



**SECOND QUARTER 2023  
EARNINGS PRESENTATION**

---

NASDAQ: HEAR  
AUGUST 7, 2023





# SAFE HARBOR STATEMENT & IMPORTANT INFORMATION

## Forward-Looking Information and Statements

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

## Non-GAAP Financial Measures

In addition to its reported results, the Company has included in this presentation certain financial results, including adjusted EBITDA and adjusted net income, that the Securities and Exchange Commission defines as “non-GAAP financial measures.” Management believes that such non-GAAP financial measures, when read in conjunction with the Company’s reported results, can provide useful supplemental information for investors analyzing period-to-period comparisons of the Company’s results. Non-GAAP financial measures are not an alternative to the Company’s GAAP financial results and may not be calculated in the same manner as similar measures presented by other companies. “Adjusted net income or loss” is defined as net income excluding (i) certain non-recurring business costs, (ii) acquisition integration costs, (iii) CEO separation related costs, and (iv) certain valuation allowances. “Adjusted EBITDA” is defined by the Company as net income (loss) before interest, taxes, depreciation and amortization, stock-based compensation (non-cash), and certain non-recurring special items that we believe are not representative of core operations. These non-GAAP financial measures are presented because management uses non-GAAP financial measures to evaluate the Company’s operating performance, to perform financial planning, and to determine incentive compensation. Therefore, the Company believes that the presentation of non-GAAP financial measures provides useful supplementary information to, and facilitates additional analysis by, investors. The presented non-GAAP financial measures exclude items that management does not believe reflect the Company’s core operating performance because such items are inherently unusual, non-operating, unpredictable, non-recurring, or non-cash. See a reconciliation of GAAP results to adjusted net income or loss and Adjusted EBITDA included in the Appendix hereto for each of the three and six months ended June 30, 2023 and 2022.





# NEW PRODUCTS & LATEST NEWS



## A NEW KING HAS BEEN CROWNED

*"10/10 – Sets a gold standard." – MP1st.com*

**Stealth Pro launched at the end of April 2023 and in its first two full months of sales has already achieved over 15% share in the premium \$200+ price tier.**

The Stealth Pro bestows Turtle Beach's best premium features upon the gaming multiverse and is wirelessly compatible with Xbox, PlayStation, Nintendo Switch, PC & Mac, and Bluetooth-enabled mobile devices.

Powerful, hand-matched 50mm Nanoclear drivers produce an expansive soundstage, while the most versatile noise-cancelling system in a gaming headset delivers up to 25dB noise reduction.







# THE NEW KING OF GAMING HEADSETS!

## Review Score – 10/10

*"This headset truly lives up to the title of king."*  
– GameTyrant

## Review Score – 5/5

### + Editors' Choice Award

*"A masterpiece of an all-in-one, multi-purpose gaming headset."*  
– GamesRadar

## Review Score – 9/10

*"The best-sounding gaming headset in Turtle Beach's whole catalog and one of the best on the market today."*  
– IGN

**STEALTH™**  
**PRO**



## Review Score – 4.5/5

*"This excellent premium headset confirms Turtle Beach's place in the elite of the headset world."*  
– Pocket-lint

## Review Score – 10/10

### + Editors' Choice Award

*"Sets a gold standard of what premium headsets should offer."*  
– MP1st

## Review Score – 5/5

### + The Best Award

*"Turtle Beach has confidently usurped the best Xbox headset crown with the Stealth Pro."*  
– Windows Central





