



Q1 2018
Earnings Presentation

May 9, 2018

Forward-Looking Information

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This presentation contains certain financial measures, including adjusted EBITDA and non-GAAP earnings per share (“EPS”), that are not calculated under the standards or rules of U.S. GAAP, which are referred to as “non-GAAP financial measures.” These non-GAAP financial measures, as calculated by the Company, are not necessarily comparable to similarly titled measures reported by other companies. Additionally, these non-GAAP financial measures are not measurements of financial performance or liquidity under GAAP and should not be considered an alternative to the Company’s other financial information determined under GAAP. Management believes that these non-GAAP financial measures, when read in conjunction with the Company’s reported results, can provide useful supplemental information for investors analyzing period to period comparisons of the Company’s results. “Adjusted EBITDA” is defined by the Company as net income (loss) before interest, taxes, depreciation and amortization, stock-based compensation (non-cash), and certain special items that we believe are not representative of core operations. The Adjusted EBITDA outlook for the second quarter and full year of 2018 has not been reconciled with the Company’s net loss outlook for the same periods because of the variability, complexity and lack of visibility with respect to certain reconciling items between adjusted EBITDA and net loss, including other income (expense), provision for income taxes and stock-based compensation. These items cannot be reasonably and accurately predicted without the investment of undue time, cost and other resources and, accordingly, a reconciliation of the Company’s adjusted EBITDA outlook to its net loss outlook for such periods is not available without unreasonable effort. These reconciling items could be material to the Company’s actual results for such periods.

Q1 SUMMARY

Comparisons to prior year quarter, where applicable

- Q1 net revenue, EPS, adj. EBITDA significantly exceed outlook
 - Net revenue, gross margin, net income, adj. EBITDA highest levels for any Q1 since company became public in 2014
- Net revenue increased 185% to \$40.9M
- Gross margin more than doubled to 36.8% vs. 15.4%
- Net income up significantly to \$2.0M (\$0.16 per share), compared to net loss of \$9.9M (\$0.81 per share)
- Adj. EBITDA increased \$11.4M to \$5.3M vs. \$(6.2)M
- Leverage ratio¹ improved to 1.0x vs. 6.8x one year ago

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



AUDIO HEADSETS ARE A CRITICAL ACCESSORY FOR GAMERS



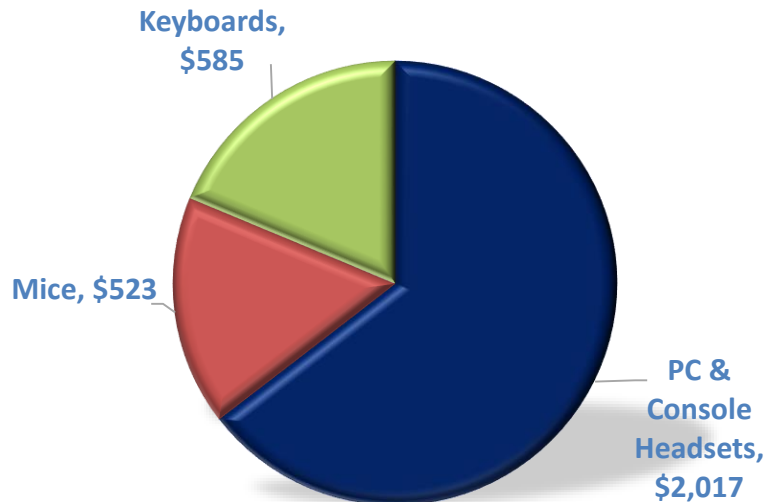
Gaming Headsets Provide...



- Good microphone for multi-player gaming
- More immersive audio for a better gaming experience
- Competitive advantage in picking up key audio cues
- Privacy of game and chat audio

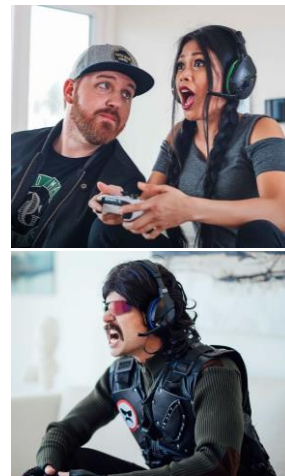
...And Are Largest Segment In \$3+B Accessory Market

