



# TURTLE BEACH

C O R P O R A T I O N

**THIRD QUARTER 2024**  
**EARNINGS PRESENTATION**  
NASDAQ: HEAR | NOVEMBER 7, 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 are only predictions and are not guarantees of performance. 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 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, general business and economic conditions, 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 metrics, 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 months ended September 30, 2023 and September 30, 2024.



## THIRD QUARTER 2024 OVERVIEW

### **Q3 revenue of \$94.4M, up 60% vs. prior year**

- Excluding PDP results, revenue up 15% YOY

### **Improved gross margins by 630 bps YOY leading to \$16.3M in Q3 Adjusted EBITDA**

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

### **Integration of PDP progressing ahead of plan**

- Now expect over \$13M in synergies by 2025, up from \$10 – \$12M prior

### **Raising full year 2024 Adjusted EBITDA guidance to \$55M – \$58M range**

- Reflects optimized cost structures and operational efficiencies

### **Repurchased \$10.1M in common shares during Q3, bringing YTD total to \$25.3M**

- Reflects largest repurchase in company history; \$21.3M remaining on current repurchase authorization

### **Strong U.S. video games accessories market YTD 2024<sup>(1)</sup>**

- While the overall gaming market was flat, the U.S. gaming accessories market was up 7% YOY YTD 2024

### **Turtle Beach continues gaining share/outpacing the market<sup>(2)</sup>**

- Turtle Beach gaming headsets revenue share increased 108 bps in Q3 2024 over the prior quarter following the launch of the brand's new wireless lineup
- Turtle Beach controllers revenue share increased 150 bps, outpacing the U.S. controllers market YOY YTD 2024
- Turtle Beach flight simulation revenue share is up 330 bps, with revenue growth outpacing the market YOY YTD 2024

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

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



## QUARTERLY FINANCIAL REVIEW

\$ Millions (except per-share data)	Q3 2024	Q3 2023	Commentary
Revenue	\$94.4	\$59.2	<b>+60%</b> YOY reflecting PDP acquisition. Excluding PDP, revenue was +15% YOY.
Gross Margin	36.2%	29.9%	+630 basis point YOY improvement on lower discounting and cost structure as well as benefits of optimized portfolio, including new product launches.
Operating Expenses	\$27.7	\$20.2	Reflects \$3.5M in acquisition-related costs in current year. The increase in operating expenses, excluding non-recurring acquisition related and other expenses, was primarily due to the addition of PDP.
Net Income (Loss)	\$3.4	\$(3.6)	Reflects robust revenue growth and cost and expense efficiency.
Diluted EPS	\$0.16	\$(0.21)	Reflects above factors.
Adjusted EBITDA <sup>(1)</sup>	\$16.3	\$1.0	Reflects higher revenue, improved margins and expense leverage.
Diluted Shares	21.5	17.3	

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





## BALANCE SHEET SUMMARY

### Balance Sheet Highlights \$ Millions

	As of September 30, 2024
Cash & Cash Equivalents	\$13.8
Inventories	\$102.3
Revolver (asset-based)	\$58.6
Term Loan	\$49.3
Net Debt (debt less cash)	\$94.1



Named a Top 5 Consumer Electronics Brand for Gaming Hardware & Peripherals

Source: <https://time.com/collection/worlds-best-brands-2024/>



## 2024 GUIDANCE & LONG-TERM FINANCIAL TARGETS

2024 GUIDANCE <sup>(1)</sup>	
<b>Net Revenue<sup>(1)</sup></b> <b>\$370M – \$380M</b>	<b>Adj. EBITDA<sup>(1)</sup></b> <b>\$55M – \$58M</b>
<b>up 43% – 47%</b> <i>vs. 2023</i>	<b>up \$49M – \$52M</b> <i>vs. 2023</i>

### Strong YTD 2024 Environment

Total gaming headsets market is up 8.4% YOY with Turtle Beach maintaining its market leadership<sup>(2)</sup>.

Gaming controllers market is up nearly 3% YOY with Turtle Beach outpacing market growth, up ~38%<sup>(2)</sup>.

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

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

1. 2024 Net Revenue and Adj. EBITDA guidance incorporates approximately nine 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, YTD 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



**\$3.0B** Market

Continue Growth in Gamepads/Controllers



**\$3.9B** Market

Continue Expanding Turtle Beach Brand in PC Gaming Peripherals & Microphones



**\$1.2B** Market

Continue Growth in Gaming 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

**Targets:**

Revenue  
10%+  
CAGR

EBITDA  
15%+  
Margins





# GROWING TURTLE BEACH LEADERSHIP IN CONTROLLERS

TURTLE BEACH CONTINUES EXPANDING IN THE CONTROLLERS MARKET WITH ~38% REVENUE GROWTH YOY<sup>(2)</sup>



## Premium Wireless & Wired Controllers

Groundbreaking, industry-leading wireless controllers for Xbox, Windows PCs, PlayStation, & more



