



Q3 2018
Earnings Presentation

November 6, 2018

Forward-Looking Information

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This presentation contains certain financial measures, including adjusted EBITDA, that are not calculated under the standards or rules of U.S. GAAP, which are referred to as “non-GAAP financial measures.” These non-GAAP financial measures, as calculated by the Company, are not necessarily comparable to similarly titled measures reported by other companies. Additionally, these non-GAAP financial measures are not measurements of financial performance or liquidity under GAAP and should not be considered an alternative to the Company’s other financial information determined under GAAP. 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 EBITDA” is defined by the Company as net income (loss) before interest, taxes, depreciation and amortization, stock-based compensation (non-cash), and certain special items that we believe are not representative of core operations. The Adjusted EBITDA outlook for the fourth quarter and full year of 2018 has not been reconciled with the Company’s net income outlook for the same periods because of the variability, complexity and lack of visibility with respect to certain reconciling items between adjusted EBITDA and net loss, including other income (expense), provision for income taxes and stock-based compensation. These items cannot be reasonably and accurately predicted without the investment of undue time, cost and other resources and, accordingly, a reconciliation of the Company’s adjusted EBITDA outlook to its net loss outlook for such periods is not available without unreasonable effort. These reconciling items could be material to the Company’s actual results for such periods.

Q3 SUMMARY

Comparisons to prior year quarter, where applicable

- Q3 net revenue, net income, adjusted EBITDA **significantly exceed outlook & set record** for Q3 since becoming public in 2014
- Net revenue **increased 107%** to \$74.4M from \$36.0M
- Gross margin **increased 610** basis points to 41.0% from 34.9%
- Net income up significantly to **\$14.7M** from \$(0.5)M
- EPS up significantly to \$0.91 versus \$(0.04) per share
- Adjusted EBITDA **increased \$14.3M** to \$17.6M vs. \$3.3M
- Leverage ratio¹ **improved to 0.4x** vs. 2.2x one year ago
- Outlook for Q4 and 2018 increased

1) Defined as total term loans outstanding and average trailing twelve month revolving debt, divided by consolidated trailing twelve month adjusted EBITDA.



BATTLE ROYALE GAMES DRIVING INCREASED HEADSET USAGE



- Fun, new, highly social game play format attracting millions of players
- Social aspect & survival advantage driving headset usage
- Fortnite® also attracting younger players & more female gamers



- Console headset sell-through up ~84% through September vs. 2017 (TB up ~106%)¹
- New players increase installed base of headset users
- Call of Duty® launched with Battle Royale format and other major franchises expected to add as well

Fortnite® Game Image



COD Black Ops 4® Battle Royale Mode Game Image

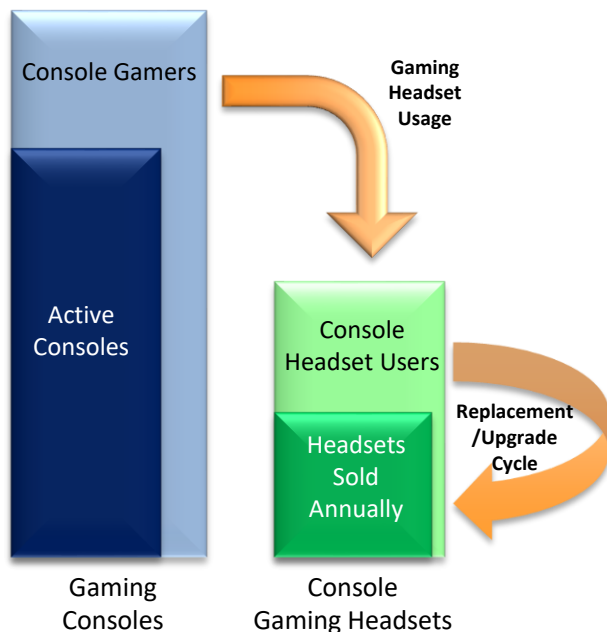


1) The NPD Group/Retail Tracking Service/Video Games/Dollars/U.S. & Canada/January-Sept 2018
Fortnite is a registered Trademark of Epic Games, Inc.
Call of Duty is a registered Trademark of Activision Publishing

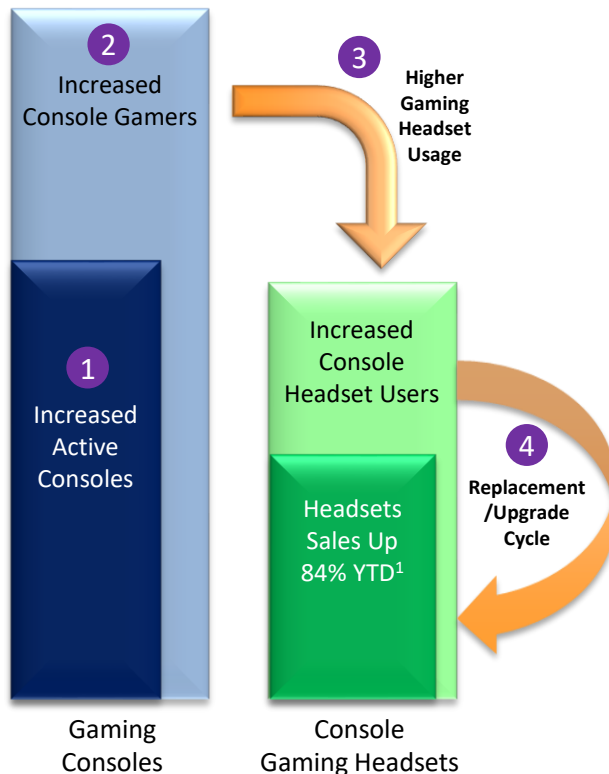
BATTLE ROYALE IMPACT ON GAMING HEADSETS – VISUAL MODEL



Pre-Battle Royale Impact



Battle Royale Impact



- 1 Larger, growing installed base of consoles (including Switch with new Fortnite-enabled chat)
- 2 Significantly more console gamers have been added with increased average gamers per console
- 3 Current ~80% headset usage rate for Battle Royale is increasing overall rate
- 4 Survey data indicates upgrades/replacements may happen sooner and/or more frequently