## MORE HEADSETS FOR MORE GAMERS

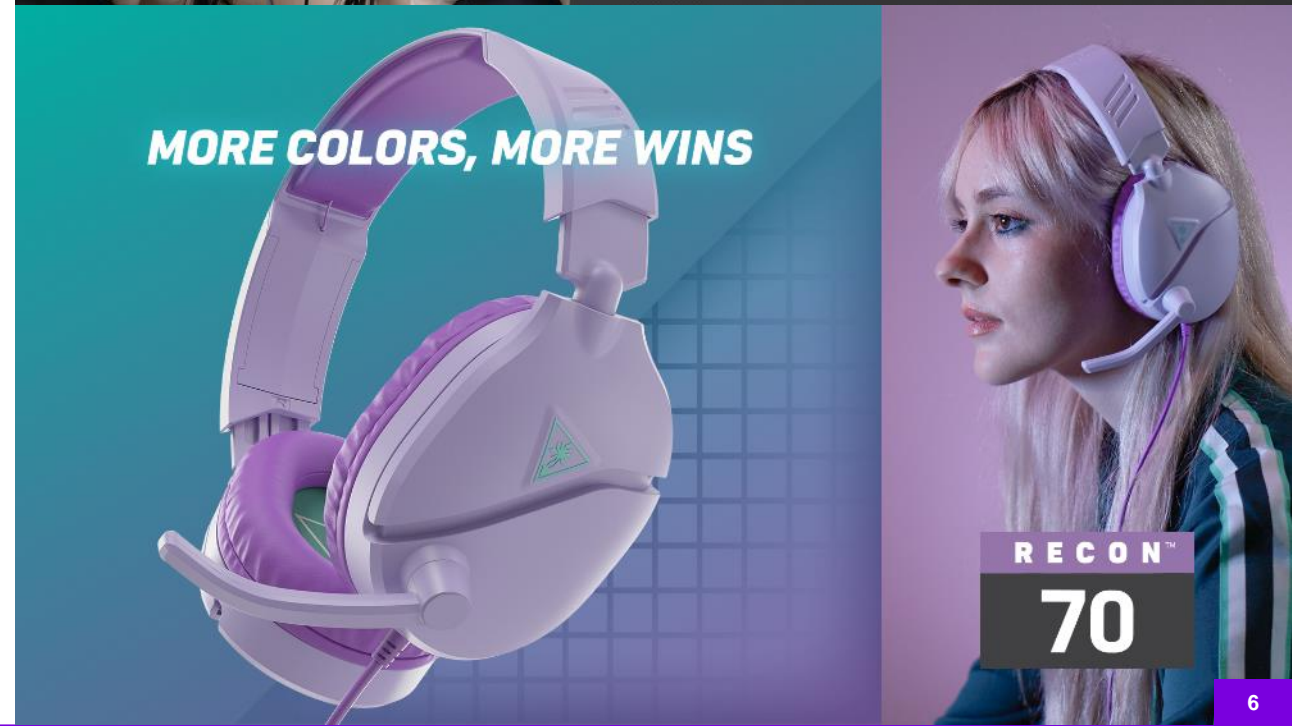
**Turtle Beach's best-selling wired Recon 50 & Recon 70 models command an industry-leading 11%<sup>(1)</sup> of the US console gaming headset market.**

The Recon 50 Red/Blue is for Nintendo Switch fans and is themed to match the console's unmistakable color scheme.

The Recon 70 Lavender is the series' 11th colorway, offering gamers yet another option to suit their unique style.

Both headsets use a standard wired 3.5mm connection, making them compatible with Xbox, PlayStation, Nintendo, PC and Mac, and mobile devices with a 3.5mm jack.

1. Circana/Retail Tracking Service/Video Games/Dollar Share/U.S./YTD 2023





## GROUNDBREAKING NEW VULCANS

**ROCCAT's award-winning Vulcan keyboard series gets two groundbreaking new additions.**

The Vulcan II Mini Air is ROCCAT's first wireless gaming keyboard. It features a compact 65% footprint, stunning design, best-in-class RGB lighting and motion-activated proximity sensors that help deliver massive battery life.

The Vulcan II Mechanical Gaming Keyboard is ROCCAT's new full-size mechanical masterpiece. The Vulcan II is the first in the esteemed keyboard family to feature ROCCAT's responsive, smooth, and durable TITAN II Mechanical Switches.

## VULCAN II MINI AIR



**FREEDOM TO PLAY**  
WIRELESS 65% OPTICAL RGB GAMING KEYBOARD

## VULCAN II



**MECHANICAL MASTERPIECE**  
MECHANICAL RGB GAMING KEYBOARD





## ESG PROGRESS UPDATE

**Turtle Beach published its inaugural Environmental, Social, and Governance report.**

Following the launch of the Stealth 600 Gen 2 MAX Pink & Teal headsets as our first carbon neutral products, Turtle Beach has now published its inaugural ESG report outlining the Company's ESG leadership and progress against ESG goals set in 2022.

