award of Common Stock, the Committee may direct the number of shares of Common Stock subject to such Award be issued to the Participant, designating the Participant as the registered owner. The Participant shall have all of the customary rights of a stockholder with respect to the Award of Common Stock, including the right to vote shares of the Common Stock and receive dividends with respect to the Common Stock.

8. Deferred Stock

An Award of Deferred Stock is an agreement by the Company to deliver to the Participant a specified number of shares of Common Stock at the end of a specified Deferral Period or Periods. Such an Award shall be subject to the following terms and conditions:

8.1 Upon the Award of Deferred Stock, the Committee shall direct that the number of shares subject to such Award be credited to the Participant's account on the books of the Company but that issuance and delivery of the same shall be deferred until the date or dates provided in the Award Agreement. Prior to issuance and delivery of the Deferred Stock, the Participant shall have no rights as a stockholder with respect to any shares of Deferred Stock credited to the Participant's account.

8.2 During the Deferral Period, no dividend shall be paid with respect to shares covered by a Deferred Stock Award and the Participant shall have no future right to any dividend paid during the Deferral Period.

8.3 The Deferral Period may consist of one or more installments. Provided that the Deferred Stock has not been previously forfeited, at the end of the Deferral Period or any installment thereof, the shares of Deferred Stock applicable to such installment, shall be issued and delivered to the Participant (or, where appropriate, the Participant's legal representative) in accordance with the terms of the Award Agreement.

9. Restricted Stock

An Award of Restricted Stock is a grant by the Company of a specified number of shares of Common Stock to the Participant, which shares are subject to forfeiture upon the happening of specified events. Such an Award shall be subject to the following terms and conditions:

9.1 Upon the Award of Restricted Stock, the Committee may direct the number of shares of Common Stock subject to such Award be issued to the Participant or placed in a restricted stock account (including an electronic account) with the transfer agent and in either case designating the Participant as the registered owner. The certificate(s), if any, representing such shares shall be physically or electronically legended, as applicable, as to sale, transfer, assignment, pledge or other encumbrances during the Restriction Period and, if issued to the

Participant, returned to the Company to be held in escrow during the Restriction Period. In all cases, the Participant shall sign a stock power endorsed in blank to the Company to be held in escrow during the Restriction Period.

9.2 During the Restriction Period, the Participant shall have the right to vote shares of Restricted Stock. During the Restriction Period, no dividend shall be paid with respect to the number of shares covered by a Restricted Stock Award and the Participant shall have no future right to any dividend paid during the Restriction Period.

9.3 Provided that the Restricted Stock has not been previously forfeited, at the end of the Restriction Period the restrictions imposed under the Award Agreement shall lapse with respect to the number of shares specified thereunder, and the legend, if any, imposed hereunder shall be removed and such number of shares delivered to the Participant (or, where appropriate, the Participant's legal representative).

10. Restricted Stock Units

An Award of Restricted Stock Units is a grant by the Company of the right to receive a payment in Common Stock or in cash, or in a combination thereof, that is equal to the Fair Market Value of a share of Common Stock as of the date of vesting or payment, as set forth in the applicable Award Agreement, which right is subject to forfeiture upon the happening of specified events. Such an Award shall be subject to the following terms and conditions:

10.1 Any amount payable upon the end of the Restriction Period with respect to a Restricted Stock Unit shall be paid by the Company in shares of Common Stock, in cash or in a combination of shares of Common Stock and cash, as determined by the Committee in its sole discretion or as set forth in the Award Agreement.

10.2 Provided that the Restricted Stock Units have not been previously forfeited, at the end of the Restriction Period the restrictions imposed under the Award Agreement shall lapse with respect to the number of Restricted Stock Units specified thereunder, and shares of Common Stock or cash with a value equal to the Fair Market Value of the shares of Common Stock underlying such Restricted Stock Units shall be delivered to the Participant (or, where appropriate, the Participant's legal representative).