More gamers, using headsets at a much higher rate, are driving 84% increase in headset sales YTD¹

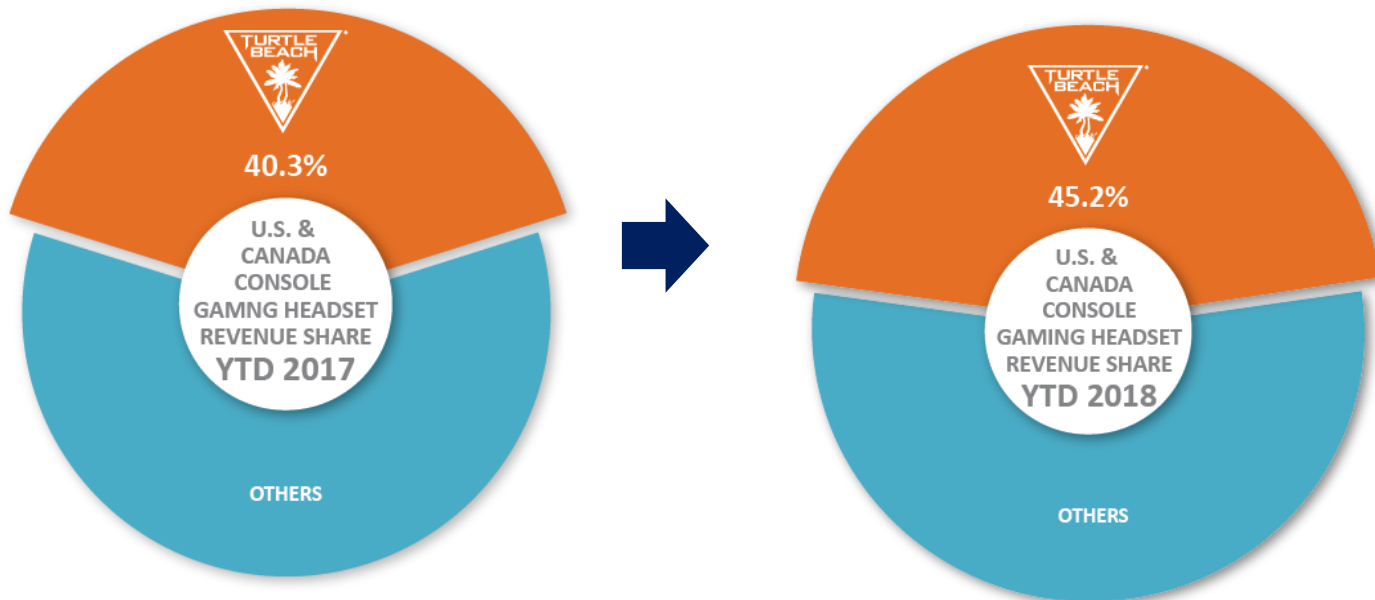
As long as the new gamers keep using headsets, market expected to be larger from replace/upgrade

New platforms using chat, like Switch and mobile, could drive further increase over time

1) US and Canada NPD Console Gaming Headset sell through data, January through September 2018.

CONSOLE GAMING HEADSET REVENUE SHARE





















US and Canada NPD Retail Sales Revenue – January to September 2017 vs. January to September 2018



**Turtle Beach
revenue
share up to
45.2% from
40.3%**

**Turtle Beach
YTD 2018
share more
than next 4
competitors
combined**

GREAT PRODUCTS FOR EVERY LEVEL OF CONSOLE GAMER

	ASP	Sample Products	Major Step-Ups	TB Key Features	
Esports	> \$150	  New MSRP: \$249.95	Pro-level Headset	<ul style="list-style-type: none"> Professional-grade game & chat audio performance Patented ProSpecs glasses friendly design Cooling gel-infused memory foam ear cushions Bluetooth connectivity w/app-based control Superhuman Hearing Swappable deco-plates 	
Core Gamer <i>16+ hours per week</i>		  MSRP: \$149.95		<ul style="list-style-type: none"> Windows Sonic & DTS 7.1 surround sound Active noise-cancellation Bluetooth connectivity w/app-based control Superhuman Hearing Synthetic leather ear cushions 	
Enthusiast Gamer <i>7-15 hours per week</i>	\$100 - \$150	  MSRP: \$99.95	Wireless Headset	<ul style="list-style-type: none"> Windows Sonic & TB surround sound Direct wireless connection to Xbox One Superhuman Hearing 	
Casual Gamer <i>4-6 hours per week</i>		  New MSRP: \$79.95	Audio Features	<ul style="list-style-type: none"> Audio EQ settings 50mm drivers Patented ProSpecs glasses friendly design 	
Entry-Level Gamer <i>< 4 hours per week</i>	< \$50	 New MSRP: \$59.95	Amplified Headset	<ul style="list-style-type: none"> Amplified audio with mic monitoring and bass-boost Metal-reinforced headband Memory foam ear cushions 	
		  MSRP: \$39.95	Full Headset	<ul style="list-style-type: none"> High-quality 40mm speakers High-sensitivity mic Synthetic leather ear cushions 	
		  MSRP: \$19.95	Chat Headset	<ul style="list-style-type: none"> Innovative open earcup Reversible left-right design 	