Global Gaming Accessory Market \$3,125M¹



Americas and Europe are over 75% of the market

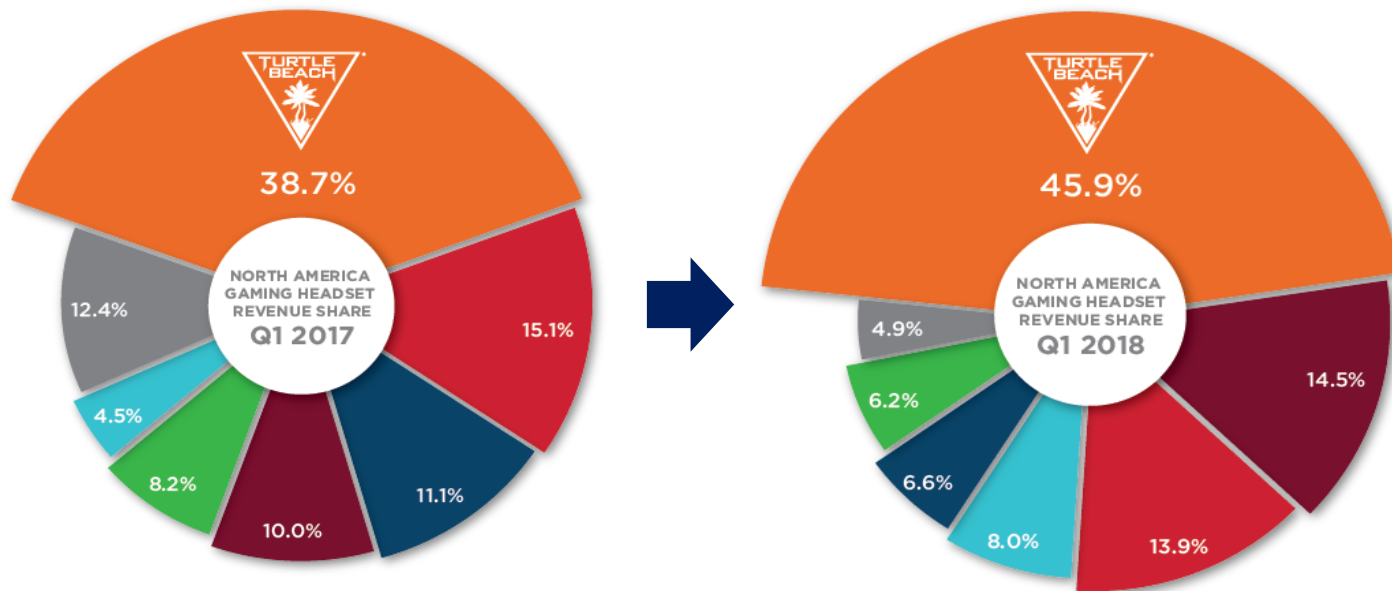
With over 748M Gamers and 169M esports fans in the Americas and Europe⁽²⁾



(1) Newzoo Report 2018 Peripheral Market estimates

(2) Newzoo 2018 Global Esports and Global Games Market Report

NA CONSOLE GAMING HEADSET – KEY PLAYERS Q1 2018 VS. Q1 2017



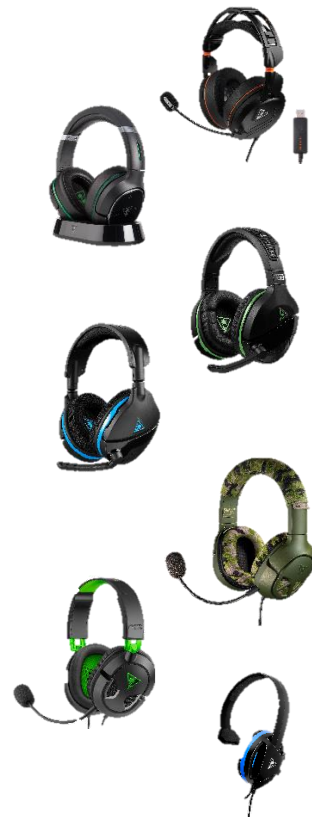
**Turtle Beach
revenue
share up to
45.9% from
38.7%**

