

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

Date of Report: March 4, 2021  
(Date of earliest event reported)

**Turtle Beach Corporation**

(Exact name of registrant as specified in its charter)

001-35465  
(Commission File Number)

Nevada  
(State or other jurisdiction of  
incorporation or organization)

27-2767540  
(I.R.S. Employer  
Identification Number)

44 South Broadway, 4th Floor  
White Plains, New York  
(Address of principal executive offices)

10601  
(Zip Code)

(888) 496-8001  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class  
Common Stock, par value \$0.001

Trading Symbols  
HEAR

Name of each exchange on which registered  
Nasdaq

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**TURTLE BEACH REPORTS RECORD FOURTH QUARTER AND FULL YEAR 2020 RESULTS**  
*Strong consumer demand and superior execution fuel record revenue and adjusted EBITDA*

White Plains, NY – March 4, 2021 – [Turtle Beach Corporation](#) (Nasdaq: HEAR), a leading gaming accessory business, reported financial results for the fourth quarter and full year ended December 31, 2020.

**2020 Full-Year Summary vs. 2019:**

- Net revenue was \$360.1 million (\$357.9 million in constant currency), an increase of 53% compared to \$234.7 million;
- Net income of \$38.7 million, or \$2.37 per diluted share, compared to net income of \$17.9 million, or \$1.04 per share, reflecting an increase of 116% in net income and 127% in EPS;
- Adjusted EBITDA was \$61.4 million, up 169% compared to \$22.8 million; and
- Cash flow from operations was \$51.0 million, up 29% compared to \$39.4 million.

**Fourth Quarter Summary vs. Year-Ago Quarter:**

- Net revenue was \$132.9 million (\$131.2 million in constant currency) versus \$101.8 million;
- Net income of \$16.3 million, or \$0.93 per diluted share, compared to net income of \$20.4 million, or \$1.29 per diluted share;
- Adjusted EBITDA was \$23.6 million, compared to \$16.6 million; and
- Cash flow from operations was \$18.4 million, compared to \$12.1 million.

“As indicated in our recent pre-announcement, our 2020 sales and adjusted EBITDA were the highest in our company’s history,” said Juergen Stark, Chairman and CEO, Turtle Beach Corporation. “A great portfolio of products and our leading brand combined with excellent operational execution enabled us to outpace the rest of the market in the console headset market that experienced significant growth from both existing and new gamers last year. That plus more than doubling our ROCCAT PC accessories business both through expansion of the portfolio and further development of that brand enabled us to deliver record results.

“While we expect the gaming accessories market may slow a bit in 2021 because of how strong growth was in 2020, we expect that our continued growth in PC accessories, as well as entry into new categories will allow us to grow revenues to record levels in 2021. And we plan to continue to invest in product and brand development throughout 2021 to position ourselves for continued growth and further expand our leadership position in gaming accessories.”

**2020 Financial Results**

Net revenue in 2020 reached the highest level of annual sales in Turtle Beach’s history, at \$360.1 million, up 53% compared to \$234.7 million in 2019. The revenue increase was driven by strong demand for gaming accessories among both new and existing gamers as well non-gaming usage of headsets by people working and learning from-home, especially following stay-at-home orders initiated in March of last year. Quick reaction to rapid increases in demand, excellent supply chain execution, and strong coordination with our retail partners globally contributed significantly to the Company’s ability to capture the surge in market demand. In addition, the launches of new console video game console systems from Sony PlayStation and Microsoft Xbox helped spark additional consumer demand. Our launch of new PC accessories led to a more than doubling of sales of ROCCAT PC headsets, mice and keyboards. On a constant currency basis, revenue

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in 2020 was \$357.9 million.

Gross margin in 2020 was 37.2% compared to 33.5% in 2019. The increase in gross margin was driven by significantly lower than normal promotional spending due to strong demand and industrywide supply constraints, a favorable business mix and better fixed cost leverage, partially offset by higher air freight costs.

Operating expenses in 2020 were \$84.6 million compared to \$68.3 million in 2019 due primarily to sales and marketing costs that drove revenue growth, R&D investments in new categories, higher general and administrative costs resulting from the inclusion of ROCCAT for the full year of 2020 and higher performance-based expenses. As a percentage of net revenue, operating expenses in 2020 were 23.5% compared to 29.1% in 2019.