2018 NEW CONSOLE MODEL LAUNCHES

EAR FORCE RECON 200

Sep 2018
\$59.95



"One of the hottest gaming bargains of 2018." – eTeknix



Editor's
Choice
Award

"9/10 – Quite an exceptional gaming headset for being under \$60."
– Gaming Nexus



- Amplified Audio with Enhanced Bass
- Metal-Reinforced Headband
- Memory Foam Ear Cushions
- Superior 40mm Speakers
- High-Sensitivity Flip-to-Mute Mic
- Variable Mic Monitoring

EAR FORCE STEALTH 300

Jun 2018
\$79.95



"A built-in amp, comfy design, and great mic help the Stealth 300 rise above the riff raff in the headset world." – IGN



- Powerful Amplified Audio with EQs
- Metal-Reinforced Headband
- Memory Foam Ear Cushions
- ProSpecs Glasses Friendly Design
- Large 50mm Speakers
- High-Sensitivity Flip-to-Mute Mic
- Variable Mic Monitoring
- 40+ Hour Battery Life

TURTLE BEACH ELITE PRO12

+
SUPERAMP
Sep 2018
\$249.95



"Quality craftsmanship and superior sound to deliver the pinnacle of gaming audio and comfort to console gamers."
– MMORPG









"The best wired gaming headset money can buy."
– The Sun



- DTS Headphone:X / Windows Sonic Surround
- Sleek Metal + Floating Headband
- ProSpecs Glasses Friendly Design
- 50mm Nanoclear Speakers
- Gel Cooling Aerofit Ear Cushions
- Magnetic Swappable Speaker Plates
- Bluetooth Connectivity
- Mobile Audio Hub Control App
- Superhuman Hearing

GREAT PRODUCTS FOR EVERY LEVEL OF PC GAMER

	ASP	Sample Products	Major Step-Ups	TB Key Features	
Esports	> \$150	ELITE PRO12 <i>New</i> <small>TURTLE BEACH</small> SUPERAMP MSRP: \$249.95	Pro Quality & Connectivity	<ul style="list-style-type: none"> Professional-grade game & chat audio performance Cooling gel-infused memory foam ear cushions Bluetooth connectivity w/app-based control Magnetic, swappable deco-plates 	
Core Gamer <i>16+ hours per week</i>	\$79 - \$99	ELITE ATLAS <i>New</i> <small>TURTLE BEACH</small> MSRP: \$99.95	Pro Quality	<ul style="list-style-type: none"> Professional-grade game & chat audio performance Removable, patented ProSpecs glasses friendly design Magnetic, swappable deco-plates 	
Enthusiast Gamer <i>7-15 hours per week</i>		STEALTH 450 <small>EAR FORCE</small> MSRP: \$79.95	Wireless	<ul style="list-style-type: none"> Wireless game & chat audio DTS 7.1 Surround Sound Superhuman Hearing 	
		ATLAS THREE <i>New</i> <small>EAR FORCE</small> MSRP: \$79.95	Amplified	<ul style="list-style-type: none"> Amplified audio with mic monitoring EQ Settings 50mm drivers 	
Casual Gamer <i>4-6 hours per week</i>	\$49 - \$79	ATLAS ONE <i>New</i> <small>EAR FORCE</small> MSRP: \$49.95	Build Quality	<ul style="list-style-type: none"> Metal-reinforced headband Memory foam ear cushions Patented ProSpecs glasses friendly design Flip-to-Mute mic 	
Entry-Level Gamer <i>< 4 hours per week</i>	< \$49	RECON 50 <small>EAR FORCE</small> MSRP: \$39.95	Entry	<ul style="list-style-type: none"> High-quality 40mm speakers High-sensitivity mic Synthetic leather ear cushions 	

2018 NEW ATLAS PC PRODUCT LINE LAUNCH

EAR FORCE **ATLAS ONE**

Sep 2018
\$49.95

"4/5 – Excellent."
– PCMag.com



- Metal-Reinforced Headband
- Memory Foam Ear Cushions
- ProSpecs Glasses Friendly Design
- Superior 40mm Speakers
- High-Sensitivity Flip-to-Mute Mic

EAR FORCE **ATLAS THREE**

Sep 2018
\$79.95

"9/10 – For comfort, sound quality and versatility the Turtle Beach Atlas Three has the competition beat hands down!"
– Total Gaming Addicts



- Powerful Amplified Audio & EQs
- Metal-Reinforced Headband
- Memory Foam Ear Cushions
- ProSpecs Glasses Friendly Design
- Large 50mm Speakers
- High-Sensitivity Flip-to-Mute Mic
- Variable Mic Monitoring
- 40+ Hour Battery Life