**Turtle Beach
Q1 share
more than
the next 4
competitors
combined**

FULL LINE OF PRODUCTS...WITH COMPELLING RECENT LAUNCHES

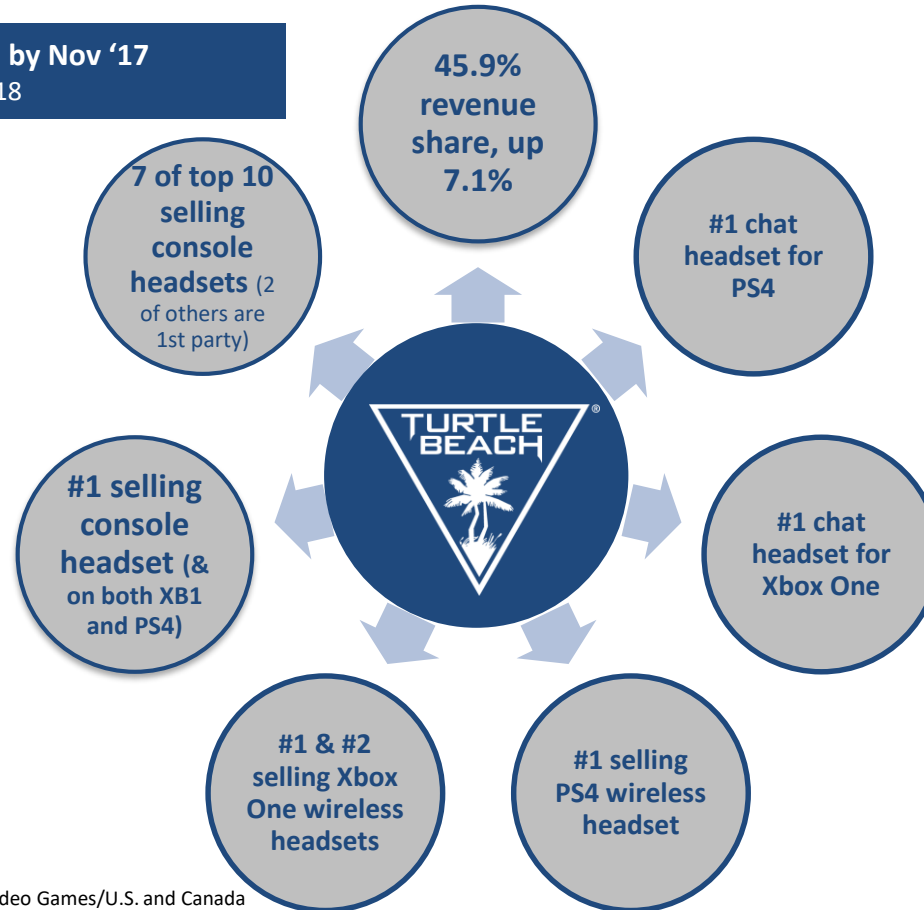


	ASP	Sample Products	TB Key Features
Esports	Varies	<p>Launched July & Oct. 2017</p>	<ul style="list-style-type: none"> Tournament-grade game & chat audio Unmatched comfort with glasses friendly design & cooling gel-infused ear cushions Powerful amplified audio w/ DTS Headphone:X® 7.1 surround sound and Superhuman Hearing™ (PC Edition)
Core Gamer <i>16+ hours per week</i>	> \$200		<ul style="list-style-type: none"> Wireless game & chat Active noise-cancellation & Bluetooth® DTS Headphone:X® 7.1 surround sound Superhuman Hearing Magnetic base station
Enthusiast Gamer <i>7-15 hours per week</i>	\$100 - \$200	<p>Launched Sept. 2017</p>	<ul style="list-style-type: none"> Immersive surround sound Xbox Wireless (connects directly to Xbox One) Active noise-cancellation & Bluetooth® (700 only) Glasses friendly design Superhuman Hearing
Casual Gamer <i>4-6 hours per week</i>	\$50 - \$100	<p>Launched July & Oct. 2017</p>	<ul style="list-style-type: none"> Large, powerful 50mm speakers High-sensitivity mic Durable, fan-favorite headset ID Superhuman Hearing (PX24)
Entry-Level Gamer <i>< 4 hours per week</i>	< \$50	<p>Launched Apr. 2017</p>	<ul style="list-style-type: none"> High-quality 40mm speakers High-sensitivity mic Lightweight comfort Innovative open earcup Glasses friendly design



