



**THIRD QUARTER 2023
EARNINGS PRESENTATION**

NASDAQ: HEAR
NOVEMBER 7, 2023





SAFE HARBOR STATEMENT & IMPORTANT INFORMATION

Forward-Looking Information and Statements

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”, “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 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 nine months ended September 30, 2023 and 2022.



NEW PRODUCTS & LATEST NEWS



A NEW KING HAS BEEN CROWNED

"10/10 – Sets a gold standard." – MP1st.com

Stealth Pro launched at the end of April 2023 and in the US has achieved ~12% share in the premium \$200+ price tier in Q3, and 13% share in September.

Turtle Beach's Stealth Pro bestows the brand's best premium features upon the gaming multiverse and is wirelessly compatible with Xbox, PlayStation, Nintendo Switch, PC & Mac, and Bluetooth-enabled mobile devices.

Powerful, hand-matched 50mm Nanoclear drivers produce an expansive soundstage, while the most versatile noise-cancelling system in a gaming headset delivers up to 25dB noise reduction.





CONTINUED TOP SCORES & ACCOLADES

Review Score – 5/5

"Top-quality headphones that deliver great sound – the Stealth Pros are a top set of cans."

– DailyStar

Review Score – 4.5/5

"An unparalleled gaming experience."

– GameHaunt

Best PC Gaming Headset for Competitive Gaming

"Turtle Beach gaming headsets have historically been great, but with the Turtle Beach Stealth Pro, it's created its masterpiece."

– TechRadar

STEALTH™
PRO

Nominee – Best Gaming Hardware

Stealth Pro is one of six products nominated for Best Gaming Hardware, with winners announced on November 10, 2023.

– Golden Joystick Awards 2023

Best Headset for FPS Games

"9/10 – Audiophile gamers need to be on high alert because the Stealth Pro wireless gaming headset is a revolution, and you need to experience it for yourself."

– PCGamesN

Best PS5 Headsets

"A fantastic option for anyone looking for true, upgraded performance in a PS5 headset."

– CBS News





PLAY LIKE THE 2X CHAMPION

The best way to dominate like a champion is to be like the 2X CHAMPION with Turtle Beach's Exclusive Stealth 700 Gen 2 MAX Dr Disrespect Limited Edition.

Turtle Beach steps into The Arena once again with another devastatingly handsome collaboration with gaming's international superstar, Dr Disrespect.

This Limited Edition Stealth 700 Gen 2 MAX for PlayStation features Turtle Beach's award-winning and game-winning audio in a new, fresh Dr Disrespect-designed colorway that looks so good it makes even the Doc himself blush (previously thought impossible).





IT'S TIME TO SPLIT THE ATOM

“4.5/5 – Don’t struggle with on-screen controls when gaming on your iPhone. The Turtle Beach Atom Controller is the way to go.” – Cult of Mac

Turtle Beach’s Atom Controller for iOS is compact and portable, and its magnetic two-piece design brings something truly unique to the mobile controller’s space.

The Atom Controller for iOS launched early October 2023 following last fall’s launch of the Android version and is an exciting addition to Turtle Beach’s growing award-winning controller lineup.





VIBRANT NEW COLORS + GAME-WINNING FEATURES

"5/5 – Undoubtedly one of the best Xbox controllers on the market." – The Mirror

Since its release, the officially licensed for Xbox REACT-R Controller has impressed Xbox and PC gamers by providing them with premium wired controller performance at an affordable price.

The three new colorways – Red, Nebula, and Pixel Green, not only offer gamers more options to suit their style, but they also improve upon the original by featuring two additional rumble motors for added vibration effects.

 **TURTLE BEACH™**



REACT-R™ CONTROLLER



GROUNDBREAKING NEW VULCANS

ROCCAT's award-winning Vulcan keyboard series gets two groundbreaking new additions.

The Vulcan II Mini Air is ROCCAT's first wireless gaming keyboard. It features a compact 65% footprint, stunning design, best-in-class RGB lighting and motion-activated proximity sensors that help deliver massive battery life.