Net income in 2020 was \$38.7 million, or \$2.37 per diluted share, compared to \$17.9 million or \$1.04 per diluted share in 2019. Excluding a number of adjustments to net income in both periods (as summarized below in Table 4), adjusted net income (as defined below in “Non-GAAP Financial Measures”) in 2020 was \$36.3 million, or \$2.22 per diluted share, compared to \$11.6 million or \$0.74 per diluted share, and increase of over 200%. The full-year weighted average diluted share count for 2020 was 16.4 million compared to 15.7 million in 2019.

Adjusted EBITDA (as defined below in “Non-GAAP Financial Measures”) in 2020 was \$61.4 million compared to \$22.8 million in 2019.

#### **Fourth Quarter 2020 Financial Results**

Net revenue in the fourth quarter of 2020 was \$132.9 million, up 31% compared to \$101.8 million in the year-ago quarter. The growth was strong across both console headsets as well as PC accessories, and in all geographies. Drivers of this growth were the same factors that drove the full-year increase in sales. On a constant currency basis, revenue in the fourth quarter of 2020 was \$131.2 million.

Gross margin in the fourth quarter of 2020 was 35.8% compared to 35.1% in the fourth quarter of 2019. The increase in gross margin was the result of lower promotional spending, favorable business mix and leverage of fixed operating costs, partially offset by higher air freight costs.

Operating expenses in the fourth quarter of 2020 were \$27.6 million compared to \$22.3 million in the 2019 period due primarily to sales and marketing costs that drove revenue growth and increased R&D investments in new categories designed to drive future growth. As a percentage of net revenue, operating expenses in the fourth quarter of 2020 were 20.8% compared to 21.9% in the fourth quarter of 2019.

Net income in the fourth quarter of 2020 was \$16.3 million, or \$0.93 per diluted share compared to \$20.4 million, or \$1.29 per diluted share in the year-ago quarter. Excluding a number of adjustments in both periods (as summarized below in Table 4), adjusted net income (as defined below in “Non-GAAP Financial Measures”) in the fourth quarter of 2020 was \$14.8 million, or \$0.84 per diluted share, compared to \$13.0 million, or \$0.83 per share, in the corresponding period in 2019. For the fourth quarter, the weighted average diluted share count was 17.6 million for 2020 compared to 15.7 million for 2019. The year-over-year increase in the diluted share count is primarily the result of lower assumed shares repurchased under the

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treasury method for calculating diluted shares.

Adjusted EBITDA (as defined below in “Non-GAAP Financial Measures”) in the fourth quarter of 2020 was \$23.6 million, an increase of 42% compared to \$16.6 million in the year-ago quarter.

### **Balance Sheet and Cash Flow Highlights**

At December 31, 2020, the Company had \$46.7 million of cash and cash equivalents with no outstanding debt under its revolving line of credit. This compares to \$8.2 million of cash and cash equivalents with \$15.7 million of outstanding debt under its revolving credit facility at December 31, 2019, reflecting a \$54 million improvement in net cash. The company delivered cash flow from operations of \$51.0 million in 2020, which marks the third consecutive year of at least \$39 million of cash flow from operations.

### **2021 Outlook**

For the full year 2021, the Company expects revenue to be approximately \$370 million reflecting the target of continued growth from our 2020 record revenue levels. Adjusted EBITDA is expected to be approximately \$45 million, reflecting a category leading target of 12% EBITDA margin while enabling significant investments to expand the Company’s market share in the PC accessories market, including the newly entered microphone market, and position the company for continued growth. Adjusted net income per diluted share is expected to be approximately \$1.35.

For the first quarter of 2021, the Company expects revenue to be approximately \$88 million. Like 2020, revenue phasing in 2021 is expected to be somewhat unusual, with a higher percentage of full year revenue in the first quarter compared to an unusually low percentage of revenue in the first quarter of 2020. Adjusted EBITDA is expected to be approximately \$14.0 million. Adjusted net income per diluted share is expected to be approximately \$0.45.

*Certain non-GAAP measures included in our financial outlook were not reconciled to the comparable GAAP financial measures because the GAAP measures are not accessible on a forward-looking basis. We are unable to reconcile these forward looking non-GAAP financial measures to the most directly comparable GAAP measures without the investment of undue time, cost and other resources because we are currently unable to predict with a reasonable degree of certainty as a result of the variability, complexity, and lack of visibility with respect to certain items that would be expected to impact GAAP measures for these periods but would not impact the non-GAAP measures. Such items may include other income (expense), provision for income taxes and stock-based compensation and other items. The unavailable information could be material to the Company’s actual results for such periods.*

### **Conference Call Details**

Turtle Beach Corporation will hold a conference call today, March 4, 2021, at 2:00 p.m. Pacific Time (5:00 p.m. Eastern) to discuss its fourth quarter and full year 2020 results.