TURTLE BEACH **ELITE ATLAS**

Sep 2018
\$99.95

"4.5/5 – The Best \$100 Gaming Headset Available."
– Windows Central



Winner,
Choice Award

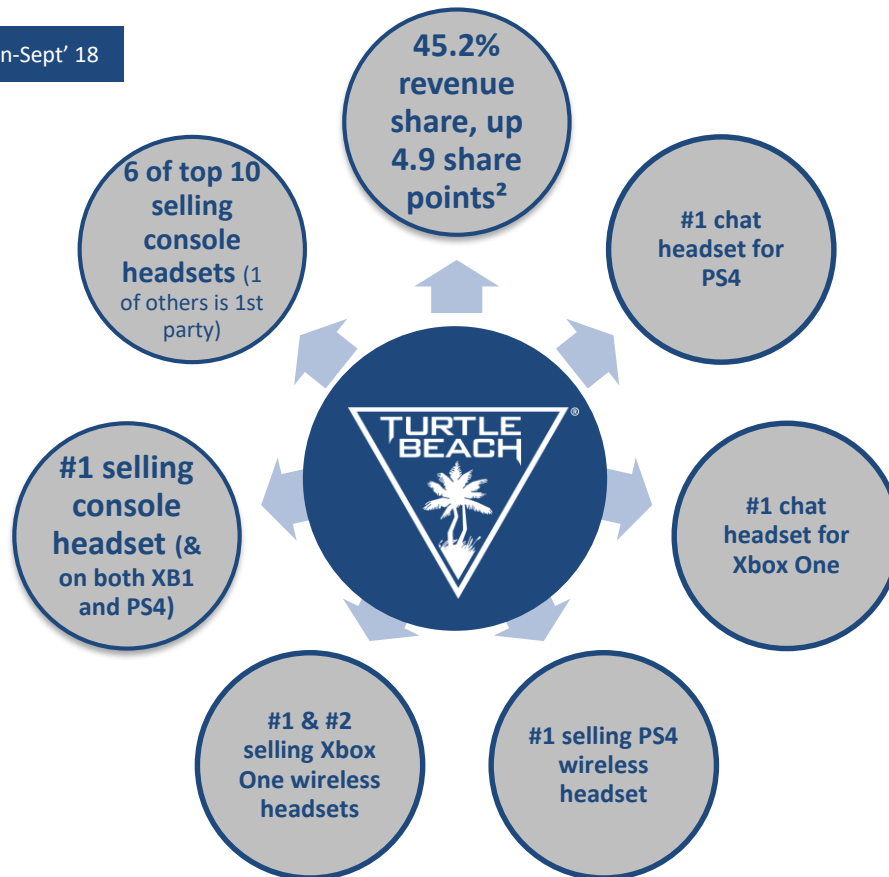


- Sleek Metal Headband + Suspended Pad
- Removable Memory Foam Ear Cushions
- ProSpecs Glasses Friendly Design
- Pro Gaming Mic with TruSpeak Technology
- 50mm Nanoclear Speakers
- Magnetic Swappable Speaker Plates
- Braided 3.5mm and PC Splitter Cables

STRONG PERFORMANCE CONSOLE PORTFOLIO¹ - JAN-SEPT 2018



North America NPD Sell-Through Jan-Sept' 18



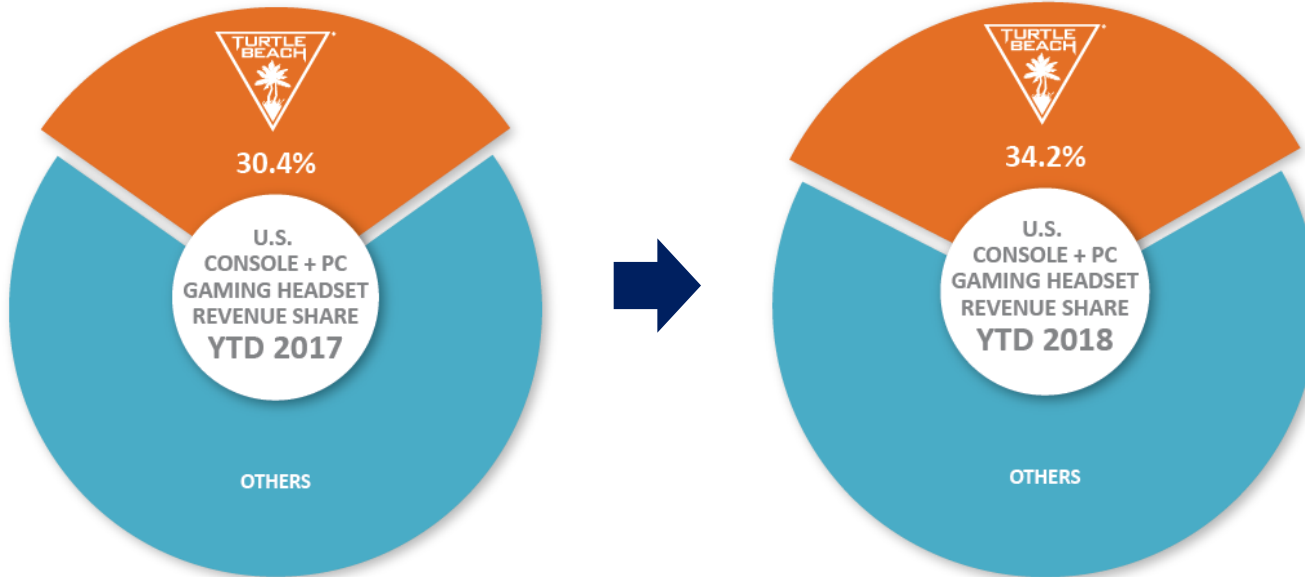
Additional Wins

- All top 4 selling headsets were Turtle Beach
- TB total rev is bigger than next 3 competitors combined
- TB total revenue is greater than all 3rd parties combined

1) The NPD Group/Retail Tracking Service/Video Games/Dollars/U.S. & Canada/Jan -Sept 2018

2) The NPD Group/Retail Tracking Service/Video Games/Dollars/U.S. & Canada/Jan -Sept 2018 vs. Jan-Sept 2017