PERFORMANCE OF CURRENT PORTFOLIO

Product Portfolio Fully Launched by Nov '17
North America NPD Sell-Through Q1' 18



Additional wins

- TB total rev is bigger than next 4 competitors combined
- TB total rev is greater than all other 3rd parties combined

QUARTERLY FINANCIAL OVERVIEW



	2017	2018	YOY Δ%	Commentary
	Q1	Q1		
\$ in millions (except per share data)				
Revenue	\$14.4	\$40.9	185%	Significant market share gains and higher volume from strong Fortnite & PUBG releases
Gross Margin	15.4%	36.8%	+2140bps	Higher volumes, fewer promotions
Operating Expenses	\$10.3	\$11.2	9%	Increases in revenue-driven sales expenses and marketing spend vs. last year
Operating Income (Loss)	\$(8.1)	\$3.8	+\$11.9M	
GAAP Net Income (Loss)	\$(9.9)	\$2.0	+\$11.9M	First profitable Q1 since becoming public
GAAP EPS Diluted	\$(0.81)	\$0.16	+\$0.97	Revenue & margin drivers noted above
Adj. EBITDA¹	\$(6.2)	\$5.3	+\$11.4M	Revenue & margin drivers noted above

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

- Amended lending agreements on March 5, 2018
- Improved terms include:
 - Extension of the loans' maturity to 2023
 - Reduction in the interest rate and greater availability on revolving credit line
 - Significant reduction in the interest rates on term loans (rate reduced by 3.5%)
 - Reduction in the interest rate on sub debt with Stripes (majority reduced by 1.4%)
 - Ability to use funds from additional borrowing under the term loan to reduce sub debt
 - Streamlining of reporting requirements and elimination of certain financial covenants
- **Interest savings of at least \$3.5M over the next five years**

- On Apr 27, 2018, all outstanding 8% Series B Preferred Stock, with redemption value of ~\$19.3M at 3/31/18, was retired
 - Retired a liability growing 8% at a discount >50% relative to redemption value
 - Represented ~41% of Turtle Beach long-term debt and preferred stock
- The Special Situations Funds and 180 Degree Capital Corp purchased the Series B Preferred Stock and subsequently exchanged for ~1.3M newly issued shares of common stock and pre-funded warrants exercisable for 550,000 shares of common stock
- Expected to result in a significant reduction in non-cash interest expense going forward

Capitalization

	At 3-31-17	At 3-31-18
Cash & Equivalents	\$3.6M	\$4.3M
Debt		
Revolver (asset-based)	—	\$2.6M
Term Loans	\$14.4M	\$9.2M
Subordinated Notes	\$20.0M	\$22.6M
Total Debt	\$34.4M	\$34.5M
Series B Preferred Stock ¹	\$17.8M	\$19.3M
Leverage Ratio²	6.8x	1.0x

Balance Sheet Highlights

- Revolver typically peaks in Q4 and lowest in Q1 after holiday receipts
- \$57.4M federal, \$30.6M state net operating losses at Dec 31, 2017 offset taxable income (not scheduled to begin to expire until 2029)
- \$60M line of credit and Mar 5, 2018 refinancing anticipated to provide sufficient capital to make various growth investments
- **Retired Series B Preferred Stock in April**