11. Options

Options give a Participant the right to purchase a specified number of shares of Common Stock from the Company for a specified time period at a fixed price. Options may be either Incentive Stock Options or Non- Qualified Stock Options. The grant of Options shall be subject to the following terms and conditions:

11.1 Option Price: The price per share at which Common Stock may be purchased upon exercise of an Option shall be determined by the Committee, but shall be not less than 100% of the Fair Market Value of a share of Common Stock on the date of grant (or 110% of such Fair Market Value in the case of an Incentive Stock Option granted to a Ten Percent Stockholder), unless the Option was granted through the assumption of, or in substitution for, outstanding awards previously granted by an entity acquired by the Company or any Subsidiary or Affiliate or with which the Company or any Subsidiary or Affiliate combines.

11.2Term of Options: The term of an Option shall in no event be greater than ten years (five years in the case of an Incentive Stock Option granted to a Ten Percent Stockholder).

11.3Incentive Stock Options: Each provision of the Plan and each Award Agreement relating to an Incentive Stock Option shall be construed so that each Incentive Stock Option shall be an incentive stock option as defined in Section 422 of the Code, and any provisions of an Award Agreement that cannot be so construed shall be disregarded. In no event may a Participant be granted an Incentive Stock Option which does not comply with the grant and vesting limitations prescribed by Section 422(b) of the Code. Incentive Stock Options may not be granted to Employees of Affiliates or to Consultants or Non-Employee Directors.

11.4Payment of Option Price: The option price of the shares of Common Stock received upon the exercise of an Option shall be paid within three days of the date of exercise: (i) in cash, or (ii) with the proceeds received from a broker-dealer whom the Participant has authorized to sell all or a portion of the Common Stock covered by the Option, or (iii) with the consent of the Committee, in whole or in part in Common Stock held by the Participant and valued at Fair Market Value on the date of exercise. With the consent of the Committee, payment upon the exercise of a Non-Qualified Option may be made in whole or in part by Restricted Stock held by the Participant and valued at Fair Market Value on the date the Option is exercised. In such case, the Common Stock to which the Option relates shall be subject to the same forfeiture restrictions originally imposed on the Restricted Stock exchanged therefor. An Option may be exercised only for a whole number of shares of Common Stock.

12. Stock Appreciation Rights

SARs give the Participant the right to receive, upon exercise of the SAR, the excess of (i) the Fair Market Value of one share of Common Stock on the date of exercise over (ii) the grant price of the SAR as determined by the Committee, but which may never be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant. The grant of SARs shall be subject to the following terms and conditions:

12.1 The term of a SAR shall in no event be greater than ten years.

12.2The Committee shall determine the time or times at which a SAR may be exercised in whole or in part, the method of exercise, the method of settlement, form of consideration payable in settlement, method by which Common Stock will be delivered or deemed to be delivered to Participants, whether or not a SAR shall be in tandem with any other Award, and any other terms and conditions of any SAR.

12.3The Committee may provide that a SAR shall be deemed to be exercised at the close of business on the scheduled expiration date of such SAR.

13. Performance-Based Awards.

13.1 Awards with a performance feature are referred to as “Performance-Based Awards,” which may be granted as Awards with the features and restrictions applicable thereto as determined by the Committee, including the Performance Goals to be achieved during any Performance Cycle and the length of the Performance Cycle. Performance-Based Awards may be paid in cash, shares of Common Stock, or any combination thereof in the sole discretion of the Committee. The performance levels to be achieved for each Performance Cycle and the amount of the Award to be paid shall be conclusively determined by the Committee. Except as provided in Section 15, each Performance-Based Award shall be paid following the end of the Performance Cycle or, if later, the date on which any applicable contingency or restriction has ended.

13.2 Notwithstanding any other provision of this Plan, if the Committee determined at the time that an Award granted to a Participant that such Participant was, or was likely to be as of the end of the tax year in which the Company would claim a tax deduction in connection with such Award, a “covered employee,” as defined in Section 162(m) of the Code, and that the Award was eligible for the qualified performance-based compensation exception that was available under Section 162(m) of the Code prior to the repeal of such exception for tax years after 2017, then the Committee may provide that this Section 13.2 is applicable to such Award. Effective for tax years after 2017, the qualified performance-based compensation exception from Section 162(m)’s tax deduction limitation was repealed; provided, however, that notwithstanding such repeal, the qualified performance-based compensation remains subject to a transition rule for remuneration that is payable pursuant to a written binding contract that was in effect on November 2, 2017 and is not materially modified thereafter. For the avoidance of doubt, it is the intent of the Company to preserve the qualified performance-based compensation exception, including pursuant to the transition rule, that is or may be available for Awards payable under this Plan to the maximum extent permitted by law.