U.S. Revenue Share for PC and Console Headsets



**Turtle Beach
revenue
share up to
34.2% from
30.4%**

**Turtle Beach
YTD revenue
share more
than the next
3 competitors
combined**

QUARTERLY FINANCIAL OVERVIEW



	2017	2018	YOY Δ	Commentary
\$ in millions (except per-share data)	Q3	Q3		
Revenue	\$36.0	\$74.4	107%	Strong market share gains in overall strong market
Gross Margin	34.9%	41.0%	610bps	Favorable product & customer mix, fixed cost leverage, reduction in freight, fewer promos
Operating Expenses	\$10.7	\$14.0	31%	Increases in marketing spend for new product launches and revenue-driven, variable-based sales expenses and compensation
Operating Income (Loss)	\$1.9	\$16.5	\$14.6M	Revenue & margin drivers noted above
Net Income (Loss)	\$(0.5)	\$14.7	\$15.2M	Revenue & margin drivers noted above
EPS Diluted¹	\$(0.04)	\$0.91	\$0.95	Revenue & margin drivers noted above
Adjusted EBITDA²	\$3.3	\$17.6	\$14.3M	Revenue & margin drivers noted above

1) EPS based on diluted share count of approximately 12.3 million average shares in Q3 2017 and approximately 16.2 million average shares in Q3 2018. See slide 18 for bridge on share count changes.

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

YEAR-TO-DATE 2018 BALANCE SHEET IMPROVEMENTS

Lending Agreements

- Amended lending agreements on March 5, 2018
- Improved terms include:
 - Extension of the loans' maturity to 2023
 - Reduction in the interest rate and greater availability on revolving credit line
 - Significant reduction in the interest rates on term loans (rate reduced by 3.5%)
 - Reduction in the interest rate on sub debt with Stripes (majority reduced by 1.4%)
 - Ability to use funds from additional borrowing under the term loan to reduce sub debt
 - Streamlining of reporting requirements and elimination of certain financial covenants
- **Interest savings of at least \$3.5M expected over the next five years**

Series B Preferred Stock

- On Apr 27, 2018, all outstanding 8% Series B Preferred Stock, with redemption value of ~\$19.3M at 3/31/18, was retired
 - Retired a liability growing 8% at a discount >50% relative to redemption value
 - Represented ~41% of Turtle Beach long-term debt and preferred stock
- The Special Situations Funds and 180 Degree Capital Corp purchased the Series B Preferred Stock and subsequently exchanged for ~1.3M newly issued shares of common stock and fully-funded warrants exercisable for 550,000 shares of common stock
- Expected to result in a significant reduction in non-cash interest expense going forward

Debt Paydown

- **Turtle Beach has paid down a cumulative \$12.2M (54% reduction) of its subordinated notes since March 2018**
 - Includes \$5M payment on 10/12/18
- Go-forward annual interest expense reduction ~\$1.2M

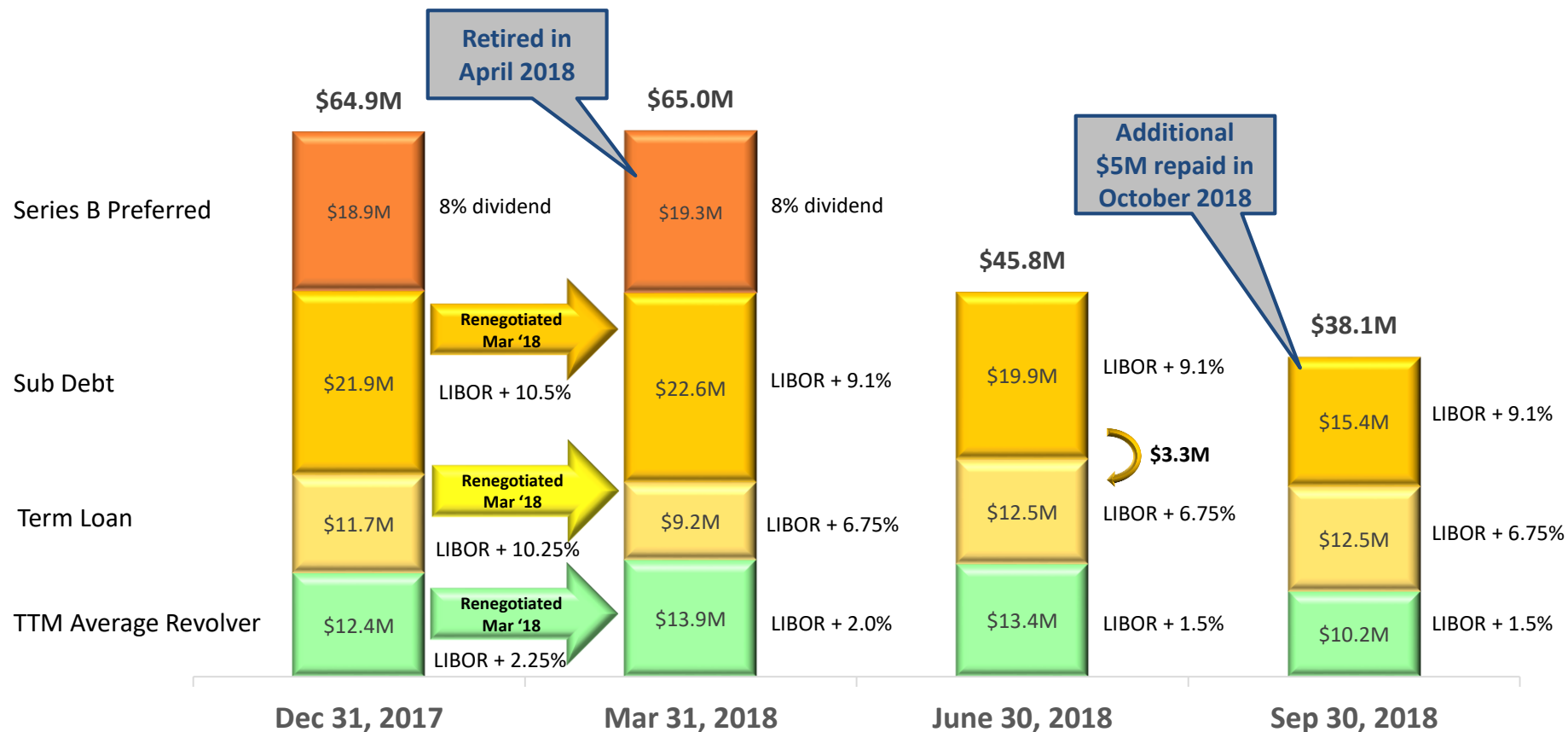
Capitalization		
	At 9-30-17	At 9-30-18
Cash & Equivalents	\$0.5M	\$6.2M
Debt		
Revolver (asset-based)	\$24.8M	\$3.5M
Term Loans	\$12.9M	\$12.5M
Subordinated Notes	\$21.2M	\$15.4M
Total Debt	\$59.0M	\$31.4M
Series B Preferred Stock ¹	\$18.5M	—
Leverage Ratio²	2.2x	0.4x

