



**TURTLE
BEACH**[®]
CORPORATION

**FOURTH QUARTER AND FULL YEAR 2020
EARNINGS PRESENTATION**
NASDAQ: HEAR

MARCH 4, 2021



SAFE HARBOR STATEMENT

Forward-Looking Information

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”, “continue”, “would”, “should”, “believe”, “expect”, “anticipate”, “plan”, “goal”, “estimate”, “accelerate”, “target”, “project”, “intend” and similar expressions 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. These statements are based on management’s current belief, 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 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; the impact of the coronavirus (COVID-19) pandemic on consumer demands and manufacturing capabilities; risks relating to, and uncertainty caused by or resulting from, the COVID-19 pandemic; the Company’s partnerships with influencers, athletes and esports teams; risks associated with the expansion of our business, including the implementation of any businesses we acquire, the integration of such businesses within our internal control over financial reporting and operations; and our liquidity. These risks may be in addition to the other factors and matters discussed in the Company’s most recent Annual Report on Form 10-K, Quarterly Report on Form 10-Q and other periodic reports filed with the Securities and Exchange Commission. Except as required by the securities laws of the United States, the Company does not intend to publicly update or revise these forward-looking statements 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, adjusted net income, and constant currency revenue, 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. “Adjusted Net Income” is defined as net income excluding (i) integration and transaction costs related to the acquisition of the business and assets related to the ROCCAT brand, (ii) the effect of the mark-to-market requirement of the financial instrument obligation, (iii) any change in fair value of contingent consideration and (iv) the release of valuation allowances on deferred tax assets. “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 items that we believe are not representative of core operations (e.g., the integration and transaction costs related to the acquisition of the business and assets related to the ROCCAT brand, the mark-to-market adjustment for the financial instrument obligation and the change in fair value of contingent consideration). “Constant currency revenue” is defined by the Company as revenue excluding the impacts of fluctuations in exchange rates from prior periods. 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 and Adjusted EBITDA included in the appendix for the three and twelve months ended December 31, 2020 and 2019.

SUMMARY – Q4 2020 RESULTS

Net revenue up 31% to a record \$132.9M (\$131.2M constant currency)

Gross margin up 70 basis points to 35.8%

Net income (GAAP) was \$16.3M vs. \$20.4M (Q4 2019 included \$7.4M benefit from the release of valuation allowances on deferred tax assets)

EPS of \$0.93 vs. \$1.29 (Q4'19 valuation allowance release benefit was \$0.47 per share)

Adjusted EBITDA up 42% to \$23.6M vs. \$16.6M

Cash Flow From operations up 52% to \$18.4M vs. \$12.1M

Record cash & cash equivalents of \$46.7M

Strong balance sheet with no short or long-term debt



SUMMARY – FULL YEAR 2020 RESULTS

Net revenue up 53% to a record \$360.1M (\$357.9M constant currency)

Gross margin up 370 basis points to 37.2%

Net income (GAAP) was \$38.7M vs. \$17.9M (2019 included \$7.4M benefit from the release of valuation allowances on deferred tax assets)

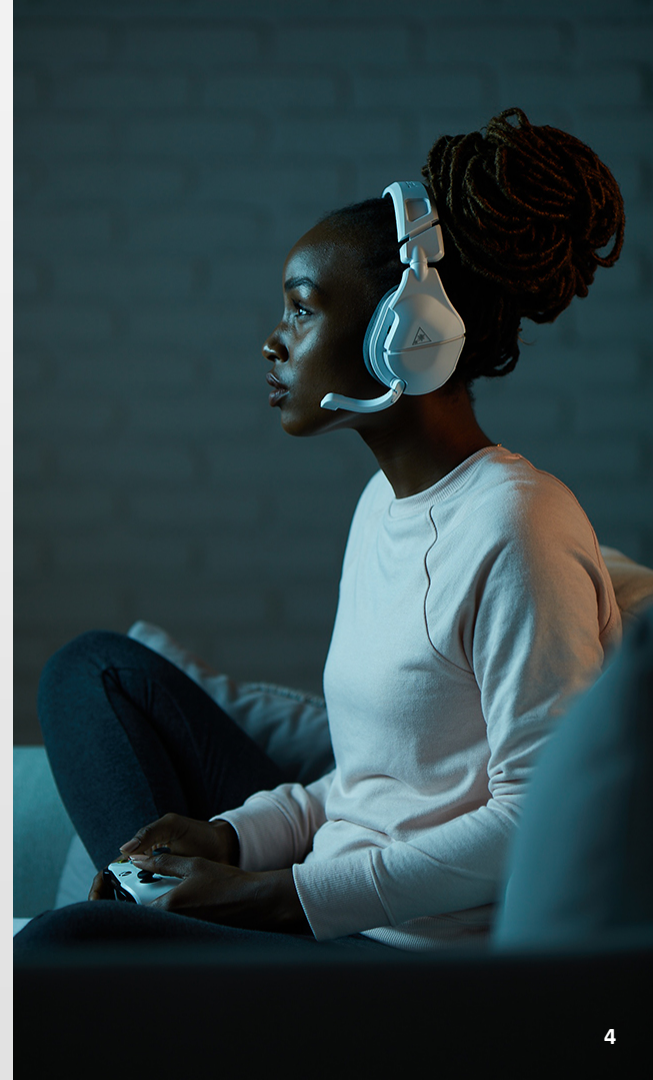
EPS of \$2.37 vs. \$1.04 (2019 valuation allowance release benefit was \$0.47 per share)