14. Consequences of a Change in Control

14.1 Assumption of Outstanding Awards. Upon a Change in Control where the Company is not the surviving corporation (or survives only as a subsidiary of another corporation), unless the Committee determines otherwise, all outstanding Awards that are not exercised or paid at the time of the Change in Control shall be assumed by, or replaced with grants that have comparable terms by, the surviving corporation (or a parent or subsidiary of the surviving corporation). After a Change in Control, references to the “Company” as they relate to employment matters shall include the successor employer in the transaction, subject to applicable law.

14.2 Vesting Upon Certain Terminations of Employment. Unless the Award Agreement provides otherwise, if a Participant’s employment is terminated by the Company or a Subsidiary without Cause upon or within 12 months following a Change in Control, the Participant’s outstanding Awards shall become fully vested as of the date of such termination; provided that any Performance-Based Awards shall vest only based on the greater of (i) actual performance as of the date of the Change in Control, or (ii) target performance, pro-rated based on the period elapsed between the beginning of the applicable performance period and the date of termination.

14.3 Other Alternatives. In the event of a Change in Control, if any outstanding Awards are not assumed by, or replaced with grants that have comparable terms by, the surviving corporation (or a parent or subsidiary of the surviving corporation), the Committee may take any of the following actions with respect to any or all outstanding Awards, without the consent of any Participant: (i) the Committee may determine that outstanding Options and SARs shall automatically accelerate and become fully exercisable and the restrictions and conditions on outstanding Restricted Stock, Restricted Stock Units, or Performance-Based Awards shall immediately lapse; (ii) the Committee may determine that Participants shall receive a payment in settlement of outstanding Restricted Stock Units or Performance-Based Awards, in such amount and form as may be determined by the Committee; (iii) the Committee may require that Participants surrender their outstanding Options and SARs in exchange for a payment by the Company, in cash or Common Stock as determined by the Committee, in an amount equal to the amount, if any, by which the then Fair Market Value of the shares of Common Stock subject to the Participant's unexercised Options and SARs exceeds the Option exercise price or SAR base amount, and (iv) after giving Participants an opportunity to exercise all of their outstanding Options and SARs, the Committee may terminate any or all unexercised Options and SARs at such time as the Committee deems appropriate. Such surrender, termination or payment shall take place as of the date of the Change in Control or such other date as the Committee may specify. Without limiting the foregoing, if the per share Fair Market Value of the Common Stock does not exceed the per share Option exercise price or SAR base amount, as applicable, the Company shall not be required to make any payment to the Participant upon surrender of the Option or SAR.

15. Adjustments upon Changes in Capitalization

15.1 In order to prevent dilution or enlargement of the rights of Participants under the Plan as a result of any stock dividend, recapitalization, forward stock split or reverse stock split, reorganization, division, merger, consolidation, spin-off, combination, repurchase or share exchange, extraordinary or unusual cash distribution or other similar corporate transaction or event that affects the Common Stock, the Committee shall adjust (i) the number and kind of shares of Common Stock which may thereafter be issued in connection with Awards or Prior Plan Awards, (ii) the number and kind of shares of Common Stock issuable in respect of outstanding Awards or Prior Plan Awards, (iii) the aggregate number and kind of shares of Common Stock available under the Plan, and (iv) the exercise or grant price relating to any Award or Prior Plan Award. Any such adjustment shall be made in an equitable manner which reflects the effect of such transaction or event. It is provided, however, that in the case of any such transaction or event, the Committee may make any additional adjustments to the items in (i) through (iv) above which it deems appropriate in the circumstances, or make provision for a cash payment with respect to any outstanding Award or Prior Plan Award; and it is provided, further, that no adjustment shall be made under this Section that would cause the Plan to violate Section 422 of the Code with respect to Incentive Stock Options.

