



TURTLE BEACH
CORPORATION

**SECOND QUARTER 2024
EARNINGS PRESENTATION**
NASDAQ: HEAR | AUGUST 8, 2024



SAFE HARBOR STATEMENT & IMPORTANT INFORMATION

Forward-Looking Information and Statements

This presentation, including the appendix, 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, including the appendix, certain financial results, including adjusted EBITDA, that the Securities and Exchange Commission define 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 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, as further described in the Appendix hereto. 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 EBITDA included in the Appendix hereto for each of the three and six months ended June 30, 2024.



SECOND QUARTER 2024 OVERVIEW

Q2 revenue of \$76.5M, up 59% vs. prior year

- First full quarter including PDP results; excluding PDP revenue up 15% YOY

Improved gross margins by 540 bps YOY leading to \$3.0M in Q2 Adjusted EBITDA

- Reflects lower discounting and cost structure as well as benefits of optimized portfolio, including new product launches

Integration of PDP progressing on plan

- On track to achieve \$10-12M in synergies by 2025

Raising full year 2024 Adjusted EBITDA guidance to \$53M – \$56M range

- Reflects optimized cost structures and operational efficiencies

Repurchased \$15M in common shares during Q2

- Reflects largest quarterly repurchase in Turtle Beach history; \$31.4M remaining on current repurchase authorization

Strong U.S. video games accessories market in 1H 2024⁽¹⁾

- Total gaming accessories were up 5% YOY. Gaming headsets were up 12% YOY, and 3rd party controllers were up nearly 15%.

Turtle Beach continues gaining share/outpacing the market⁽²⁾

- Turtle Beach gaming headsets share in month of June 2024 was up YOY following the first full month of sales for new wireless headsets.
- Turtle Beach & PDP each gained share in 3rd party controllers and outpaced the market 1H 2024 YOY.
- Turtle Beach is up 6.2% in the flight simulation category 1H 2024, outpacing the market and gaining share YOY.

1. Circana, Retail Tracking Service, U.S., Video Games/Console Hardware/Accessories, Dollar sales, 1H 2024

2. Circana, Retail Tracking Service, U.S., Gaming Headsets/Headphones/Controllers/Flight Simulation Dollar Sales/Share, 1H 2024



QUARTERLY FINANCIAL REVIEW

\$ Millions (except per-share data)	Q2 2024	Q2 2023	Commentary
Revenue	\$76.5	\$48.0	+59% YOY reflecting PDP acquisition. Excluding PDP, revenue was +15% YOY.
Gross Margin	30.2%	24.7%	+540 basis point YOY improvement on lower product costs, freight, & promotional spend. Additionally, Q2 2024 includes PDP purchase accounting inventory step-up and ROCCAT inventory reserve. Excluding reserves, gross margins improved to 34%.
Operating Expenses	\$27.2	\$27.7	Reflects \$1.4M in acquisition-related costs in current year. Exclusive of non-recurring acquisition related cost, proactive expense efficiency resulted in a ~7% improvement in recurring operating expenses YOY.
Net Loss	\$(7.5)	\$(15.9)	Reflects robust revenue growth and proactive expense efficiency.
Diluted EPS	\$(0.35)	\$(0.93)	Reflects above factors.
Adjusted EBITDA ⁽¹⁾ [Loss]	\$3.0	\$(5.7)	Reflects higher revenue, improved margins and lower expenses.
Diluted Shares	21.3	17.2	Reflects issuance of shares in connection with PDP acquisition in March 2024.

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



BALANCE SHEET SUMMARY

Balance Sheet Highlights \$ Millions

	<u>As of June 30, 2024</u>
Cash & Cash Equivalents	\$12.5
Inventories	\$73.3
Revolver (asset-based)	\$24.0
Term Loan	\$49.6
Net Debt (debt less cash)	\$61.2





2024 GUIDANCE & LONG-TERM FINANCIAL TARGETS

2024 GUIDANCE ⁽¹⁾	
Net Revenue⁽¹⁾ \$370M – \$380M	Adj. EBITDA⁽¹⁾ \$53M – \$56M
up 43% – 47% <i>vs. 2023</i>	up \$46M – \$49M <i>vs. 2023</i>

Strong 1H 2024 Environment

Total gaming headset markets up 12% YOY with Turtle Beach continuing its market-leading position.

3rd party gaming controllers up nearly 15% YOY with PDP and Turtle Beach outpacing market growth⁽²⁾.

LONG-TERM FINANCIAL TARGETS	
Metric	Target
Revenue	10%+ CAGR
Gross Margins %	Mid-high 30's
Adjusted EBITDA Margins	15%+

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

1. 2024 Net Revenue and Adj. EBITDA guidance incorporates approximately 9 months of operations from PDP acquisition, which closed on March 13, 2024.