CEO Juergen Stark and CFO John Hanson will host the call, followed by a question and answer session.

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**Conference Call Details:**  
**Date:** Thursday, March 4, 2021  
**Time:** 5:00 p.m. ET / 2:00 p.m. PT  
**Toll-Free Dial-in Number:** (877) 303-9855  
**International Dial-in Number:** (408) 337-0154  
**Conference ID:** 6695389

For the conference call, please dial-in 5-10 minutes prior to the start time and an operator will register your name and organization. If you have any difficulty with the conference call, please contact Gateway Investor Relations at (949) 574-3860.

The conference call will be broadcast live and available for replay [here](#) and via the investor relations section of the Company's website at [www.turtlebeachcorp.com](http://www.turtlebeachcorp.com).

A replay of the conference call will be available after 8:00 p.m. ET on the same day through March 11, 2021.

**Toll-Free Replay Number:** (855) 859-2056  
**International Replay Number:** (404) 537-3406  
**Replay ID:** 6695389

### **Non-GAAP Financial Measures**

In addition to its reported results, the Company has included in this earnings release 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 acquisitions, (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 ROCCAT acquisition, 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 below for each of the three months and years ended December 31, 2020 and 2019.

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## **About Turtle Beach Corporation**

Turtle Beach Corporation (<https://corp.turtlebeach.com>) is one of the world's leading gaming accessory providers. The Turtle Beach brand ([www.turtlebeach.com](http://www.turtlebeach.com)) is known for pioneering first-to-market features and patented innovations in high-quality, comfort-driven headsets for all levels of gamer, making it a fan-favorite brand and the market leader in console gaming audio for the last decade. Turtle Beach's ROCCAT brand ([www.roccat.org](http://www.roccat.org)) combines detail-loving German innovation with a genuine passion for designing the best PC gaming products. Under the ROCCAT brand, Turtle Beach creates award-winning keyboards, mice, headsets, mousepads, and other PC accessories. Turtle Beach's Neat Microphones brand ([www.neatmic.com](http://www.neatmic.com)) creates high-quality USB and analog microphones for gamers, streamers, and professionals that embrace cutting-edge technology and design. Turtle Beach's shares are traded on the Nasdaq Exchange under the symbol: [HEAR](#).

### Cautionary Note on Forward-Looking Statements

This press release 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. Forward-looking statements are based on management's current belief 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, 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, the Company's 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. 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.

All trademarks are the property of their respective owners.

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#### **For Investor Information, Contact:**

**Sean McGowan or Cody Slach**

**Gateway Investor Relations**

**On Behalf of Turtle Beach**

**949.574.3860**

**[HEAR@gatewayir.com](mailto:HEAR@gatewayir.com)**

#### **For Media Information, Contact:**

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**Sr. Director – Brand & PR/Communications**

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**Turtle Beach Corporation**

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**Condensed Consolidated Balance Sheets**  
(in thousands, except par value and share amounts)

**Table 1.**

|  | <b>December 31,<br/>2020</b>                       | <b>December 31,<br/>2019</b> |
|--|--|------------------------------|
|  | <b>(unaudited)</b>                                 |                              |
|  | (in thousands, except par value and share amounts) |                              |
| <b>ASSETS</b>  |  |                              |
| Current Assets:  |  |                              |
| Cash and cash equivalents  | \$ 46,681  | \$ 8,249                     |
| Accounts receivable, net   | 43,867   | 44,530                       |
| Inventories  | 71,301   | 45,711                       |
| Prepaid expenses and other current assets  | 8,127  | 4,057                        |
| Total Current Assets   | 169,976  | 102,547                      |
| Property and equipment, net  | 6,575  | 3,962                        |
| Deferred income taxes  | 6,946  | 7,439                        |
| Goodwill   | 8,178  | 8,515                        |
| Intangible assets, net   | 5,138  | 6,011                        |
| Other assets   | 6,640  | 2,877                        |
| Total Assets   | \$ 203,453   | \$ 131,351                   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |  |                              |
| Current Liabilities:   |  |                              |
| Revolving credit facility  | \$ —   | \$ 15,655                    |
| Accounts payable   | 42,529   | 22,511                       |
| Other current liabilities  | 36,122   | 26,422                       |
| Total Current Liabilities  | 78,651   | 64,588                       |
| Deferred income taxes  | 128  | 153                          |
| Other liabilities  | 8,275  | 3,223                        |
| Total Liabilities  | 87,054   | 67,964                       |
| Commitments and Contingencies  |  |                              |
| Stockholders' Equity   |  |                              |
| Common stock, \$0.001 par value - 25,000,000 shares authorized; 15,475,504 and 14,488,152 shares issued and outstanding as of December 31, 2020 and 2019, respectively | 15   | 14                           |
| Additional paid-in capital   | 190,568  | 176,776                      |
| Accumulated deficit  | (74,773)   | (113,519)                    |
| Accumulated other comprehensive income   | 589  | 116                          |
| Total Stockholders' Equity   | 116,399  | 63,387                       |
| Total Liabilities and Stockholders' Equity   | \$ 203,453   | \$ 131,351                   |

