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

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-35465

TURTLE BEACH CORPORATION
(Exact name of registrant as specified in its charter)

Nevada	**27-2767540**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
44 South Broadway, 4th Floor White Plains, New York	**10601**
(Address of principal executive offices)	**(Zip Code)**

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

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock, par value $0.001	**HEAR**	**The Nasdaq Global Market**
Preferred Stock Purchase Rights	**N/A**	**The Nasdaq Global Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The number of shares of the registrant's Common Stock, par value $0.001 per share, outstanding on October 31, 2023 was 17,404,013.

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Turtle Beach Corporation
Condensed Consolidated Statements of Operations
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	(in thousands, except per-share data)			
Net revenue	$ 59,158	$ 51,304	$ 158,584	$ 139,266
Cost of revenue	41,469	44,046	114,884	110,097
Gross profit	17,689	7,258	43,700	29,169
Operating expenses:				
Selling and marketing	10,583	10,550	30,457	32,966
Research and development	4,380	4,400	12,670	14,788
General and administrative	5,243	6,006	25,375	24,773
Total operating expenses	20,206	20,956	68,502	72,527
Operating loss	(2,517)	(13,698)	(24,802)	(43,358)
Interest expense	107	450	253	643
Other non-operating expense, net	481	2,255	799	4,083
Loss before income tax	(3,105)	(16,403)	(25,854)	(48,084)
Income tax expense (benefit)	501	(4,392)	377	(11,771)
Net loss	$ (3,606)	$ (12,011)	$ (26,231)	$ (36,313)
Net loss per share				
Basic	$ (0.21)	$ (0.73)	$ (1.54)	$ (2.21)
Diluted	$ (0.21)	$ (0.73)	$ (1.54)	$ (2.21)
Weighted average number of shares:				
Basic	17,345	16,541	17,029	16,413
Diluted	17,345	16,541	17,029	16,413

See accompanying Notes to the Condensed Consolidated Financial Statements (unaudited)

Turtle Beach Corporation
Condensed Consolidated Statements of Comprehensive Income (Loss)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
	(in thousands)			
Net loss	$ (3,606)	$ (12,011)	$ (26,231)	$ (36,313)
Other comprehensive income (loss):				
Foreign currency translation adjustment	(16)	(612)	394	(2,131)
Other comprehensive income (loss)	(16)	(612)	394	(2,131)
Comprehensive loss	$ (3,622)	$ (12,623)	$ (25,837)	$ (38,444)

See accompanying Notes to the Condensed Consolidated Financial Statements (unaudited)

Turtle Beach Corporation
Condensed Consolidated Balance Sheets

	September 30, 2023		December 31, 2022	
	(unaudited)			
ASSETS	(in thousands, except par value and share amounts)			
Current Assets:				
Cash and cash equivalents	$	12,340	$	11,396
Accounts receivable, net		33,816		43,336
Inventories		76,024		71,252
Prepaid expenses and other current assets		8,775		9,196
Total Current Assets		130,955		135,180
Property and equipment, net		4,828		6,362
Goodwill		10,686		10,686
Intangible assets, net		1,976		2,612
Other assets		7,858		8,547
Total Assets	$	156,303	$	163,387
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Revolving credit facility	$	13,261	$	19,053
Accounts payable		39,198		19,846
Other current liabilities		22,014		25,433
Total Current Liabilities		74,473		64,332
Income tax payable		2,204		2,076
Other liabilities		7,224		8,038
Total Liabilities		83,901		74,446
Commitments and Contingencies				
Stockholders' Equity				
Common stock, $0.001 par value - 25,000,000 shares authorized; 17,404,013 and 16,569,173 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively		17		17
Additional paid-in capital		216,214		206,916
Accumulated deficit		(142,829)		(116,598)
Accumulated other comprehensive income (loss)		(1,000)		(1,394)
Total Stockholders' Equity		72,402		88,941
Total Liabilities and Stockholders' Equity	$	156,303	$	163,387

See accompanying Notes to the Condensed Consolidated Financial Statements (unaudited)

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

	Nine Months Ended	
	September 30, 2023	**September 30, 2022**
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (26,231)	$ (36,313)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	2,912	3,533
Amortization of intangible assets	761	931
Amortization of debt financing costs	108	142
Stock-based compensation	8,554	5,775
Deferred income taxes	(178)	(11,160)
Change in sales returns reserve	(2,473)	(4,561)
Provision for obsolete inventory	200	962
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	12,563	9,834
Inventories	(4,986)	(24,611)
Accounts payable	19,072	(11,452)
Prepaid expenses and other assets	385	2,626
Income taxes payable	126	645
Other liabilities	(2,869)	(5,873)
Net cash provided by (used for) operating activities	7,944	(69,522)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,924)	(1,895)
Net cash used for investing activities	(1,924)	(1,895)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on revolving credit facilities	149,995	91,945
Repayment of revolving credit facilities	(155,787)	(47,327)
Proceeds from exercise of stock options and warrants	1,718	626
Repurchase of common stock	(974)	—
Debt issuance costs	(80)	—
Net cash provided by (used for) financing activities	(5,128)	45,244
Effect of exchange rate changes on cash and cash equivalents	52	(1,042)
Net increase (decrease) in cash and cash equivalents	944	(27,215)
Cash and cash equivalents - beginning of period	11,396	37,720
Cash and cash equivalents - end of period	$ 12,340	$ 10,505
SUPPLEMENTAL DISCLOSURE OF INFORMATION		
Cash paid for interest	$ 283	$ 376
Cash paid (received) for income taxes	$ 175	$ (2,340)