15.2 In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards, including any Performance Goals, in recognition of unusual or nonrecurring events (including, without limitation, events described in Section 15.1) affecting the Company, any Subsidiary or Affiliate, or in response to changes in applicable laws, regulations, or accounting principles.

16. Termination and Amendment

16.1 Amendment, Modification and Termination. The Board may amend, alter, suspend, discontinue, or terminate the Plan without the consent of the Company's stockholders or Participants (including with retroactive effect), except that any such amendment, alteration, suspension, discontinuation, or termination shall be subject to the approval of the Company's stockholders if (i) such action would increase the number of shares subject to the Plan, (ii) such action results in the replacement or repurchase of any Option or SAR, or (iii) such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Common Stock may then be listed or quoted, in each case, except as provided in Section 15.1. The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue, or terminate, any Award theretofore granted and any Award Agreement relating thereto (including with retroactive effect).

16.2 Awards Previously Granted. No termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award. Any Award issued prior to this amendment shall be governed by the terms of the version of the Plan it was granted under.

16.3 No Repricing. Notwithstanding any provision herein to the contrary, the repricing of Options or SARs is prohibited without prior approval of the Company's stockholders. For this purpose, a "repricing" means any of the following (or any other action that has the same effect as any of the following): (i) changing the terms of an Option or SAR to lower its Option Price or grant price; (ii) any other action that is treated as a "repricing" under generally accepted accounting principles; and (iii) repurchasing for cash or canceling an Option or SAR at a time when its Option Price or grant price is greater than the Fair Market Value of the underlying shares in exchange for another Award, unless the cancellation and exchange occurs in connection with a change in capitalization or similar change under Section 15 above. Such cancellation and exchange would be considered a "repricing" regardless of whether it is treated as a "repricing" under generally accepted accounting principles and regardless of whether it is voluntary on the part of the Participant.

17. No Right to Award, Employment or Service

Neither the Plan nor any action taken hereunder shall be construed as giving any Employee, Consultant or Non-Employee Director any right to be retained in the employ or service of the Company, any Subsidiary or Affiliate. For purposes of the Plan, transfer of employment or service between the Company and its Subsidiaries and Affiliates shall not be deemed a termination of employment or service.

18. Taxes

The Company, any Subsidiary or Affiliate is authorized to withhold from any payment relating to an Award under the Plan, including from a distribution of Common Stock or any payroll or other payment to a Participant, in amounts that are sufficient to satisfy Federal, state, local, foreign or other taxes (including the Participant's FICA or other applicable social tax obligation) required by law to be withheld with respect to any taxable event arising as a result of this Plan.

The Company may cause any tax withholding obligation described in this Section to be satisfied by the Company withholding shares of Common Stock having a Fair Market Value on the date the tax is to be determined equal to the required tax withholding imposed on the transaction (not to exceed maximum statutory rates). In the alternative, the Company may permit Participants to elect to satisfy the tax withholding obligation, in whole or in part, by either (a) having the Company withhold shares of Common stock having a Fair Market Value on the date the tax is to be determined equal to the required tax withholding imposed on the transaction (not to exceed maximum statutory rates) or (b) tendering previously acquired shares of Common stock having an aggregate Fair Market Value equal to the required tax withholding imposed on the transaction (not to exceed maximum statutory rates). All such elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

19. Limits on Transferability; Beneficiaries

No Award or other right or interest of a Participant under the Plan shall be pledged, encumbered, or hypothecated to, or in favor of, or subject to any lien, obligation, or liability of such Participant to, any party, other than the Company, any Subsidiary or Affiliate, or assigned or transferred by such Participant otherwise than by will or the laws of descent and distribution, and such Awards and rights shall be exercisable during the lifetime of the Participant only by the Participant or his or her guardian or legal representative. Notwithstanding the foregoing, the Committee may, in its discretion, provide that Awards or other rights or interests of a Participant granted pursuant to the Plan (other than an Incentive Stock Option) be transferable, without consideration, to immediate family members (i.e., children, grandchildren or spouse), to trusts for the benefit of such immediate family members and to partnerships in which such family members are the only partners. The Committee may attach to such transferability feature such terms and conditions as it deems advisable. In addition, a Participant may, in the manner established by the Committee, designate a beneficiary (which may be a person or a trust) to exercise the rights of the Participant, and to receive any distribution, with respect to any Award upon the death of the Participant. A beneficiary, guardian, legal representative or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award Agreement applicable to such Participant, except as otherwise determined by the Committee, and to any additional restrictions deemed necessary or appropriate by the Committee.