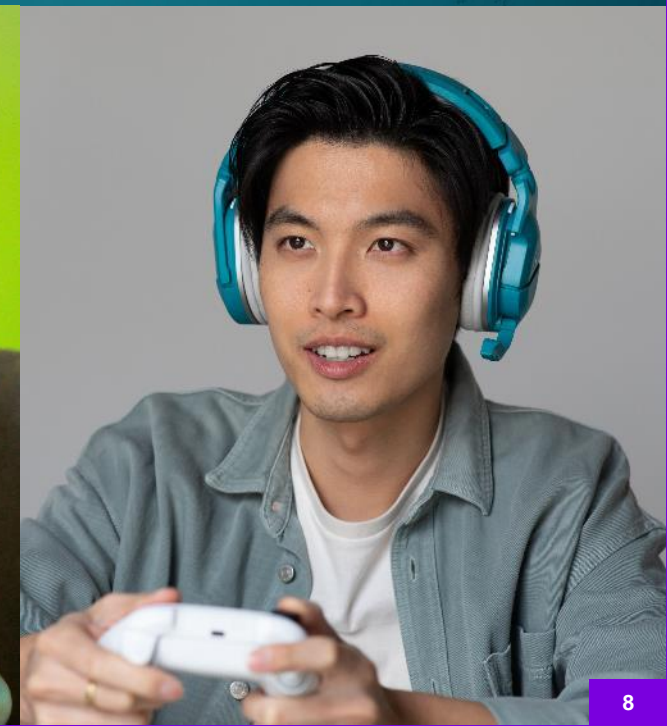
To view the report and learn more about Turtle Beach's ESG goals, visit our Play With Purpose & ESG Policy pages below:

<https://corp.turtlebeach.com/play-with-purpose-with-turtle-beach/>

<https://corp.turtlebeach.com/corporate-governance/esg/>



CERTIFIED  
**CARBON  
NEUTRAL**<sup>®</sup>  
Product  
CarbonNeutral.com







# FINANCIALS & OUTLOOK





## 2023 KEY RESULTS

### Q2 2023 RESULTS

vs. Q2 2022

**Net Revenue +16% YOY**

**\$48.0M vs. \$41.3M**

**Adjusted EBITDA +\$6.5M YOY**

**\$(5.6M vs. \$(12.1)M**

**Adjusted Net Income +\$5.7M YOY**

**\$(7.0M vs. \$(12.7)M**

**Adjusted EPS +\$0.36 YOY**

**\$(0.41) vs. \$(0.77)**

**Continued Strong Balance Sheet**

### US Video Games Market is growing in 2023

- Consumer spending on video games content, hardware, and accessories was up 9% YOY in June
- Consumer spending on video games accessories was up 14% YOY in June
- Console gaming headset market was up 3.5% YTD including growth in the month of June
- Unconstrained console supply and exciting game releases are positive indicators into 2024

### Turtle Beach Continues Outpacing the Gaming Accessories Market

- Exceeded growth of US console gaming headset market, with a leading share of 36.9% YTD
- 10 of the top-20 best-selling console gaming headset models were Turtle Beach YTD
- Turtle Beach's flagship Stealth Pro headset launched late April and captured over 15% share of the US premium console headset market in its first two months of sales (May, June)
- Turtle Beach also gained share in flight simulation, gaming keyboards and mice YTD 2023

### YOY Revenue Growth and Improved Adjusted EBITDA Q2 2023

- Reflects outperformance of accessories markets and stabilized channel inventories as well as increased demand for console gaming headsets and flight simulation
- Improvements from business mix, lower freight costs, warehouse costs and promotional credits
- Proactive expense management resulted in a ~8% decline in recurring operating expenses YOY





## 2023 GUIDANCE

2023 GUIDANCE	
Net Revenue \$265 – \$270M	EBITDA \$6 – \$8M
+10 – 12% vs. 2022	+\$24 – \$26M vs. 2022

Exiting 2023 with run rate Adjusted EBITDA of \$25-30M due to accelerated, value-creating initiatives underway, including:

- SKU Rationalization
- Portfolio Optimization
- Platformed Product Development





# EXECUTING OUR GROWTH STRATEGY

**\$1.4B**  
Market

Continue Leading in  
Gaming Headsets



**\$3.2B**  
Market

Further Scale Our PC  
Gaming Accessories



**\$3.8B**  
Market

Continue Growth in Controllers  
and Gaming Simulation



## Targets

Revenue  
10+% CAGR

EBITDA  
10+% Margins

Design High-Quality, Innovative Products for Gamers on All Platforms

Continue Leadership as One of Gaming's Most Recognized and Trusted Brands

Deliver Superior Retail and Operational Execution





## QUARTERLY FINANCIAL REVIEW

<b>\$ Millions (except per-share data)</b>	<b>Q2 2022</b>	<b>Q2 2023</b>	<b>Commentary</b>
<b>Revenue</b>	\$41.3	\$48.0	Reflects outperformance of accessories markets and stabilized channel inventories as well as increased demand for console gaming headsets and flight simulation
<b>Gross Margin</b>	19.1%	24.7%	Year-over-year improvement driven by business mix and lower freight costs, warehouse costs and promotional credits
<b>Operating Expenses</b>	\$29.3	\$27.7	Reflects the benefit from proactive expense management resulting in a ~8% decline in recurring operating expenses year-over-year
<b>Net Income (Loss)</b>	\$(17.8)	\$(15.9)	Reflects above factors
<b>Diluted EPS</b>	\$(1.08)	\$(0.93)	Reflects above factors
<b>Adjusted Diluted EPS<sup>(1)</sup></b>	\$(0.77)	\$(0.41)	Reflects above factors
<b>Adjusted EBITDA<sup>(1)</sup></b>	\$(12.1)	\$(5.6)	Reflects higher revenue, improved margins and lower recurring operating expenses
<b>Diluted Shares</b>	16.5M	17.2M	See appendix