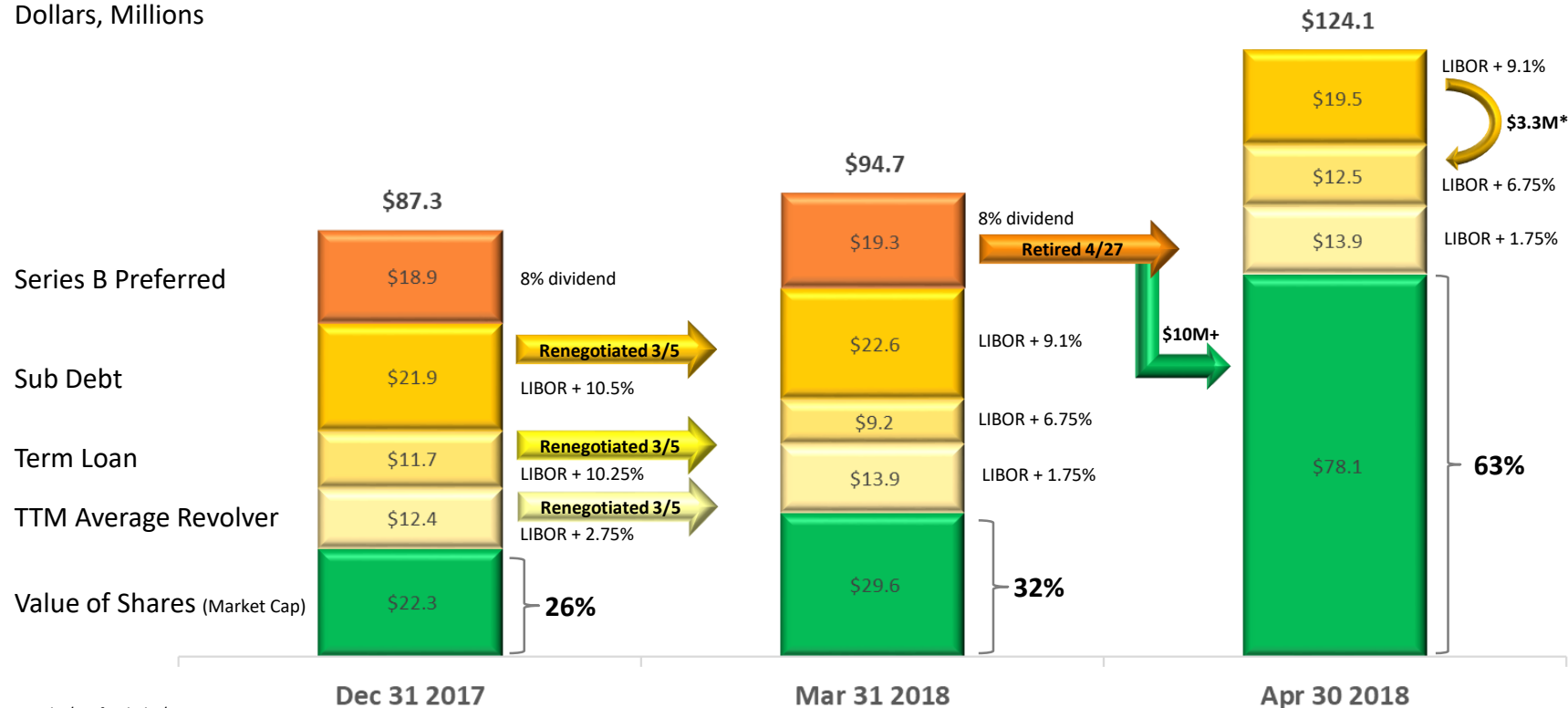
1) Retired in April 2018. See slide 10.

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

EVOLUTION OF ENTERPRISE VALUE

Composition of HEAR Enterprise Value

Dollars, Millions



* Initiated 4/30, funded 5/2

	Q2-18 ¹	YoY Δ	Year-Over-Year Commentary & Assumptions
Revenue	~\$48M	151%	Market share gains and continued consumer demand
EPS	~\$(0.05)	+\$0.52	Revenue drivers result in significant expected YoY increase
Adj. EBITDA	~\$2.5M	+\$5.3M	Revenue drivers result in significant expected YoY increase Includes ~\$4 million expected spend on expedited shipping

1) Guidance effective on May 9, 2018.