Adjusted EBITDA up 169% to a record \$61.4M vs. \$22.8M

Cash flow from operations up 29% to record \$51.0M vs. \$39.4M

Record cash & cash equivalents of \$46.7M

Strong balance sheet with no short or long-term debt



LET'S TALK BRANDS...



The World's
Best-Selling Gaming
Audio Brand



Award-Winning PC
Gaming Accessories

...and Introducing



High-Quality Digital USB &
Analog Microphones

Acquired January 2021

TURTLE BEACH GAMING HEADSETS



#1 IN GAMING AUDIO

The Global Market Leader In
Console Gaming Headsets for Over 10 Years

55 Million+

Headsets Sold Since 2010

46.8%₁

US Revenue Share 2020

1. The NPD Group/Retail Tracking Service/Video Games/Dollar Share/U.S./Jan - Dec 2020 update



A NEW GENERATION OF CONSOLE GAMING



Fall 2020 celebrated a new era in console gaming with the launch of the Xbox Series X|S and PlayStation 5 systems.

Enter the Gen 2s – the second generation of Turtle Beach’s best-selling Stealth series wireless headsets for Xbox and PlayStation have arrived, are completely redesigned to deliver deeply immersive, next-gen surround sound and 3D audio on the new consoles.

Stealth 700 Gen 2 and Stealth 600 Gen 2 significantly elevate the already powerful, feature-packed offerings that made the originals so popular, while retaining their original \$149.95 and \$99.95 MSRPs.

Shown: Stealth 700 Gen 2 – Named **Best Headset for Xbox Series X|S** by IGN

WELCOME TO STEALTH 700 GEN 2

STEALTH™
700
GEN 2

Launched September 2020
MSRP: \$149.95



*“Turtle Beach has outdone itself.
The Stealth 700 Gen 2 marks a huge
upgrade over the original.”*

- IGN



Welcome to premium wireless gaming audio.
Welcome to Stealth 700 Gen 2.

Stealth 700 Gen 2 is a masterpiece. It has a sleek design. It exceeds comfort. And most importantly, it is designed to deliver powerful next-gen surround sound on Xbox Series X|S and 3D audio on PlayStation 5.

The original Stealth 700 delivered an abundance of premium features for an outstanding price, and Stealth 700 Gen 2 elevates the offering further with significant upgrades in build quality, audio performance, comfort and more.

Stealth 700 Gen 2 feels like gamers are getting a \$300 headset for \$149.95.

INTRODUCING STEALTH 600 GEN 2

STEALTH™
600
GEN 2

Launched September 2020
MSRP: \$99.95



*"10/10. The \$100
Wireless King Returns
Stronger Than Ever."
— GadgetryTech.com*



The best-selling wireless gaming headset,
now even better. This is Stealth 600 Gen 2.

It's simple. We took the original Stealth 600, which has been the best-selling wireless gaming headset since it launched and redesigned it for the new Xbox Series X|S and PlayStation 5 consoles.

Stealth 600 Gen 2 dons an all-new refined design while delivering the same combination of powerful wireless game sound, clear chat, and unmatched comfort that has made it the most popular wireless gaming headset in the world.

It's hard to ignore what the Stealth 600 Gen 2 brings to the table, and even harder to ignore it's \$99.95 price.