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



# BALANCE SHEET



## Balance Sheet Highlights \$ Millions

	@ June 30, 2022	@ June 30, 2023
Cash & Cash Equivalents	\$10.9	\$15.8
Inventories	\$120.7	\$67.8
Revolver (asset-based)	\$15.7	\$0
Total Debt	\$15.7	\$0

## Balance Sheet Comments

- Inventory decreased from the elevated year-ago period where the Company increased product and component purchases due to longer freight transit times and to reduce risks of supply shortages
- No outstanding borrowings under revolving credit facility
- Cash flow from operations increased \$65.5M to \$24.2M for the period
- Strong balance sheet with no outstanding debt





## LONG-TERM FINANCIAL TARGETS

Metric	Target
Revenue	10+% CAGR
Gross Margins %	Mid 30's
Adjusted EBITDA Margins	10% +

- Maintain leadership in gaming headsets**
- Continue to drive growth in adjacent accessories categories**
- Proactively manage operating expenses**





# APPENDIX







# GAAP NET INCOME TO NON-GAAP EARNINGS RECONCILIATION

SECOND QUARTER 2023 COMPARED TO 2022



	Three Months Ended	
	June 30, 2022	June 30, 2023
<u>Net Income (Loss)</u>		
GAAP Net Income (Loss)	\$ (17,826)	\$ (15,920)
Adjustments, net of tax:		
Non-recurring business costs	5,123	1,086
Acquisition integration costs	-	-
CEO separation related costs	-	5,063
Valuation Allowance	-	2,768
Adjusted Earnings	<u>\$ (12,703)</u>	<u>\$ (7,003)</u>
		-17%
Diluted Earnings Per Share		
GAAP- Diluted	\$ (1.08)	\$ (0.93)
Non-recurring business costs	0.31	0.06
Acquisition integration costs	-	-
CEO separation related costs	-	0.30
Valuation allowance	-	0.16
Adjusted- Diluted	<u>\$ (0.77)</u>	<u>\$ (0.41)</u>



# GAAP NET INCOME TO ADJUSTED EBITDA RECONCILIATION

THREE MONTHS ENDED JUNE 30, 2023



Three Months Ended June 30, 2023

	As Reported	Adj Depreciation	Adj Amortization	Adj Stock Compensation	Other <sup>(1)</sup>	Adj EBITDA
Net revenue	\$ 47,982	\$ -	\$ -	\$ -	\$ -	\$ 47,982
Cost of revenue	<u>36,110</u>	<u>(511)</u>	<u>-</u>	<u>(162)</u>	<u>-</u>	<u>35,437</u>
<b>Gross Profit</b>	<b>11,872</b>	<b>511</b>	<b>-</b>	<b>162</b>	<b>-</b>	<b>12,545</b>
Operating expenses	<u>27,665</u>	<u>(460)</u>	<u>(248)</u>	<u>(4,808)</u>	<u>(4,207)</u>	<u>17,942</u>
<b>Operating income (loss)</b>	<b>(15,793)</b>	<b>971</b>	<b>248</b>	<b>4,970</b>	<b>4,207</b>	<b>(5,397)</b>
Interest expense	(17)					
Other non-operating expense, net	<u>198</u>					<u>198</u>
Income (loss) before income tax	(15,974)					
Income tax benefit	<u>(54)</u>					
<b>Net loss</b>	<b><u>\$ (15,920)</u></b>				<b>Adjusted EBITDA</b>	<b><u>\$ (5,595)</u></b>

1. Other includes certain non-recurring business costs





# CONTACTS

## **Investor Relations:**

Cody Slach/Alex Thompson  
Gateway Investor Relations  
+1 (949) 574-3860  
[HEAR@gatewayir.com](mailto:HEAR@gatewayir.com)

## **Turtle Beach:**

MacLean Marshall  
Sr. Director, Communications  
Turtle Beach Corporation  
+1 (310) 431-6215  
[maclean.marshall@turtlebeach.com](mailto:maclean.marshall@turtlebeach.com)

®