Balance Sheet Highlights
<ul style="list-style-type: none"> • ~\$27M increase YoY in net cash and revolver • Renegotiated term loans and sub-debt in March, reducing interest rates and eliminating certain covenants • Extended maturity of term loans, sub-debt, and working capital line to 2023 in March • Retired Series B Preferred Stock in April in exchange for shares/warrants at >50% discount • Subsequent to Q3-2018, paid down additional \$5M in subordinated notes in October

1) Retired in April 2018. See slide 12.

2) Defined as total term loans outstanding and average trailing twelve month revolving debt, divided by consolidated trailing twelve month adjusted EBITDA.

EVOLUTION OF DEBT PAYDOWN



	Q4-17	Q4-18 ¹	YoY Δ	Year-Over-Year Commentary & Assumptions
Revenue	\$79.7M	~\$94M	+18%	Market share gains and continued consumer demand
Net Income	\$14.2M	\$16.7M	+18%	Higher revenues partially offset by increase in the estimated effective tax rate from (4%) in 2017 to 9% in 2018
EPS	\$1.15	~\$1.02	-13%	Increase in number of diluted shares from 12.3M in '17 to 16.5M in '18²
Adj. EBITDA	\$17.2M	~\$21M	+22%	Revenue drivers result in expected YoY increase

1) Guidance effective on November 6, 2018.

2) See slide 18 for bridge on share count changes.

Weighted average diluted shares outstanding – Q3 2017	12,347
Weighted average common shares issued in exchange for Series B preferred stock	1,307
Weighted average common shares issued upon exercise of stock options and warrants	365
Incremental dilutive effect of outstanding stock options and restricted stock	1,261
Incremental dilutive effect of outstanding warrants ¹	949
Weighted average diluted shares outstanding – Q3 2018	16,229
Estimated weighted average diluted shares outstanding – Q4 2018	16,500

1) Includes 550,000 fully-funded warrants issued in connection with the exchange for Series B preferred stock.

INCREASED 2018 OUTLOOK

	2017	2018 Prior ¹	2018 ²	YoY Δ	Year-Over-Year Commentary & Assumptions
Total Revenue	\$149.1M	~\$255M	~\$270M	81%	Continued market growth driven by “Battle Royale” format
Gross Margin	34.2%	~35%	~37%	~280 bps	Product and customer mix and fixed cost leverage due to higher sales, partially offset by incremental expedited freight costs
EPS³	\$(0.26)	\$1.95	\$2.55	+2.81	Driven by healthy overall market and market share growth
Adj. EBITDA	\$11.6M	~\$45M	~\$54M	366%	Includes several million dollars of anticipated investments to drive future growth

1) Prior guidance as of August 6, 2018.

2) Revised guidance effective on November 6, 2018.

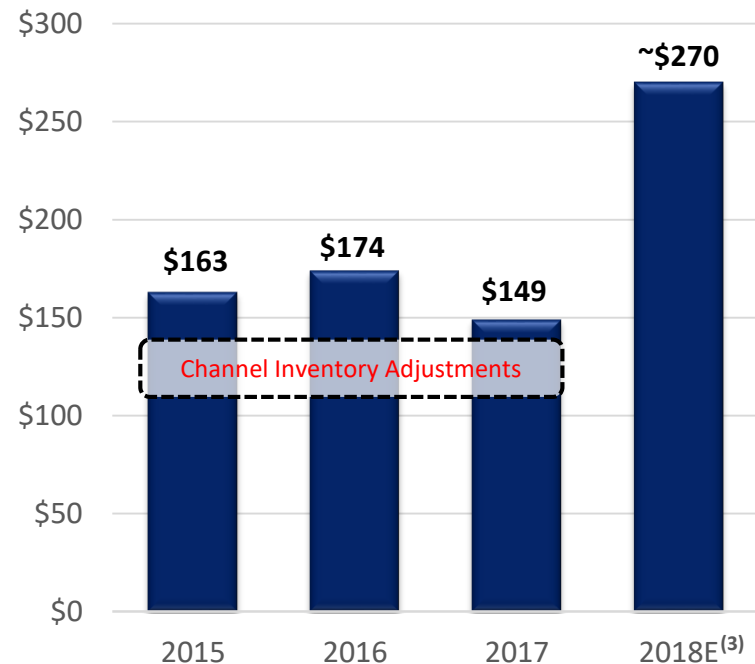
3) Annual EPS based on diluted share count of approximately 12.3 million average shares in 2017 and approximately 15.5 million estimated average shares in 2018.