20. No Rights to Awards; No Stockholder Rights

No Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants. No Award shall confer on any Participant any of the rights of a stockholder of the Company unless and until Common Stock is duly issued or transferred to the Participant in accordance with the terms of the Award.

21. Foreign Nationals

Without amending the Plan, Awards may be granted to Employees, Consultants and Non-Employee Directors who are foreign nationals or are employed or providing services outside the United States or both, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to further the purpose of the Plan. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose, provided that no such supplements, amendments, restatements or alternative versions shall include any provisions that are inconsistent with the terms of the Plan, as then in effect, unless the Plan could have been amended to eliminate such inconsistency without further approval by the stockholders of the Company.

22. Securities Law Requirements

22.1 No Award or Prior Plan Award shall be exercisable if the Company shall at any time determine that (a) the listing upon any securities exchange, registration or qualification under any state or federal law of any Common Stock otherwise deliverable upon such exercise, or (b) the consent or approval of any regulatory body or the satisfaction of withholding tax or other withholding liabilities, is necessary or appropriate in connection with such exercise. In any of the events referred to in clause (a) or clause (b) above, the exercisability of such Awards or Prior Plan Awards shall be suspended and shall not be effective unless and until such withholding, listing, registration, qualifications or approval shall have been effected or obtained free of any conditions not acceptable to the Company in its sole discretion, notwithstanding any termination of any Award or Prior Plan Award or any portion of any Award or Prior Plan Award during the period when exercisability has been suspended.

22.2 The Committee may require, as a condition to the right to exercise any Award or Prior Plan Award that the Company receive from the Participant, at the time any such Award or Prior Plan Award is exercised, vests or any applicable restrictions lapse, representations, warranties and agreements to the effect that the shares are being purchased or acquired by the Participant for investment only and without any present intention to sell or otherwise distribute such shares and that the Participant will not dispose of such shares in transactions which, in the opinion of counsel to the Company, would violate the registration provisions of the Securities Act of 1933, as then amended, and the rules and regulations thereunder. The certificates issued to evidence such shares shall bear appropriate legends summarizing such restrictions on the disposition thereof.

23. Recoupment

Any Award granted pursuant to the Plan shall be subject to mandatory repayment by the Participant to the Company pursuant to the terms of any Company "clawback" or recoupment policy directly applicable to the Plan and (i) set forth in the Participant's Award Agreement or (ii) required by law to be applicable to the Participant.

24. Termination

Unless the Plan previously shall have been terminated by action of the Board, the Plan shall terminate on the 10-year anniversary of the Effective Date, and no Awards under the Plan shall thereafter be granted.

25. Fractional Shares

The Company will not be required to issue any fractional shares of Common Stock pursuant to the Plan. The Committee may provide for the elimination of fractions and for the settlement of fractions in cash.

26. Governing Law

To the extent that Federal laws do not otherwise control, the validity and construction of the Plan and any Award Agreement entered into thereunder shall be construed and enforced in accordance with the laws of the State of California, but without giving effect to the choice of law principles thereof.

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 10.5

**TURTLE BEACH CORPORATION
2023 STOCK-BASED INCENTIVE COMPENSATION PLAN
(as amended pursuant to Amendment No. 2023-1, incorporated herein)**

PERFORMANCE STOCK UNIT SUMMARY OF GRANT

Turtle Beach Corporation, a Nevada corporation (the “Company”), pursuant to its 2023 Stock-Based Incentive Compensation Plan (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”).

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.

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 Termination Events:

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 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

Vesting Upon Change in Control:

to the Target Award applicable to such Performance Period or Cycles.

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.

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 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 [**] 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 2023 Performance Period = \$100,000,000 and Net Revenue for the 2024 Performance Period = \$110,000,000, then Revenue Growth will equal 10%.