**Turtle Beach Corporation**  
**Condensed Consolidated Statements of Operations**  
(in thousands, except per-share data)  
(unaudited)

**Table 2.**

|   | <b>Three Months Ended</b>    |                              | <b>Twelve Months Ended</b>   |                              |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
|   | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> | <b>December 31,<br/>2020</b> | <b>December 31,<br/>2019</b> |
| Net revenue                               | \$ 132,912                   | \$ 101,764                   | \$ 360,093                   | \$ 234,663                   |
| Cost of revenue                           | 85,272                       | 66,052                       | 226,305                      | 155,950                      |
| Gross profit                              | <u>47,640</u>                | <u>35,712</u>                | <u>133,788</u>               | <u>78,713</u>                |
| Operating expenses:                       |                              |                              |                              |                              |
| Selling and marketing                     | 17,715                       | 14,053                       | 46,779                       | 38,634                       |
| Research and development                  | 3,577                        | 2,468                        | 12,265                       | 7,856                        |
| General and administrative                | 6,345                        | 5,739                        | 25,577                       | 21,796                       |
| Total operating expenses                  | <u>27,637</u>                | <u>22,260</u>                | <u>84,621</u>                | <u>68,286</u>                |
| Operating income                          | 20,003                       | 13,452                       | 49,167                       | 10,427                       |
| Interest expense                          | 112                          | 334                          | 467                          | 929                          |
| Other non-operating expense (income), net | (2,237)                      | (779)                        | (3,757)                      | (2,209)                      |
| Income before income tax                  | 22,128                       | 13,897                       | 52,457                       | 11,707                       |
| Income tax expense (benefit)              | 5,825                        | (6,489)                      | 13,711                       | (6,237)                      |
| Net income                                | <u>\$ 16,303</u>             | <u>\$ 20,386</u>             | <u>\$ 38,746</u>             | <u>\$ 17,944</u>             |
| Net income per share                      |                              |                              |                              |                              |
| Basic                                     | \$ 1.07                      | \$ 1.41                      | \$ 2.62                      | \$ 1.24                      |
| Diluted                                   | \$ 0.93                      | \$ 1.29                      | \$ 2.37                      | \$ 1.04                      |
| Weighted average number of shares:        |                              |                              |                              |                              |
| Basic                                     | 15,272                       | 14,501                       | 14,801                       | 14,483                       |
| Diluted                                   | 17,573                       | 15,748                       | 16,365                       | 15,688                       |

**Turtle Beach Corporation**  
**Condensed Consolidated Statements of Cash Flows**  
(in thousands)  
(unaudited)

**Table 3.**

|  | <b>Year Ended</b>        |                          |
|--|--------------------------|--------------------------|
|  | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
| CASH FLOWS FROM OPERATING ACTIVITIES                                       | \$ 51,049                | \$ 39,374                |
| CASH FLOWS FROM INVESTING ACTIVITIES                                       | (5,663)                  | (14,579)                 |
| CASH FLOWS FROM FINANCING ACTIVITIES                                       |                          |                          |
| Borrowings on revolving credit facilities                                  | 323,593                  | 219,910                  |
| Repayment of revolving credit facilities                                   | (339,248)                | (241,640)                |
| Proceeds from sale of equity securities                                    | 4,373                    | -                        |
| Proceeds from exercise of stock options and warrants                       | 4,195                    | 330                      |
| Repurchase of common stock   | -                        | (2,525)                  |
| Repurchase of common stock to satisfy employee tax withholding obligations | (325)                    | (255)                    |
| Net cash used for financing activities                                     | <u>(7,412)</u>           | <u>(24,180)</u>          |
| Effect of exchange rate changes on cash and cash equivalents               | 458                      | 556                      |
| Net increase in cash and cash equivalents                                  | 38,432                   | 1,171                    |
| Cash and cash equivalents - beginning of period                            | 8,249                    | 7,078                    |
| Cash and cash equivalents - end of period                                  | <u>\$ 46,681</u>         | <u>\$ 8,249</u>          |