ROCCAT PC GAMING ACCESSORIES



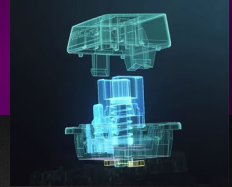
**Award-Winning
German Design**

A Broad, Growing Portfolio

Including Mice, Keyboards, PC Headsets & More

**ROCCAT sell-through is up 240% YOY 2020
in the US by revenue***

**The NPD Group, Inc., U.S. Retail Tracking Service, Gaming Designed: Keyboards, Mice, and PC Headsets, 2019 vs. 2020.*



A PERFECT BLEND

ELO SERIES

Launched October 2020

MSRP:
\$49.99 – Elo X Stereo (shown)
\$69.99 – Elo 7.1 USB
\$99.99 – Elo 7.1 Air



The perfect blend of ROCCAT's award-winning German design with Turtle Beach's unrivaled audio expertise.

The Elo X Stereo's wired 3.5mm connection delivers powerful stereo sound and cross-platform compatibility for PC, consoles, and mobile devices.

The Elo 7.1 USB and Elo 7.1 Air offer immersive 7.1 channel surround sound plus Variable Mic Monitoring, and AIMO intelligent RGB lighting.

Elo 7.1 Air adds wireless connectivity and Turtle Beach's Superhuman Hearing® for a competitive advantage.

"Simple, affordable, stylish and comfortable, but also packing a mighty acoustic punch you just won't find anywhere else for this kind of money."

- eTeknix (for Elo X Stereo)



MORE VULCANS PLEASE

VULCAN SERIES

Launched October 2020

MSRP:

\$129.99 – Vulcan TKL

\$159.99 – Vulcan TKL Pro (shown)

\$199.99 – Vulcan Pro



*“Right out of the box, it’s about one of the **best-looking keyboards** I’ve ever seen.”*

- eTeknix (Vulcan TKL Pro)



Titan Switch Optical
100X Faster than Standard
Mechanical Switches



Award-winning Vulcan series keyboard design gets killer new models.

The fan-favorite Vulcan keyboard design is now available in the popular compact tenkeyless format as the Vulcan TKL.

ROCCAT continues to drive innovation with its all-new Titan Optical Switch technology which registers keystroke response rates 100 times faster and offers double the lifespan compared to mechanical switches.

The all-new Vulcan Pro and Vulcan TKL Pro keyboards combine the Vulcan’s full-size and compact designs with the new Titan Optical Switch technology to give serious PC gamers a competitive edge.

LIGHTWEIGHT BEAUTY

BURST SERIES

Launched October/November 2020

MSRP:

\$29.99 Burst Core (below)

\$59.99 Burst Pro (right)



"For gaming, this is the mouse to use."

- Back to the Gaming



LIGHTWEIGHT
BY DESIGN



Superfast Titan optical switches brought to innovative new mice.

The Burst mice are extremely lightweight at just 68 grams and offer a symmetrical ergonomic design. Both versions also feature heat-treated pure PTFE glides, the PhantomFlex™ cable, EasyShift+ technology and onboard memory.

The Burst Pro adds a translucent honeycomb shell that perfectly showcases ROCCAT's AIMO intelligent RGB lighting, and swaps out the 8,500k DPI Pixart optical sensor in the Burst Core for ROCCAT's 16k DPI Owl-Eye optical sensor.

SMOOTH MOVES

SENSE AIMO

Launched October 2020



*"The ROCCAT Sense is
a solid mousepad."*
- Gaming Trend

AIMO
INTELLIGENT LIGHTING



Sense AIMO XXL mousepad makes its AIMO RGB lighting ecosystem bigger and better than ever before.

Paired with any of ROCCAT's AIMO-enabled mice, keyboards, and headsets and you get an entire desktop battle station immersing gamers in a world of ambient light.

The Sense AIMO XXL also features dual lighting zones around a premium flexible cloth surface with a rubberized non-slip backing. There's also a low-profile button for quickly adjusting settings, and it comes with a detachable braided USB cable.

THE LATEST NEWS...



TURTLE BEACH CORPORATION ANNOUNCES THE ACQUISITION OF NEAT MICROPHONES

In mid-January 2021, Turtle Beach announced the acquisition of Neat Microphones. Neat creates, manufactures, and sells high-quality digital USB and analog microphones that embrace cutting-edge technology and design. Neat's accomplished leadership team includes the former founders of Blue Microphones, inventors of the first high-performance USB microphone, and pioneers behind other award-winning microphones that have revolutionized how professionals and consumers capture their voice, music, and more.



SEE BETTER. HEAR BETTER. PLAY BETTER. OAKLEY TEAMS-UP WITH TURTLE BEACH FOR THE ULTIMATE PERFORMANCE ADVANTAGE

In late January 2021, Oakley and Turtle Beach officially announced a multi-year partnership after the brands have collaborated behind-the-scenes for several years to bring the best eyewear in gaming to market. The partnership debuted with custom Turtle Beach-branded Oakley Metalink prescription frames featuring Oakley's Prizm™ Gaming Lens Technology that delivers next-level performance benefits for digital gaming by reducing eyestrain and fatigue. To further celebrate the new partnership, Oakley and Turtle Beach also designed a limited-edition set of Turtle Beach-branded Frogskins Lite sunglasses.