January 1, 20__ - December 31, 20__ 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%	Base	Revenue Growth = Market Growth [+/-] [**]	[**]%
		Threshold	Revenue Growth = Market Growth [+/-] [**]	[**]%
		Target	Revenue Growth = Market Growth [+/-] [**]	[**]%
		Target Plus	Revenue Growth = Market Growth [+/-] [**]	[**]%
		Stretch	Revenue Growth = Market Growth [+/-] [**]	[**]%
January 1 – December 31, 20__	33%	Base	Revenue Growth = Market Growth [+/-] [**]	[**]%
		Threshold	Revenue Growth = Market Growth [+/-] [**]	[**]%
		Target	Revenue Growth = Market Growth [+/-] [**]	[**]%
		Target Plus	Revenue Growth = Market Growth [+/-] [**]	[**]%
		Stretch	Revenue Growth = Market Growth [+/-] [**]	[**]%
January 1 – December 31, 20__	34%	Base	Revenue Growth = Market Growth [+/-] [**]	[**]%
		Threshold	Revenue Growth = Market Growth [+/-] [**]	[**]%
		Target	Revenue Growth = Market Growth [+/-] [**]	[**]%
		Target Plus	Revenue Growth = Market Growth [+/-] [**]	[**]%
		Stretch	Revenue Growth = Market Growth [+/-] [**]	[**]%

*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.

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.

<u>Performance Periods</u>			Percentage of Performance Stock Units Earned and Vested**
January 1 – December 31, 20__	January 1 – December 31, 20__	January 1 – December 31, 20__	
Target Vesting Allocation			
:	33%	33%	34%
EBITDA %	EBITDA %	EBITDA %	
	[**]%	[**]%	[**]%
	[**]%	[**]%	[**]%
	[**]%	[**]%	[**]%
	[**]%	[**]%	[**]%
	[**]%	[**]%	[**]%
	[**]%	[**]%	[**]%
	[**]%	[**]%	[**]%

**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
2023 STOCK-BASED INCENTIVE COMPENSATION PLAN
(as amended pursuant to Amendment No. 2023-1, incorporated herein)**

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 2023 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:

AGREEMENT

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]

TURTLE BEACH CORPORATION
2023 STOCK-BASED INCENTIVE COMPENSATION PLAN
(as amended pursuant to Amendment No. 2023-1, incorporated herein)

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

WHEREAS, 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 2023 Stock-Based Incentive Compensation Plan, as amended (the “Plan”), a copy of which is attached hereto as Exhibit A;

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:

AGREEMENT

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.
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(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]

TURTLE BEACH CORPORATION
AMENDED AND RESTATED
2023 STOCK-BASED INCENTIVE COMPENSATION PLAN
(as amended July 6, 2023)

DEFERRED STOCK AWARD AGREEMENT

This DEFERRED STOCK AWARD AGREEMENT (“Agreement”), dated as of _____, 20__ (the “Grant Date”), is by and between Turtle Beach Corporation, a Nevada corporation (the “Company”), and _____ (the “Grantee”).

RECITALS

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

WHEREAS, capitalized terms not otherwise defined in this Agreement shall have the same meaning as is ascribed thereto in the Plan.

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:

AGREEMENT

1. Grant of Deferred Stock. The Company hereby grants to the Grantee an Award of Deferred Stock, subject to the vesting and other terms and conditions of this Agreement and the Plan. Provided that the vesting conditions in Section 3 are satisfied, the Grantee will receive that number of shares of Common Stock, payable in accordance with Section 4, equal to \$_____ for each month that the Grantee serves as _____ of the Company during the “Deferral Period” (as defined below), prorated for any partial month of service, and calculated on a monthly basis by using the 30-day average of the closing prices of shares of Common Stock as reported on the Nasdaq Global Market immediately prior to and including the last calendar day of the applicable month of service. If the calculation of Deferred Stock for an applicable month or partial month of service results in fractional shares of Common Stock, the number of shares of Common Stock for such applicable month or partial month shall be rounded down to the nearest whole share of Common Stock. For purposes hereof, the “Deferral Period” shall be the period of time between Grantee’s appointment as interim Chief Executive Officer of the Company and the termination of the Grantee’s appointment as interim Chief Executive Officer of the Company.