**Turtle Beach Corporation**  
**Reconciliation of GAAP and Non-GAAP Measures**  
(in thousands, except per-share data)  
(unaudited)

**Table 4.**

|  | <b>Three Months Ended</b> |                          | <b>Year Ended</b>        |                          |
|--|---------------------------|--------------------------|--------------------------|--------------------------|
|  | <b>December 31, 2020</b>  | <b>December 31, 2019</b> | <b>December 31, 2020</b> | <b>December 31, 2019</b> |
| <b><u>Net Income</u></b>                         |                           |                          |                          |                          |
| GAAP Net Income                                  | \$ 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>         |
| <b>Diluted Earnings Per Share</b>                |                           |                          |                          |                          |
| 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>           |

**Turtle Beach Corporation**  
**GAAP to Adjusted EBITDA Reconciliation**  
(in thousands)  
(unaudited)

**Table 5.**

|   | <b>Three Months Ended<br/>December 31, 2020</b> |                             |                             |                                       |                        |                       |
|---|---|-----------------------------|-----------------------------|---------------------------------------|------------------------|-----------------------|
|   | <b>As<br/>Reported</b>                          | <b>Adj<br/>Depreciation</b> | <b>Adj<br/>Amortization</b> | <b>Adj<br/>Stock<br/>Compensation</b> | <b>Other (1)</b>       | <b>Adj<br/>EBITDA</b> |
| Net revenue                               | \$ 132,912                                      | \$ -                        | \$ -                        | \$ -                                  | \$ -                   | \$ 132,912            |
| Cost of revenue                           | 85,272  | (537)                       | -                           | (305)                                 | -                      | 84,430                |
| <b>Gross Profit</b>                       | <b>47,640</b>                                   | <b>537</b>                  | <b>-</b>                    | <b>305</b>                            | <b>-</b>               | <b>48,482</b>         |
| Operating expenses                        | 27,637  | (520)                       | (224)                       | (1,268)                               | (168)                  | 25,457                |
| <b>Operating income</b>                   | <b>20,003</b>                                   | <b>1,057</b>                | <b>224</b>                  | <b>1,573</b>                          | <b>168</b>             | <b>23,025</b>         |
| 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   |                             |                             |                                       |                        |                       |
| <b>Net income</b>                         | <b>\$ 16,303</b>                                |                             |                             |                                       | <b>Adjusted EBITDA</b> | <b>\$ 23,631</b>      |

|   | <b>Year Ended<br/>December 31, 2020</b> |                             |                             |                                       |                        |                       |
|---|---|-----------------------------|-----------------------------|---------------------------------------|------------------------|-----------------------|
|   | <b>As<br/>Reported</b>                  | <b>Adj<br/>Depreciation</b> | <b>Adj<br/>Amortization</b> | <b>Adj<br/>Stock<br/>Compensation</b> | <b>Other (1)</b>       | <b>Adj<br/>EBITDA</b> |
| Net revenue                               | \$ 360,093                              | \$ -                        | \$ -                        | \$ -                                  | \$ -                   | \$ 360,093            |
| Cost of revenue                           | 226,305                                 | (2,365)                     | -                           | (928)                                 | -                      | 223,012               |
| <b>Gross Profit</b>                       | <b>133,788</b>                          | <b>2,365</b>                | <b>-</b>                    | <b>928</b>                            | <b>-</b>               | <b>137,081</b>        |
| Operating expenses                        | 84,621                                  | (1,994)                     | (889)                       | (4,621)                               | (550)                  | 76,567                |
| <b>Operating income</b>                   | <b>49,167</b>                           | <b>4,359</b>                | <b>889</b>                  | <b>5,549</b>                          | <b>550</b>             | <b>60,514</b>         |
| 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                                  |                             |                             |                                       |                        |                       |
| <b>Net income</b>                         | <b>\$ 38,746</b>                        |                             |                             |                                       | <b>Adjusted EBITDA</b> | <b>\$ 61,448</b>      |