REVENUE PROFILE



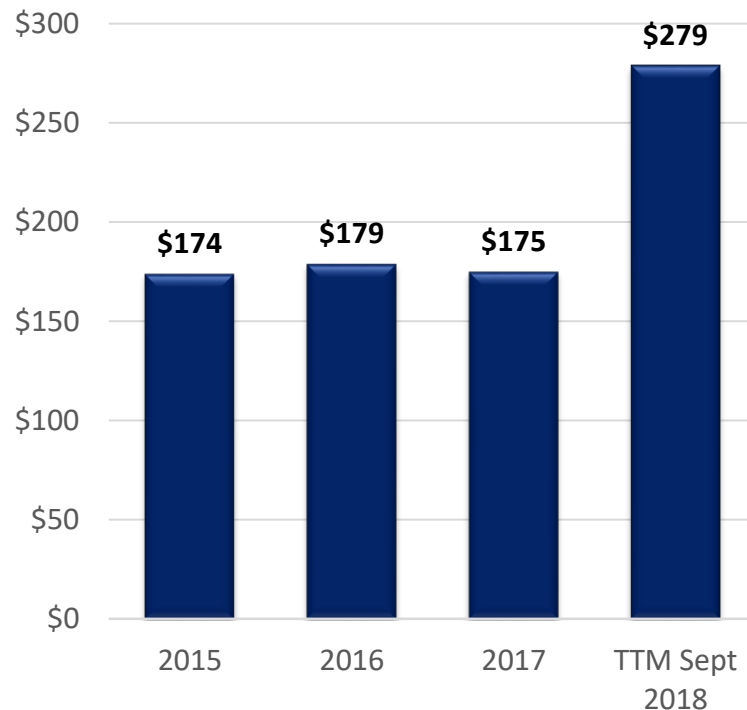
Company Revenues ⁽¹⁾

Millions



Company Product Retail Sell-Through in US & Canada Markets ⁽²⁾

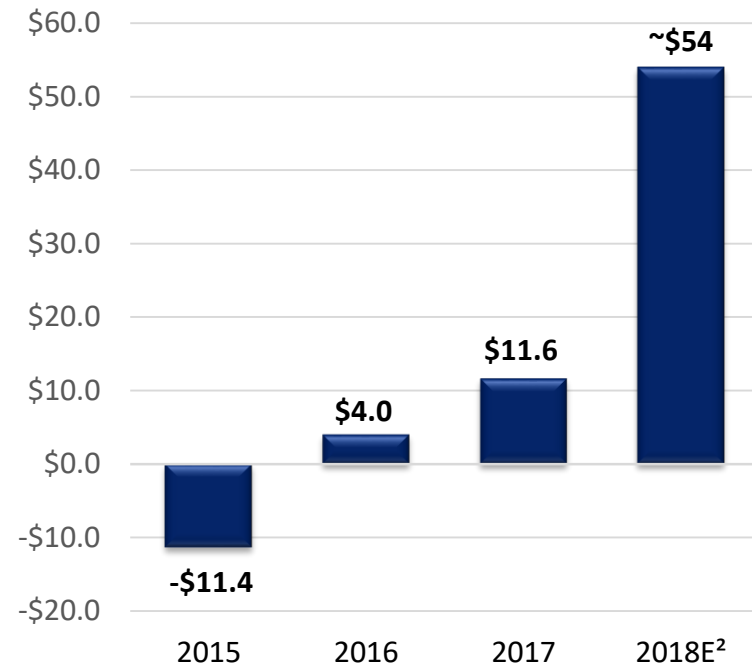
Millions



- 1) Company net revenues = wholesale revenues so not directly comparable to retail revenues in the chart on the right – shown just for perspective given channel inventory impacts on company net revenues.
- 2) The NPD Group/Retail Tracking Service/Video Games/Dollars/U.S. & Canada/CY2015, CY2016, CY2017 and Trailing Twelve Months Oct 2017-Sept 2018.
- 3) Guidance effective on November 6, 2018.

Adjusted EBITDA ⁽¹⁾

Millions



2016:

Returned headset business to profitability. Converted HyperSound to licensing model. Entered eSports, VR, streaming mic categories.

2017:

Focused on core headset business and continued profitability improvements. Positioned company for improved balance sheet and loan terms. Laid groundwork for 2018+ growth initiatives.

2018:

Continue to deliver increased profitability in headset business. Lower cost of debt. Make select investments to drive future growth.