The Vulcan II Mechanical Gaming Keyboard is ROCCAT's new full-size mechanical masterpiece. The Vulcan II is the first in the esteemed keyboard family to feature ROCCAT's responsive, smooth, and durable TITAN II Mechanical Switches.

VULCAN II MINI AIR



FREEDOM TO PLAY
WIRELESS 65% OPTICAL RGB GAMING KEYBOARD

VULCAN II



MECHANICAL MASTERPIECE
MECHANICAL RGB GAMING KEYBOARD



TURTLE BEACH X GAMERS OUTREACH

Turtle Beach is once again working with Gamers Outreach, a charity that empowers hospitalized children through video games.

Turtle Beach provided nearly 800+ Recon Controllers for Gamers Outreach's GO Kart program, which creates portable video game kiosks specifically designed for hospitals.

The GO Karts provide kids with an outlet for relief, socialization, and a sense of normalcy during treatment in the hospital. They provide a safe, flexible, and efficient way to ensure children have access to entertainment and coping mechanisms during long-term hospitalization.





FINANCIALS & OUTLOOK



2023 KEY RESULTS

Q3 2023 RESULTS vs. Q3 2022

Net Revenue +15% YOY
\$59.2M vs. \$51.3M

Adjusted EBITDA +\$8.0M YOY
\$1.0M vs. \$(6.9)M

Net Income +\$8.4M YOY
\$(3.6)M vs. \$(12.0)M

EPS +\$0.52 YOY
\$(0.21) vs. \$(0.73)

**Continued Strong
Balance Sheet**

US Video Games Market is Growing in 2023

- Consumer spending on video games content, hardware, and accessories is up 2% YTD vs. prior year
- Consumer spending on hardware is up 10% YTD vs. same period prior year
- Console gaming headset market was up 2% YTD YOY
- Unconstrained console supply, possible new console release, and exciting game releases are positive indicators into 2024

Turtle Beach Continues Outpacing the Gaming Accessories Market

- Turtle Beach exceeded growth of US console gaming headset market, with a leading share of 36.9% YTD and 37.5% in September
- 9 of the top-20 best-selling console gaming headset models in US were Turtle Beach, Jan-Sep 2023
- Significant share growth in premium tier (+\$200) for console gaming headsets in US and UK YTD
- In gaming keyboards and mice categories in US, Turtle Beach outpaced the market, Jan-Sep 2023
- Turtle Beach has the #1 selling model for flight controllers in US, and grew revenue and share YOY, Jan-Sep 2023

YOY Revenue Growth and Improved Adjusted EBITDA Q3 2023

- Reflects outperformance of accessories markets and stabilized channel inventories as well as increased demand for console gaming headsets and flight simulation
- Improvements from business mix, lower freight costs and promotional credits
- Proactive expense management resulted in a ~7% decline in recurring operating expenses YOY



2023 GUIDANCE

RAISES 2023 GUIDANCE

Net Revenue \$265M-\$270M	EBITDA \$8M-\$10M <i>(from \$6M-\$8M)</i>
up 10% - 12% <i>vs. 2022</i>	up \$26M - \$28M <i>vs. 2022</i>

Exiting 2023 with run rate Adjusted EBITDA of \$28M-\$33M (*previously \$25M-\$30M*) due to the Company's success to-date in accelerated, value-creating initiatives underway, including:

- SKU Rationalization
- Portfolio Optimization
- Platformed Product Development





EXECUTING OUR GROWTH STRATEGY

\$1.4B
Market

Continue Leading in
Gaming Headsets



\$3.2B
Market

Further Scale Our PC
Gaming Accessories



\$3.8B
Market

Continue Growth in Controllers
Gaming Simulation and Mics



Targets

Revenue
10+% CAGR

EBITDA
10+% Margins

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

Continue Leadership as One of Gaming's Most Recognized and Trusted Brands

Deliver Superior Retail and Operational Execution



QUARTERLY FINANCIAL REVIEW

\$ Millions (except per-share data)	Q3 2022	Q3 2023	Commentary
Revenue	\$51.3	\$59.2	Reflects outperformance of accessories markets, increased demand for console gaming headsets and flight simulation, and share gains across key categories and geographies
Gross Margin	14.1%	29.9%	Year-over-year improvement primarily driven by lower freight costs and promotional credits. Excluding non-recurring costs, Q3 2022 gross margin was 24.5%.
Operating Expenses	\$21.0	\$20.2	Reflects the benefit from proactive expense management resulting in a ~7% decline in recurring operating expenses year-over-year
Net Income (Loss)	\$(12.0)	\$(3.6)	Reflects above factors
Diluted EPS	\$(0.73)	\$(0.21)	Reflects above factors
Adjusted EBITDA ⁽¹⁾	\$(6.9)	\$1.0	Reflects higher revenue, improved margins and lower expenses
Diluted Shares	16.5M	17.3M	

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



BALANCE SHEET

Balance Sheet Highlights \$ Millions

	<u>@ September 30, 2022</u>	<u>@ September 30, 2023</u>
Cash & Cash Equivalents	\$10.5	\$12.3
Inventories	\$118.4	\$76.0
Revolver (asset-based)	\$44.6	\$13.3
Net Debt (debt less cash)	\$34.1	\$0.9

Balance Sheet Comments

- Inventory decreased from the elevated year-ago period where the Company increased product and component purchases due to longer freight transit times and to reduce risks of supply shortages
- Net debt of \$0.9M as of September 30, 2023 down \$33.2M from prior year
- Cash flow from operations improved \$77.5M to \$7.9M for the period compared to prior year
- Strong balance sheet



LONG-TERM FINANCIAL TARGETS

Metric	Target
Revenue	10+% CAGR
Gross Margins %	Mid 30's
Adjusted EBITDA Margins	10% +

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





APPENDIX





GAAP NET INCOME TO ADJUSTED EBITDA RECONCILIATION

THIRD QUARTER 2023 COMPARED TO 2022

	Three Months Ended		Nine Months Ended	
	<u>September 30, 2023</u>	<u>September 30, 2022</u>	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Net Income (Loss)	\$(3,606)	\$(12,011)	\$(26,231)	\$(36,313)
Interest expense	107	450	253	643
Depreciation and amortization	1,212	1,383	3,673	4,464
Stock-based compensation ¹	1,625	2,208	8,554	5,775
Income tax expense (benefit)	501	(4,392)	377	(11,771)
Inventory and component related reserves ²	-	5,300	-	5,300
Restructuring expense ³	1,104	-	1,104	527
CEO transition related costs ⁴	-	-	2,874	-
Proxy contest and other ⁵	94	114	2,513	6,613
Adjusted EBITDA	<u>\$1,037</u>	<u>\$(6,948)</u>	<u>\$(6,883)</u>	<u>\$(24,762)</u>

1. Increase in stock-based compensation in the nine months ended September 30, 2023 over the comparable prior year period primarily driven by \$4.0 million dollar charge related to accelerated vesting of equities associated with the separation of our former CEO.

2. Inventory and component related reserves includes (a) \$3.3 million of costs associated with certain component parts that resulted from the effects of the global constrained semiconductor availability due to the Covid 19 pandemic and (b) \$2.0 million of reserves primarily related to the buildup of excess inventory in the distribution channels.

3. Restructuring charges are expenses that are paid in connection with reorganization of our operations. These costs primarily include severance and related benefits.

4. 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.

5. Proxy contest and other primarily includes one-time legal, other professional fees, as well as employee retention costs associated with proxy challenges presented by certain shareholder activists.



CONTACTS

Investor Relations:

Cody Slach/Alex Thompson

Gateway Group

+1 (949) 574-3860

HEAR@gateway-grp.com

Turtle Beach:

MacLean Marshall

Sr. Director, Global Communications

Turtle Beach Corporation

+1 (310) 431-6215

maclean.marshall@turtlebeach.com

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