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

**Turtle Beach Corporation**  
**GAAP to Adjusted EBITDA Reconciliation**  
(in thousands)  
(unaudited)

**Table 5. (continued)**

|   | <b>Three Months Ended<br/>December 31, 2019</b> |                             |                             |                                       |                        |                         |
|---|---|-----------------------------|-----------------------------|---------------------------------------|------------------------|-------------------------|
|   | <b>As<br/>Reported</b>                          | <b>Adj<br/>Depreciation</b> | <b>Adj<br/>Amortization</b> | <b>Adj<br/>Stock<br/>Compensation</b> | <b>Other (2)</b>       | <b>Adj<br/>EBITDA</b>   |
| Net revenue                               | \$ 101,764                                      | \$ -                        | \$ -                        | \$ -                                  | \$ -                   | \$ 101,764              |
| Cost of revenue                           | <u>66,052</u>                                   | <u>(601)</u>                | <u>-</u>                    | <u>(74)</u>                           | <u>-</u>               | <u>65,377</u>           |
| <b>Gross Profit</b>                       | <b>35,712</b>                                   | <b>601</b>                  | <b>-</b>                    | <b>74</b>                             | <b>-</b>               | <b>36,388</b>           |
| Operating expenses                        | <u>22,260</u>                                   | <u>(478)</u>                | <u>(229)</u>                | <u>(929)</u>                          | <u>(555)</u>           | <u>20,070</u>           |
| <b>Operating income</b>                   | <b>13,452</b>                                   | <b>1,079</b>                | <b>229</b>                  | <b>1,003</b>                          | <b>555</b>             | <b>16,317</b>           |
| Interest expense                          | 334   |                             |                             |                                       |                        |                         |
| Other non-operating expense (income), net | <u>(780)</u>                                    |                             |                             |                                       | 471                    | <u>(309)</u>            |
| Income before income tax                  | 13,897  |                             |                             |                                       |                        |                         |
| Income tax benefit                        | <u>(6,489)</u>                                  |                             |                             |                                       |                        |                         |
| <b>Net income</b>                         | <b><u>\$ 20,386</u></b>                         |                             |                             |                                       | <b>Adjusted EBITDA</b> | <b><u>\$ 16,626</u></b> |

|   | <b>Year Ended<br/>December 31, 2019</b> |                             |                             |                                       |                        |                         |
|---|---|-----------------------------|-----------------------------|---------------------------------------|------------------------|-------------------------|
|   | <b>As<br/>Reported</b>                  | <b>Adj<br/>Depreciation</b> | <b>Adj<br/>Amortization</b> | <b>Adj<br/>Stock<br/>Compensation</b> | <b>Other (2)</b>       | <b>Adj<br/>EBITDA</b>   |
| Net revenue                               | \$ 234,663                              | \$ -                        | \$ -                        | \$ -                                  | \$ -                   | \$ 234,663              |
| Cost of revenue                           | <u>155,950</u>                          | <u>(1,950)</u>              | <u>-</u>                    | <u>(150)</u>                          | <u>-</u>               | <u>153,850</u>          |
| <b>Gross Profit</b>                       | <b>78,713</b>                           | <b>1,950</b>                | <b>-</b>                    | <b>150</b>                            | <b>-</b>               | <b>80,813</b>           |
| Operating expenses                        | <u>68,286</u>                           | <u>(2,606)</u>              | <u>(642)</u>                | <u>(3,408)</u>                        | <u>(3,516)</u>         | <u>58,114</u>           |
| <b>Operating income</b>                   | <b>10,427</b>                           | <b>4,556</b>                | <b>642</b>                  | <b>3,558</b>                          | <b>3,516</b>           | <b>22,699</b>           |
| Interest expense                          | 929                                     |                             |                             |                                       |                        |                         |
| Other non-operating expense (income), net | <u>(2,209)</u>                          |                             |                             |                                       | 2,072                  | <u>(137)</u>            |
| Income before income tax                  | 11,707                                  |                             |                             |                                       |                        |                         |
| Income tax benefit                        | <u>(6,237)</u>                          |                             |                             |                                       |                        |                         |
| <b>Net income</b>                         | <b><u>\$ 17,944</u></b>                 |                             |                             |                                       | <b>Adjusted EBITDA</b> | <b><u>\$ 22,836</u></b> |

(2) Other includes certain business acquisition costs and a gain (loss) on financial instrument obligation.