INCREASED 2018 OUTLOOK

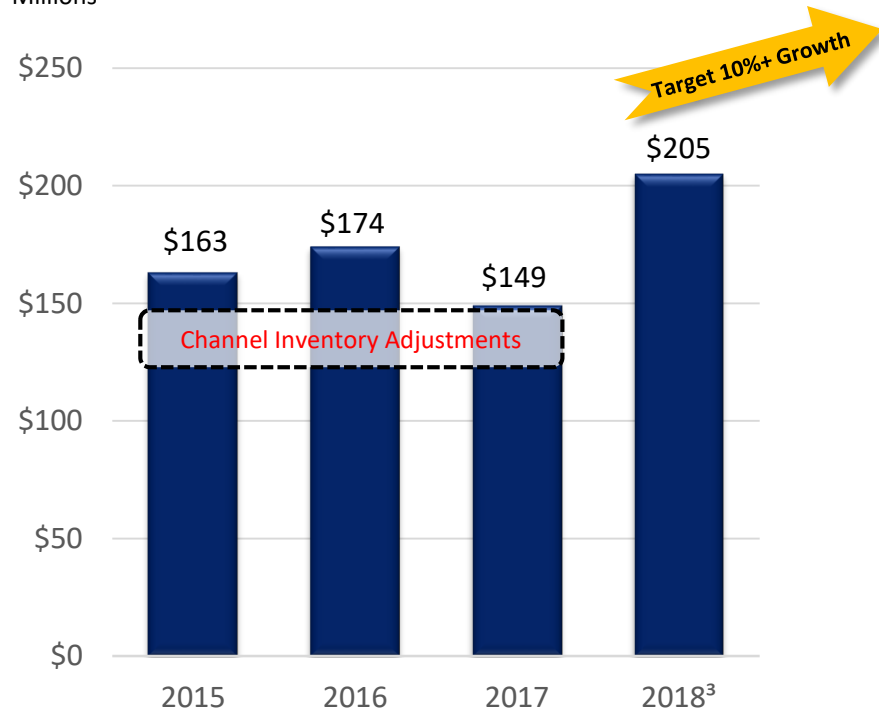
	2017	2018 Prior ¹	2018 ²	YoY Δ	Year-Over-Year Commentary & Assumptions
Total Revenue	\$149.1M	~\$157M	~\$205M	37%	Very healthy market in Q3 and Q4 but sell-through normalizes to pattern seen in 2017
Gross Margin	34.2%	~34.2%	~34.2%	Flat	Includes impact of expediting product shipments offset by revenue leverage
EPS	\$(0.26)	~\$(0.12)	\$0.95	+1.21	Expecting continued improvements in EPS
Adj. EBITDA	\$11.6M	~\$12M	~\$26M	124%	Includes several million dollars of anticipated investments to drive future growth

1) Prior guidance as of March 6, 2018

2) Revised guidance effective on May 9, 2018.