## Officially Licensed Controllers

Q3 launches include Call of Duty, Minecraft, Sonic the Hedgehog and other officially licensed 1<sup>st</sup> party controllers merging fandom & collectibles



## Gaming Simulation Controllers

Stunning realism is fueling the \$1.2B gaming simulation market including racing and flight<sup>(1)</sup>



## Music Controllers & Fight Sticks

Continued leadership in the specialty fight sticks category, and 97% share of music controller market<sup>(2)</sup>

1. Internal Estimates updated June 2024

2. Circana, Retail Tracking Service, U.S., Video Games/Controllers/Music Controllers, Dollar sales/Dollar share YTD 2024





## **Q3'24 KEY PRODUCTS & HIGHLIGHTS**



## CONTINUED WIRELESS GAMING AUDIO LEADERSHIP

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

### Legendary Wireless Performance Perfected for Gaming on Multiple Platforms.

In September, Turtle Beach launched the Stealth 700 (Gen 3) premium wireless model, completing the rollout of its 2024 fleet of wireless multiplatform gaming headsets.

Turtle Beach's Stealth 700 is among the top 5 best-selling wireless gaming headset series YTD.

In Q3, Turtle Beach outpaced growth in the wireless gaming headset market YOY and grew its share of wireless headsets by over 200 bps.

Turtle Beach's Stealth 600 (Gen 3) and Stealth 500 for Xbox were top 5 best-selling models in Q3 following their June '24 launch.



**Stealth 700  
(3rd Gen)**



**Stealth Pro**



**Atlas Air**



**Stealth 600  
(3rd Gen)**



**Stealth 500**



Stealth 600 (Gen 3), Stealth 500, Stealth Pro, & Atlas Air  
Named Best Gaming Headsets of 2024



# AN EXPANDING CATALOG OF OFFICIALLY LICENSED ACCESSORIES

STRONG PARTNERSHIPS WITH TOP ENTERTAINMENT PROPERTIES

## Merging Gaming Accessories, Fandom & Collectability

In Q3, Turtle Beach introduced a variety of officially licensed gaming accessories themed around some of gaming's biggest and most iconic games, including Call of Duty and Minecraft, Sonic, and TEKKEN 8 among others.



Call of Duty Controllers  
for PlayStation & Xbox



Minecraft Controller &  
Travel Case for  
Nintendo Switch



Sonic the Hedgehog Shadow  
Controller  
for Nintendo Switch



Minecraft Diamond Print  
Controller  
for Xbox



TEKKEN 8  
Controllers & Fight Sticks  
for PlayStation



# MORE GROUNDBREAKING MARKET INNOVATION FROM TURTLE BEACH

PLAY MORE GAME TYPES USING ONE CONTROLLER WITH REVOLUTIONARY ROTATING BUTTON/STICK MODULES

## Introducing the Revolutionary Stealth Pivot Controller for PC, Xbox & More

It's a smart wireless controller for PC and an advanced wired controller for Xbox, and features Bluetooth for connecting to Android devices and smart TVs.

The Stealth Pivot debuts industry-first rotating button/stick modules for multiple layouts so gamers can play more game types, including FPS, fighting games, racing games using the same controller.

Turtle Beach revenue share in the wireless controllers market was up 230bps YOY YTD 2024.

**Stealth Pivot Controller for PC/Xbox  
Launches November 26, 2024**



**Unique Rotating  
Thumbstick/Button  
Modules**

1. Circana, Retail Tracking Service, U.S., Controllers/Dollar Share, YTD 2024



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

# APPENDIX



# GAAP NET INCOME TO ADJUSTED EBITDA RECONCILIATION

THIRD QUARTER 2024 COMPARED TO 2023

	Three Months Ended	
	<u>September 30, 2024</u>	<u>September 30, 2023</u>
<u>Net Income (Loss)</u>	\$3,413	\$(3,606)
Interest expense	2,712	107
Depreciation and amortization	3,322	1,212
Stock-based compensation	1,496	1,625
Income tax expense	46	501
Restructuring expense <sup>(1)</sup>	910	1,104
Business transaction expense <sup>(2)</sup>	3,510	—
Incremental costs on acquired inventory <sup>(3)</sup>	833	—
Other legal	26	94
Adjusted EBITDA	<b><u>\$16,268</u></b>	<b><u>\$1,037</u></b>

1. Restructuring charges are expenses that are paid in connection with reorganization of our operations. These costs primarily include severance and related benefits.
2. Business transaction expense includes one-time costs we incurred in connection with acquisitions including warehouse lease impairment, professional fees such as legal and accounting along with other certain integration related costs.
3. Costs relate to the step up of acquired PDP finished goods inventory to fair market value as required under GAAP purchase accounting. This step up in value over original cost is recorded as a charge to cost of revenue as such inventory is sold.

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**THANK YOU**