MORE NEWS...



ROCCAT JOINS FORCES WITH SHELLBACK TECH TO GIVE BACK TO AMERICA'S DISABLED VETERANS & DISABLED FIRST RESPONDERS

Founded in 2018 by disabled Iraq veteran Travis Peacock and his wife Brittani, Shellback Tech creates customized, one-of-a-kind gaming and streaming PCs for disabled veterans and first responders in need, and donates them along with a monitor, desk, chair, and all accessories at no cost. Turtle Beach's ROCCAT PC brand worked with Shellback Tech to provide a variety of the award-winning PC brand's latest headsets, keyboards, mice, and mousepads, ensuring each recipient receives the high-quality gear they deserve.



TURTLE BEACH & ROCCAT PARTNER WITH TEAM SUMMERTIME TO SUPPORT SUICIDE AWARENESS & PREVENTION

Team Summertime is a popular YouTube stream helmed by longtime friends turned full-time content creators, Davis "Hitch" Edwards, Blacke Cissel, and Jorge Estrada, who have been playing Call of Duty for years. Turtle Beach and ROCCAT joined forces with Team Summertime to support their invite-only Call of Duty: Black Ops II throwback tournament, where all proceeds were donated to the Movember charity in effort to drive awareness and support for suicide awareness and prevention.

AND YET MORE NEWS...



TURTLE BEACH
SPOOKTACULAR STREAMATHON
ONLINE FUNDRAISING EVENT
Presented by Gamer's Outreach
OCTOBER 29
KAYPEA • SCUMP • JZR
FABUROCKS • ERIN ASHLEY SIMON
KONTROL FREEK
Tune in to watch a few of our friends stream to help the cause!
All proceeds go towards gaming gifts at participating children's hospitals!

Gamers Outreach
Helping Others Level Up

TURTLE BEACH & ROCCAT TAKE OVER THE GAMERS OUTREACH SPOOKTACULAR SCREAMATHON CHARITY EVENT

Gamers Outreach creates portable video game kiosks for hospitals that are beneficial for patients, doctors, nurses, and child life specialists as they provide bedside recreation for children unable to leave their hospital rooms. At the Gamers Outreach 2020 Spooktacular Streamathon charity event, a variety of Turtle Beach and ROCCAT brand ambassadors, including KayPea, Scump, JZR, FabuRocks, Erin Ashley Simon, and KontrolFreeK, participated in effort to raise money for this great cause.

THE GAMER HOUR
HOSTED BY:
Chris Puckett
CELEBRITY INTERVIEWS
SPONSORED BY: ROCCAT TURTLE BEACH
PRODUCED BY: ESPORTZ NETWORK

TURTLE BEACH & ROCCAT SPONSOR THE GAMER HOUR SERIES FROM ESPORTZ NETWORK & REUTERS BROADCAST SOLUTIONS

In November, Turtle Beach and ROCCAT were announced as the title sponsor for a 12-episode arc of The Gamer Hour program. Hosted by Esports Hall of Fame broadcaster, Chris Puckett, and produced by Esportz Network and Reuters Broadcast Solutions, The Gamer Hour is a weekly talk show where Puckett interviews top pro athletes, musicians, comedians, and actors about their love of gaming.

QUARTERLY FINANCIAL OVERVIEW



\$ in millions (except per-share data)	Q4 2019	Q4 2020	Commentary
Revenue	\$101.8	\$132.9 (<small>\$131.2 in constant currency</small>)	Continued strong gaming market. Superior supply and retail execution led to further market share gains. New ROCCAT launches also added to growth.
Gross Margin	35.1%	35.8%	Lower-than-normal promotional environment, favorable business mix, volume-driven fixed cost leverage, partially offset by roughly \$2 million in higher air freight spend to facilitate sales.
Operating Expenses	\$22.3	\$27.6	Reflects revenue-related increases as well as investments to drive ROCCAT and new product categories.
Adjusted EBITDA¹	\$16.6	\$23.6	Reflects above factors.
Net Income (Loss)	\$20.4	\$16.3	Q4 of 2019 included a tax benefit of \$7.4M from the release of a valuation allowance related to deferred tax assets.
Diluted EPS	\$1.29	\$0.93	Reflects above factors.
Adjusted Diluted EPS¹	\$0.83	\$0.84	Reflects above factors.
Diluted Shares	15.7M	17.6M	Diluted share count rose by 1.9 million shares primarily due to fewer shares assumed to be repurchased under the treasury method for calculating diluted shares.