2. Deferred Stock Account. For each month or partial month of service as interim Chief Executive Officer of the Company following the Grant Date during the Deferral Period, the number of shares calculated for such month or partial month pursuant to Section 1 above shall be credited to the Grantee’s account on the books of the Company, representing hypothetical shares of Common Stock, but not actual shares of stock. No shares of Common Stock subject to this

Award shall be issued to the Grantee at the Grant Date or at any time during the Deferral Period, and the Grantee shall not be, nor have any of the rights or privileges of, a stockholder of the Company with respect to any shares of Common Stock subject to this Award or as recorded in the account unless and until the Deferred Stock becomes vested pursuant to Section 3 below and payable pursuant to Section 4 below.

3. Vesting.

(a) The Deferred Stock subject to this Award shall only become vested upon the Company's termination of the Grantee's service as interim Chief Executive Officer of the Company because a permanent replacement Chief Executive Officer of the Company is appointed. Subject to Section 3(b) below, upon a termination of the Grantee's service as interim Chief Executive Officer of the Company for any reason by the Company other than because a permanent replacement Chief Executive Officer of the Company is appointed, or in the event of a termination of the Grantee's service as interim Chief Executive Officer of the Company by the Grantee for any reason, in either case, the Deferred Stock subject to this Award shall automatically be forfeited by the Grantee for no consideration and without any further action by the Company whatsoever.

(b) Notwithstanding Section 3(a) above, if the Grantee's employment is terminated by the Company or any Subsidiary without Cause or if the Grantee resigns the Grantee's employment for "Good Reason" (as defined in the Turtle Beach Corporation Amended and Restated Retention Plan, as may be amended from time to time), in any case, during the Deferral Period, the number of shares of Common Stock calculated pursuant to Section 1 above for the Grantee's service as Chief Executive Officer of the Company during the Deferral Period shall vest upon such termination (with such termination date being the last day of the Deferral Period for purposes of this Award), and the Grantee will receive that number of shares of Common Stock, payable in accordance with Section 4 below.

4. Payment.

(a) Except as otherwise provided in this Section 4, if the Deferred Stock subject to this Award vest in accordance with Section 3 above, the Grantee shall be entitled to receive payment of the vested Deferred Stock in the amount of shares of Company Stock, as calculated pursuant to Section 1 above, within thirty (30) days following the last day of the Deferral Period.

(b) 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. Change in Control. The provisions of the Plan applicable to a Change in Control shall apply to the Deferred Stock subject to this Award, and, in the event of a Change in Control, the Committee may take such actions as it deems appropriate pursuant to the Plan.

6. Restrictions; Transferability of Deferred Stock. The Deferred Stock and any rights relating thereto are not assignable or transferable and the Deferred Stock 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 Deferred Stock during the Deferral Period shall

be wholly ineffective and, if any such attempt is made, the Deferred Stock shall be forfeited by the Grantee for no consideration and without any further action by the Company whatsoever.

7. 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, or service as interim Chief Executive Officer of the Company at any time, with or without Cause.

8. Plan Terms. The Deferred Stock covered by the Award is 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.

9. Income Taxes; Withholding Taxes. The Grantee is solely responsible for the satisfaction of all taxes that may arise in connection with the Deferred Stock pursuant to this Agreement. At the time of taxation, the Company shall withhold shares of Common Stock in an amount equal to the federal (including FICA or applicable social tax obligation), state, local and foreign income and payroll taxes and other amounts as may be required by law to be withheld with respect to the Deferred Stock subject to this Award, not to exceed the maximum statutory rates.

10. 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.

11. Grant Subject to Applicable Laws and Company Policies. This Award of Deferred Stock 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 Deferred Stock 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 Deferred Stock 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 this Award, 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. Section 409A. This Award of Deferred Stock 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 Deferred Stock constitutes "deferred compensation" under section 409A of the Code and the Deferred Stock becomes vested and settled upon the Grantee's termination of employment, payment with respect to the Deferred Stock 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 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 of Common Stock 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, solely to the extent that the Deferred Stock constitutes "deferred compensation" under section 409A of the Code, payments made with respect to this Award of Deferred Stock 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. If the Deferred Stock constitutes "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 Deferred Stock 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]