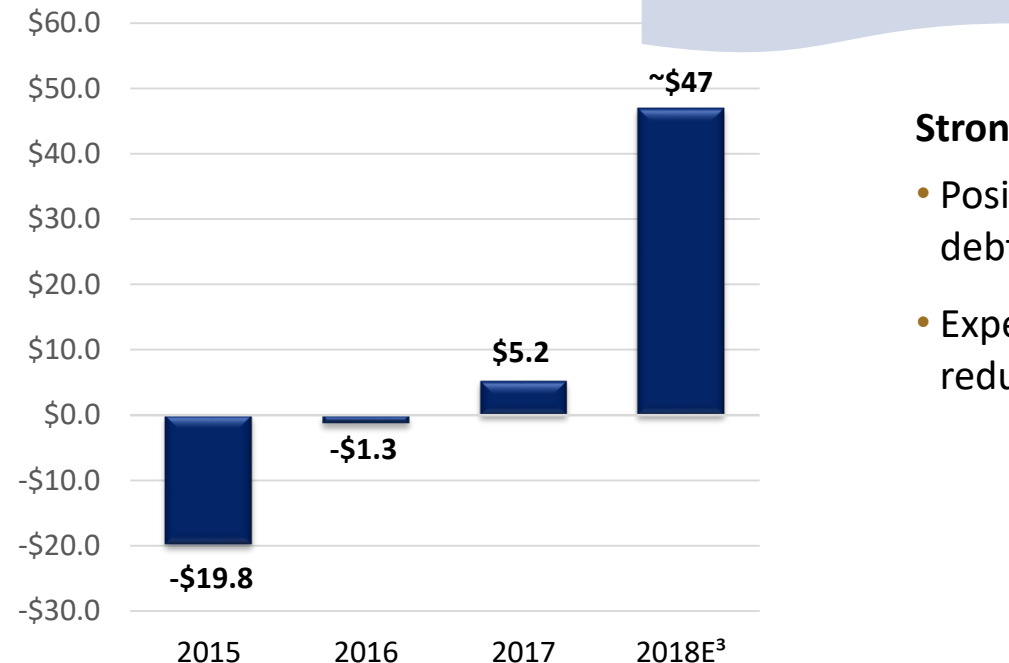
1) See appendix for a reconciliation of non-GAAP measures.

2) Guidance effective on November 6, 2018.

STRONG FREE CASH FLOW GROWTH

Free Cash Flow¹

Millions



Strong free cash flow generation...

- Positioned the company to amend and improve debt agreements March 2018
- Expected to allow growth investments and debt reductions

1) Free cash flow defined as consolidated adjusted EBITDA less capital expenditures, less cash interest.

2) Calculated as free cash flow per share divided by closing stock price on October 31, 2018 of \$17.75. Assumes 15.5 million shares outstanding in 2018.

3) Estimated based on guidance effective on November 6, 2018.

KEY TAKEAWAYS

- Record Q3 results, significantly exceeded outlook
- Strong market share gains in a healthy overall market
- Competing in the largest portion (>70%) of a \$3.8B global market in gaming peripherals
- Substantial balance sheet improvements expected to result in material interest expense reductions
- Leveraging our leadership position and strong 2018 outlook to invest in growth opportunities like eSports and PC gaming
- Significant increase to full-year outlook



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COMPANY WEBSITES

www.turtlebeachcorp.com

www.turtlebeach.com

www.hypersound.com

The logo is a large, light gray inverted triangle. Inside the triangle, the words "TURTLE BEACH" are written in a bold, sans-serif font. Below the text is a silhouette of a palm tree. A registered trademark symbol (®) is located at the top right of the triangle.

TURTLE
BEACH

APPENDIX

GAAP TO ADJUSTED EBITDA RECONCILIATION – THREE MONTHS ENDED SEPTEMBER 30, 2018



	Three Months Ended September 30, 2018				
	As Reported	Adj Depreciation	Adj Amortization	Adj Stock Compensation	Adj EBITDA
Net revenue	\$ 74,427	\$ —	\$ —	\$ —	\$ 74,427
Cost of revenue	43,925	(137)	—	(69)	43,719
Gross profit	30,502	137	—	69	30,708
Operating expense	13,980	(603)	(74)	(518)	12,785
Operating income (loss)	16,522	740	74	587	17,923
Interest expense	1,093				
Other non-operating expense, net	308				308
Income (loss) before income tax	15,121				
Income tax expense	398				
Net income (loss)	\$ 14,723			Adjusted EBITDA	\$ 17,615

GAAP TO ADJUSTED EBITDA RECONCILIATION – THREE MONTHS ENDED SEPTEMBER 30, 2017



	Three Months Ended September 30, 2017					
	As Reported	Adj Depreciation	Adj Amortization	Adj Stock Compensation	Other (1)	Adj EBITDA
Net revenue	\$ 35,975	\$ —	\$ —	\$ —	\$ —	\$ 35,975
Cost of revenue	23,437	(165)	—	(20)	312	23,564
Gross profit	12,538	165	—	20	(312)	12,411
Operating expense	10,662	(623)	(88)	(350)	(241)	9,360
Operating income (loss)	1,876	788	88	370	(71)	3,051
Interest expense	2,042					
Other non-operating income, net	(252)					(252)
Income (loss) before income tax	86					
Income tax expense	578					
Net income (loss)	\$ (492)					
				Adjusted EBITDA	\$ 3,303	

(1) Other includes business transition costs and restructuring charges.

GAAP TO ADJUSTED EBITDA RECONCILIATION

	December 31, 2017	December 31, 2016	December 31, 2015
Consolidated			
Net Income (Loss)	(3,248)	(87,182)	(82,907)
Depreciation	4,075	5,066	5,901
Amortization of intangibles	349	4,128	2,015
Interest	7,916	7,447	5,100
Taxes	592	(387)	2,392
Stock Compensation	1,429	3,960	5,897
Restructuring Expense	533	664	399
Goodwill Impairment	-	63,236	49,822
Business Transaction Expense	(79)	7,079	-
Adj EBITDA	11,567	4,011	(11,381)