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

FULL YEAR FINANCIAL OVERVIEW



\$ in millions (except per-share data)	2019	2020	Commentary
Revenue	\$234.7	\$360.1 ((\$357.9 in constant currency))	Increased demand from new and existing gamers and returning lapsed gamers, as well as work/learn-from-home users. Superior supply and retail execution led to further market share gains. Doubling of ROCCAT business with new launches also added to growth.
Gross Margin	33.5%	37.2%	Lower-than-normal promotional environment, favorable business mix, volume-driven fixed cost leverage, partially offset by roughly \$9 million in higher air freight spend to facilitate sales.
Operating Expenses	\$68.3	\$84.6	Reflects revenue-related increases as well as full year of ROCCAT OpEx and investments to drive growth.
Adjusted EBITDA ¹	\$22.8	\$61.4	Reflects above factors.
Net Income (Loss)	\$17.9	\$38.7	Net income in 2019 included a tax benefit of \$7.4M from the release of a valuation allowance related to deferred tax assets.
Diluted EPS	\$1.04	\$2.37	Reflects above factors.
Adjusted Diluted EPS ¹	\$0.74	\$2.22	Reflects above factors.
Diluted Shares	15.7M	16.4M	

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

BALANCE SHEET



Balance Sheet Highlights

	At December 31, 2019	At December 31, 2020
Cash & Equivalents	\$8.2M	\$46.7M
Inventories	\$45.7M	\$71.3M
Revolver (asset-based)	\$15.7M	\$0
Total Debt	\$15.7M	\$0

Balance Sheet Improvements

- Cash and equivalents increased significantly due to record revenue, higher margins and fixed cost leverage.
- Inventory increase driven by higher current demand, and anticipation of Q1 2021 sales.
- First time in at least ten years that total debt has been zero at year-end. Highest level of net cash in the Company's history.

GEN 8 CONSOLE LAUNCH INFORMATION



Xbox Series X|S

Release: November 10, 2020

Price: \$499 for Xbox Series X | \$299 for Xbox Series S

- Disc & digital only console options
- Backward compatibility
- Major power increase/faster game access/reduced load times
- Supports up to 8K resolution
- 3D Spatial Sound (headset required)
- Project xCloud game streaming service
- Xbox Games Pass subs get access to top Xbox One games

PlayStation 5/PlayStation 5 Digital

Release: November 12, 2020

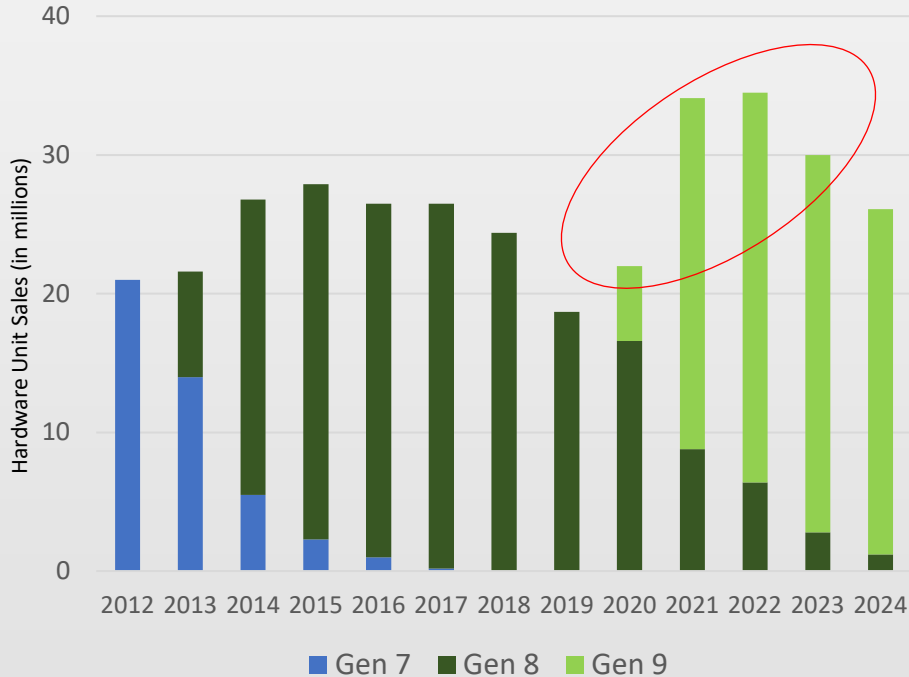
Price: \$499 for PS5 | \$399 for PS5 Digital Edition