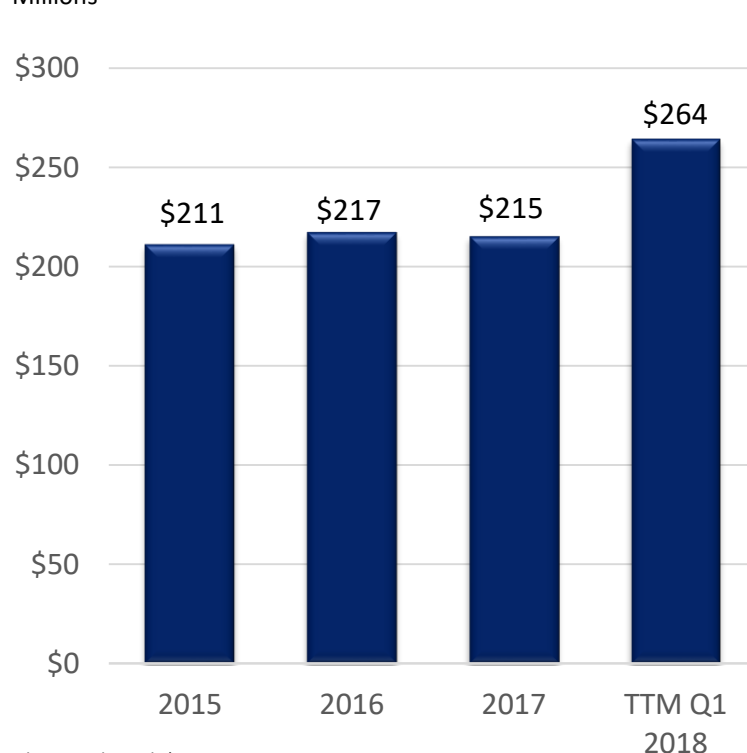
Company Revenues ⁽¹⁾

Millions



Company Product Retail Sell-Through in Core Markets ⁽²⁾

Millions



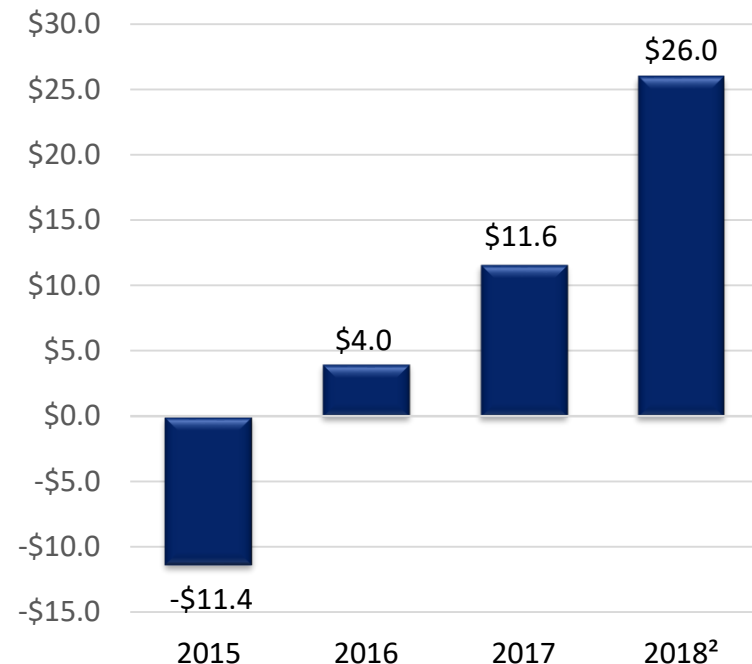
1) Company net revenues = wholesale revenues (so not directly comparable to retail revenues in the chart on the right)

2) NPD and GFK reported retail revenue value of Turtle Beach headset sell-through for North America and UK representing vast majority of company global sales.

3) Guidance effective on May 9, 2018.

Adjusted EBITDA ⁽¹⁾

Millions



2016:

Returned headset business to profitability. Converted HyperSound to licensing model. Entered eSports, VR, streaming mic categories.

2017:

Focused on core headset business and continued profitability improvements. Positioned company for improved balance sheet and loan terms. Laid groundwork for 2018+ growth initiatives.

2018:

Continue to deliver increased profitability in headset business. Lower cost of debt. Make select investments to drive future growth.

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

2) Guidance effective on May 9, 2018.

KEY TAKEAWAYS

- Record Q1 results, significantly exceeded outlook
- Strong market share gains in a healthy overall market
- Competing in the largest portion (~50%) of a >\$2B global market in gaming peripherals
- Substantial balance sheet improvements expected to result in material interest expense reductions
- Leveraging our leadership position and strong 2018 outlook to invest in growth opportunities like eSports and PC gaming



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TURTLE
BEACH

APPENDIX

GAAP TO ADJUSTED EBITDA RECONCILIATION – THREE MONTHS ENDED MAR 31, 2018



Three Months Ended

March 31, 2018

	As Reported	Adj Depreciation	Adj Amortization	Adj Stock Compensation	Adj EBITDA
Net revenue	\$ 40,886	\$ —	\$ —	\$ —	\$ 40,886
Cost of revenue	25,857	(121)	—	(18)	25,718
Gross profit	15,029	121	—	18	15,168
Operating expense	11,243	(827)	(79)	(205)	10,132
Operating income (loss)	3,786	948	79	223	5,036
Interest expense	2,005				
Other non-operating income, net	(245)				(245)
Income (loss) before income tax	2,026				
Income tax expense	64				
Net income (loss)	\$ 1,962			Adjusted EBITDA	\$ 5,281

GAAP TO ADJUSTED EBITDA RECONCILIATION – THREE MONTHS ENDED MAR 31, 2017



Three Months Ended March 31, 2017						
	As Reported	Adj Depreciation	Adj Amortization	Adj Stock Compensation	Other (1)	Adj EBITDA
Net revenue	\$ 14,352	\$ —	\$ —	\$ —	\$ —	\$ 14,352
Cost of revenue	12,136	(122)	—	85	(353)	11,746
Gross profit	2,216	122	—	(85)	353	2,606
Operating expense	10,308	(647)	(84)	(471)	(298)	8,808
Operating income (loss)	(8,092)	769	84	386	651	(6,202)
Interest expense	1,840					
Other non-operating income, net	(51)					(51)
Income (loss) before income tax	(9,881)					
Income tax expense	45					
Net income (loss)	\$ (9,926)				Adjusted EBITDA	\$ (6,151)

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