2. Circana, Retail Tracking Service, U.S., Gaming Headsets/Headphones/Controllers/Dollar Sales, 1H 2024



EXECUTING OUR GROWTH STRATEGY

TO FUEL TURTLE BEACH'S POSITION AS THE 2ND LARGEST 3RD PARTY GAMING ACCESSORIES MAKER

\$2.9B

Market

Continue Leadership in Gaming Headsets



\$3.9B

Market

Expand Turtle Beach Brand in PC Gaming Accessories & Microphones



\$0.7B*

Market

Continue Growth in Gamepads/Controllers



\$1.2B

Market

Continue Growth in Flight & Racing Simulation Accessories



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

Continue Leadership as Gaming's Most Recognized and Trusted Brands

Deliver Superior Retail and Operational Execution

Source: Newzoo Peripheral Market Forecast, June 2023 & Internal Estimates updated June 2024

*Only includes third-party console controllers

Targets:

Revenue
10%+
CAGR

EBITDA
15%+
Margins



NEW PRODUCTS & NEWS HIGHLIGHTS



STEALTH 600 & STEALTH 500

RAISE YOUR RANK WITH TURTLE BEACH'S LATEST WIRELESS MULTIPLATFORM GAMING HEADSETS



Stealth 600 (3rd Gen)

Legendary wireless performance perfected for gaming on multiple platforms.

Turtle Beach's new Stealth 500 model for Xbox was the 2nd best-selling gaming headset in June, following the first full month of sales^[1].

Similarly, Turtle Beach's newly launched Stealth 600 (Gen 3) Xbox headsets were already among the top 5 best-selling headsets in June, following the first full month of sales^[1].



Named Best Wireless Xbox Headsets 2024



Stealth 500

1. Circana, Retail Tracking Service, U.S., Gaming Headsets/Headphones/Dollar Sales, June 2024



NEW TURTLE BEACH PC GAMING PERIPHERALS

RAISE YOUR RANK WITH TURTLE BEACH'S ALL-NEW AWARD-WINNING PC GAMING PERIPHERALS

Rank up with all-new PC gaming gear from Turtle Beach.

Turtle Beach's latest PC gaming peripherals each reset the bar in their respective category with top, first-to-market features and stunning design.



Vulcan II TKL Pro



9.5/10 +
Editor's
Choice
Award



Atlas Air

9/10 + Editor's Choice
Award + Named Best Open
Back PC Gaming Headset



Burst II Air



9/10 +
Editor's
Choice
Award



RIFFMASTER

THE FIRST NEW WIRELESS GUITAR CONTROLLER IN NEARLY A DECADE

Grip it and RIFF it!

Launched timed to the debut of Epic's Fortnite Festival Season 3, fans can now play Pro Lead or Pro Bass song parts. The RIFFMASTER is also compatible with Rock Band 4.

As the first new wireless guitar controller launched in nearly a decade, the RIFFMASTER is the industry's best-selling music controller¹.

Demand for the RIFFMASTER remains high as it has sold out multiple times since launch.

"An excellent choice for those after an affordable peripheral for Rock Band 4 and the recent Fortnite Festival."



1. Circana, Retail Tracking Service, U.S., Video Games/Music Controllers, Dollar sales, Q2 2024



LIMITED-EDITION TEKKEN 8 GAMING GEAR

PDP'S VICTRIX PRO ARCADE FIGHT STICK, PRO BFG CONTROLLER, & PRO TOURNAMENT BACKPACK GET THE TEKKEN 8 TREATMENT

Land every hit when it matters most.

PDP's new family of TEKKEN 8-themed Victrix gaming accessories are limited-edition and limited-run, designed for hardcore fans. The new gear includes a variety of Victrix Pro Arcade Fight Sticks, a new Pro BFG controller, and a Pro Tournament Backpack to carry it all.



TEKKEN 8 Victrix Pro
Arcade Fight Sticks



TEKKEN 8 Victrix Pro
BFG Controller



TEKKEN 8 Victrix Pro
Tournament Backpack

A large, light gray, stylized graphic of a palm tree is positioned on the left side of the slide. The palm tree has a long, slender trunk and a crown of several long, pointed fronds. The graphic is partially enclosed by a thick, light gray curved line that starts from the top left and curves around the palm tree.

APPENDIX



GAAP NET INCOME TO ADJUSTED EBITDA RECONCILIATION

SECOND QUARTER 2024 COMPARED TO 2023

	Three Months Ended	
	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Net Income (Loss)	\$(7,524)	\$(15,920)
Interest expense (income)	2,220	(17)
Depreciation and amortization	3,306	1,219
Stock-based compensation	846	4,970
Income tax expense (benefit)	841	(54)
Restructuring expense ⁽¹⁾	706	-
CEO transition related costs ⁽²⁾	-	2,874
Business transaction expense ⁽³⁾	1,394	-
Incremental costs on acquired inventory ⁽⁴⁾	1,251	-
Proxy contest and other ⁽⁵⁾	4	1,273
Adjusted EBITDA	<u>\$3,044</u>	<u>\$(5,655)</u>

1. Restructuring charges are expenses that are paid in connection with reorganization of our operations. These costs primarily include severance and related benefits.
2. CEO transition related expense includes one-time costs associated with the separation of its former CEO. Such costs included severance, bonus, medical benefits and the tax impact of accelerated vesting of stock-based compensation.
3. Business transaction expense includes one-time costs we incurred in connection with acquisitions including professional fees such as legal and accounting along with other certain integration related costs of the acquisition.
4. Costs relate to the step up of acquired PDP finished goods inventory to fair market value as required under purchase accounting. This step up in value over original cost is recorded as a charge to cost of revenue as such inventory is sold.
5. Proxy contest and other primarily include one-time legal and other professional fees associated with proxy challenges presented by certain shareholder activists.

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THANK YOU