- Disc & digital only console options
- Backward compatibility
- Major power increase/faster game access/reduced load times
- Supports up to 8K resolution
- 3D Spatial Sound (headset required)
- PlayStation Now streaming/focus on AAA titles
- PlayStation Plus subs get access to classic PS4 games at launch

XBOX AND PLAYSTATION UPDATED CONSOLE OUTLOOK¹



PlayStation and Xbox Console Unit Sales



“With the launch of new systems and continued sales for existing consoles, we forecast Microsoft and Sony combined hardware sales will set records in 2021 and 2022.”

David Cole, Head DFC Intelligence, Video games industry analyst

- Console transition has typically created a market decline prior to launch, an increase late in the year of new console launch, and then several years of accelerated growth post-launch.
- Accessories typically follow same pattern with some lag as some users will wait on new accessory purchases, particularly at the high-end prior to launch and then upgrading accelerates post-launch.
- However, due to stay-at-home orders, gaming engagement has increased significantly including accessories such as headsets, that have shown record sales the past quarters. Headsets being backward compatible, has kept the trend going even in a console transition year.
- DFC predicts the combined XB and PS hardware unit sales for Gen 8 and Gen 9 in the first three years of launch to be higher than the combined sales of Gen 7 and Gen 8 in the first three years, setting another record.
- Nintendo is not included; a new system core from Nintendo could substantially increase overall market potential.

1. COVID-19 related stay-at-home guidance and orders have led to significantly increased sales of gaming accessories
Source: DFC Intelligence updated September 2020 Worldwide Video Game Market Forecasts

Q1 2021 OUTLOOK¹



	Q1 2021	2021 Q1 Outlook Commentary
Net Revenue	~\$88M	Continued strong consumer demand for gaming accessories, channel restocking off strong December sell through, and good progress in PC category expansion.
Gross Margin	Mid-Upper 30% <i>s</i>	Volume-driven fixed cost leverage and favorable business mix driving a higher than usual margin for a first quarter.
Adj. EBITDA	~\$14M	Reflects above factors.
Adj. EPS	~\$0.45	Reflects above factors; anticipates effective tax rate of ~ 28%.
Diluted Shares	~17.5M	

1. Guidance provided March 4, 2021.

2021 OUTLOOK¹



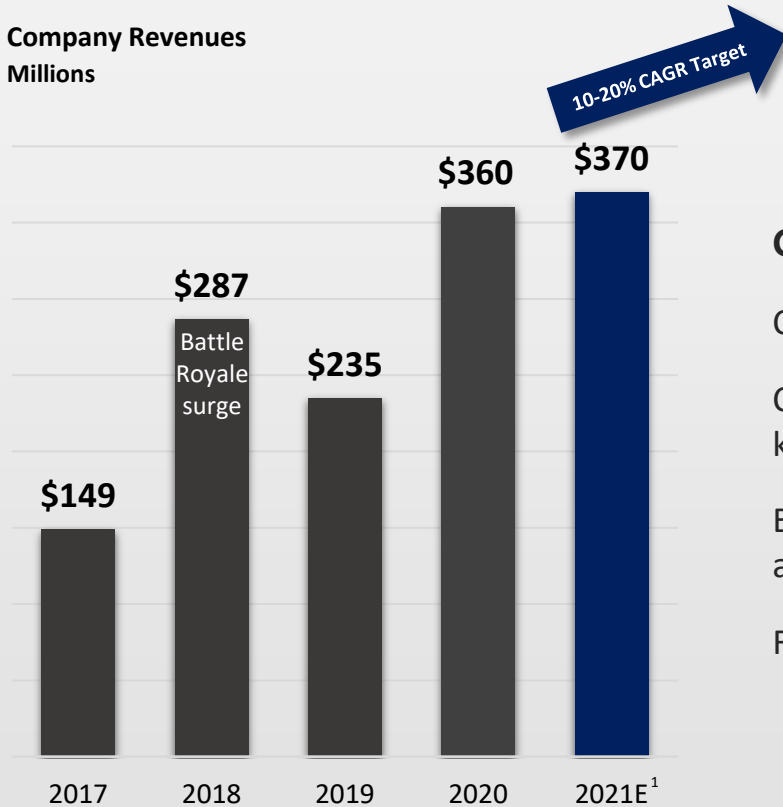
	2021	2021 Outlook Commentary
Net Revenue	~\$370M	Continued strong consumer demand driving strong revenues in Q1. Continued strong share in console headsets and progress in PC gaming accessories and several other new categories expected to enable growth off record 2020.
Gross Margin	Mid 30% ^s	Margins expected to be more aligned with historical levels, returning to more normal promotional spending and business mix.
Adj. EBITDA	~\$45M	Targeting category leading 12% EBITDA while funding continued investments in new product launches and other growth initiatives.
Adj. EPS	~\$1.35	Reflects above factors; anticipates full year effective tax rate of ~ 28%.
Diluted Shares	~17.5M	

1. Guidance provided March 4, 2021.



REVENUE PROFILE

Company Revenues
Millions



Growth Drivers:

Continued leadership in the \$1.7B console gaming headset market

Continued growth in \$3.4B market for PC gaming headsets, keyboards, and mice with ROCCAT brand expansion

Entry into the \$2.3B global microphone market with recent acquisition of Neat Microphones

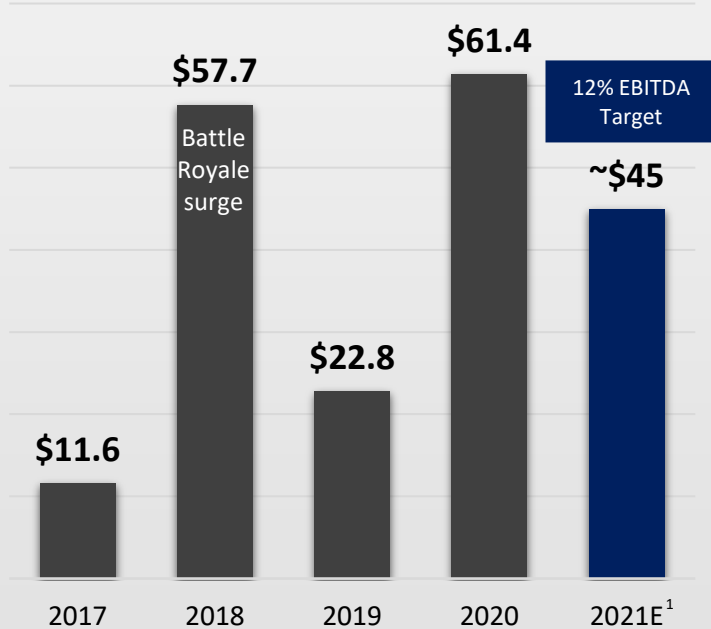
Further expansion into additional new categories

1. Guidance provided March 4, 2021.

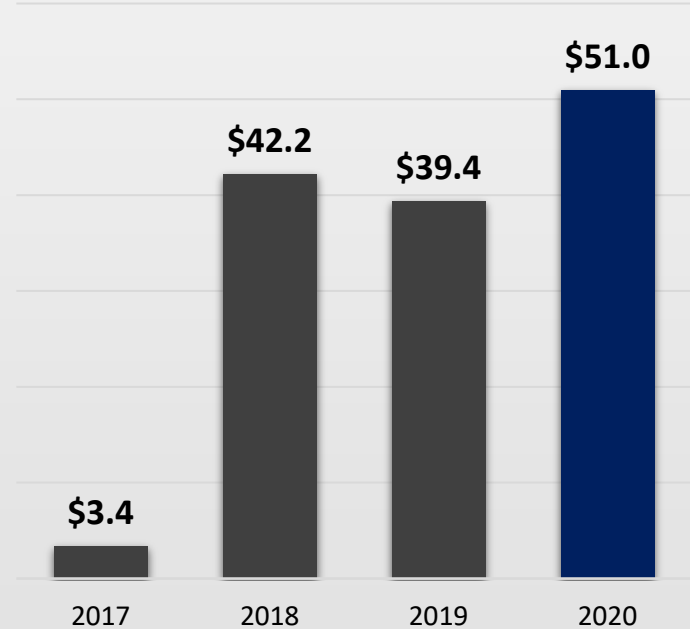


ADJUSTED EBITDA & CASH FLOW PROFILE

Adjusted EBITDA²
Millions



Cash Flow From Operations
Millions



1. Guidance provided March 4, 2021.

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

TURTLE BEACH EARNINGS

Summary Key Takeaways

- Record performance driven by stay-at-home orders increasing demand, further share gains, and strong operational execution
- Continued leadership in the \$1.7B¹ console gaming headset market with 10+ consecutive years of over 40%² market share
- Strong progress in pursuit of \$3.4B¹ PC accessories market with expanding portfolio and doubling of ROCCAT business in 2020
- Continuing investments to drive future revenue growth via expanding PC portfolio, entering mic market, and adding new categories over time
- Strong balance sheet with no debt

1. Newzoo 2020 Peripheral Market estimates – updated September 2020

2. The NPD Group/Retail Tracking Service/Video Games/Dollars/U.S., Canada & Mexico/Jan2010-Dec 2019 update



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APPENDIX





GAAP NET INCOME TO ADJUSTED NET INCOME RECONCILIATION 2020 COMPARED TO 2019

	Three Months Ended		Twelve Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<u>Net Income (Loss)</u>				
GAAP Net Income (Loss)	\$ 16,303	\$ 20,386	\$ 38,746	\$ 17,944
Adjustments, net of tax:				
Gain on financial instrument obligation	—	—	—	(1,601)
Release of valuation allowance	—	(7,439)	—	(7,439)
Gain on acquisition-related settlement	—	—	(1,702)	-
Change in fair value of contingent consideration	(1,631)	(422)	(1,121)	(422)
Acquisition integration costs	124	499	405	3,154
Non-GAAP Earnings	<u>\$ 14,796</u>	<u>\$ 13,024</u>	<u>\$ 36,328</u>	<u>\$ 11,636</u>
Diluted Earnings Per Share				
GAAP- Diluted	\$ 0.93	\$ 1.29	\$ 2.37	\$ 1.04
Gain on financial instrument obligation	—	—	—	—
Release of valuation allowance	—	(0.47)	—	(0.47)
Gain on acquisition-related settlement	—	—	(0.10)	—
Change in fair value of contingent consideration	(0.09)	(0.03)	(0.07)	(0.03)
Acquisition integration costs	0.01	0.03	0.02	0.20
Non-GAAP- Diluted	<u>\$ 0.84</u>	<u>\$ 0.83</u>	<u>\$ 2.22</u>	<u>\$ 0.74</u>



GAAP TO ADJUSTED EBITDA RECONCILIATION

THREE MONTHS ENDED DECEMBER 31, 2020

	Three Months Ended December 31, 2020					
	As Reported	Adj Depreciation	Adj Amortization	Adj Stock Compensation	Other ⁽¹⁾	Adj EBITDA
Net revenue	\$ 132,912	\$ -	\$ -	\$ -	\$ -	\$ 132,912
Cost of revenue	85,272	(537)	-	(305)	-	84,430
Gross Profit	47,640	537	-	305	-	48,482
Operating expenses	27,637	(520)	(224)	(1,268)	(168)	25,457
Operating income	20,003	1,057	224	1,573	168	23,025
Interest expense	112					
Other non-operating expense (income), net	(2,237)				1,631	(606)
Income before income tax	22,128					
Income tax expense	5,825					
Net income	\$ 16,303				Adjusted EBITDA \$ 23,631	

1. Other includes certain business acquisition costs, gain on an acquisition-related settlement and change in fair value of contingent consideration.



GAAP TO ADJUSTED EBITDA RECONCILIATION TWELVE MONTHS ENDED DECEMBER 31, 2020

	Year Ended					Adj EBITDA
	December 31, 2020					
	As Reported	Adj Depreciation	Adj Amortization	Adj Stock Compensation	Other ⁽¹⁾	
Net revenue	\$ 360,093	\$ -	\$ -	\$ -	\$ -	\$ 360,093
Cost of revenue	226,305	(2,365)	-	(928)	-	223,012
Gross Profit	133,788	2,365	-	928	-	137,081
Operating expenses	84,621	(1,994)	(889)	(4,621)	(550)	76,567
Operating income	49,167	4,359	889	5,549	550	60,514
Interest expense	467					
Other non-operating expense (income), net	(3,757)				2,823	(934)
Income before income tax	52,457					
Income tax expense	13,711					
Net income	\$ 38,746				Adjusted EBITDA \$ 61,448	

1. Other includes certain business acquisition costs, gain on an acquisition-related settlement and change in fair value of contingent consideration.

GAAP TO ADJUSTED EBITDA RECONCILIATION

Full years



	December 31, 2020	December 31, 2019	December 31, 2018
Consolidated			
Net Income (Loss)	38,746	17,944	39,190
Depreciation	4,359	4,556	3,954
Amortization of intangibles	889	642	303
Interest	467	929	5,335
Taxes	13,711	(6,237)	1,737
Stock Compensation	5,549	3,558	1,877
Acquisition-related settlement	(1,702)	-	-
Business Transaction Expense	550	3,516	-
Change in Fair Value of Contingent Consideration	(1,121)	(471)	-
Unrealized loss (gain) on financial instrument obligation	-	(1,601)	5,291
Adj EBITDA	61,448	22,836	57,687