See accompanying Notes to the Condensed Consolidated Financial Statements (unaudited)

Turtle Beach Corporation
Condensed Consolidated Statement of Stockholders' Equity
(unaudited)

	Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive Income	
	Shares	Amount	Capital	Deficit	(Loss)	Total
			(in thousands)			
Balance at December 31, 2022	16,569	$ 17	$ 206,916	$ (116,598)	$ (1,394)	$ 88,941
Net loss	—	—	—	(6,705)	—	(6,705)
Other comprehensive income, net of tax	—	—	—	—	445	445
Issuance of restricted stock	14	—	—	—	—	-
Stock options exercised	21	—	124	—	—	124
Stock-based compensation	—	—	1,959	—	—	1,959
Balance at March 31, 2023	16,604	$ 17	$ 208,999	$ (123,303)	$ (949)	$ 84,764
Net loss	—	—	—	(15,920)	—	(15,920)
Other comprehensive loss, net of tax	—	—	—	—	(35)	(35)
Issuance of restricted stock	469	—	—	—	—	-
Stock options exercised	322	—	1,234	—	—	1,234
Stock-based compensation	—	—	4,986	—	—	4,986
Repurchase of common stock	(86)	—	(974)	—	—	(974)
Balance at June 30, 2023	17,309	$ 17	$ 214,245	$ (139,223)	$ (984)	$ 74,055
Net loss	—	—	—	(3,606)	—	(3,606)
Other comprehensive loss, net of tax	—	—	—	—	(16)	(16)
Issuance of restricted stock	24	—	—	—	—	-
Stock options exercised	76	—	360	—	—	360
Stock-based compensation	—	—	1,609	—	—	1,609
Balance at September 30, 2023	17,409	$ 17	$ 216,214	$ (142,829)	$ (1,000)	$ 72,402

	Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive Income	
	Shares	Amount	Capital	Deficit	(Loss)	Total
			(in thousands)			
Balance at December 31, 2021	16,168	$ 16	$ 198,278	$ (57,052)	$ 127	$ 141,369
Net loss	—	—	—	(6,476)	—	(6,476)
Other comprehensive loss, net of tax	—	—	—	—	(429)	(429)
Issuance of restricted stock	30	—	—	—	—	—
Stock options exercised	47	—	361	—	—	361
Stock-based compensation	—	—	1,537	—	—	1,537
Balance at March 31, 2022	16,245	$ 16	$ 200,176	$ (63,528)	$ (302)	$ 136,362
Net income	—	—	—	(17,826)	—	(17,826)
Other comprehensive income, net of tax	—	—	—	—	(1,090)	(1,090)
Issuance of restricted stock	257	—	—	—	—	—
Stock options exercised	24	1	176	—	—	177
Stock-based compensation	—	—	2,030	—	—	2,030
Balance at June 30, 2022	16,526	$ 17	$ 202,382	$ (81,354)	$ (1,392)	$ 119,653
Net loss	—	—	—	(12,011)	—	(12,011)
Other comprehensive loss, net of tax	—	—	—	—	(612)	(612)
Issuance of restricted stock	16	—	—	—	—	—
Stock options exercised	14	—	88	—	—	88
Stock-based compensation	-	—	2,211	—	—	2,211
Balance at September 30, 2022	16,556	$ 17	$ 204,681	$ (93,365)	$ (2,004)	$ 109,329

See accompanying Notes to the Condensed Consolidated Financial Statements (unaudited)

Note 1. Background and Basis of Presentation

Organization

Turtle Beach Corporation ("Turtle Beach" or the "Company"), headquartered in White Plains, New York and incorporated in the state of Nevada in 2010, is a premier audio and gaming technology company with expertise and experience in developing, commercializing, and marketing innovative products across a range of large addressable markets under the Turtle Beach® and ROCCAT® brands. Turtle Beach is a worldwide leader of feature-rich headset solutions for use across multiple platforms, including video game and entertainment consoles, handheld consoles, personal computers ("PC"), tablets and mobile devices. ROCCAT is a gaming keyboards, mice and other accessories brand focused on the PC peripherals market.

VTB Holdings, Inc. ("VTBH"), a wholly-owned subsidiary of Turtle Beach Corporation and the owner of Voyetra Turtle Beach, Inc. ("VTB"), was incorporated in the state of Delaware in 2010. VTB, the owner of Turtle Beach Europe Limited ("TB Europe"), was incorporated in the state of Delaware in 1975 with operations principally located in White Plains, New York.

Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in the opinion of management, reflect all adjustments (which include normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. All intercompany accounts and transactions have been eliminated in consolidation. Certain information and footnote disclosures, normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), have been condensed or omitted pursuant to those rules and regulations. The Company believes that the disclosures made are adequate to make the information presented not misleading. The results of operations for the interim periods are not necessarily indicative of the results of operations for the entire fiscal year.

The December 31, 2022 Condensed Consolidated Balance Sheet has been derived from the Company's audited financial statements included in its Annual Report on Form 10-K filed with the SEC on March 29, 2023 ("Annual Report").

These financial statements should be read in conjunction with the annual financial statements and the notes thereto included in the Annual Report that contains information useful to understanding the Company's businesses and financial statement presentations.

Use of estimates: The preparation of accompanying unaudited consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited consolidated financial statements and reported amounts of revenues and expenses during the reporting period. These estimates may change, as new events occur and additional information is obtained, and will be recognized in the consolidated financial statements in the period in which such changes occur. Future actual results could differ materially from these estimates.

Note 2. Summary of Significant Accounting Policies

The preparation of consolidated annual and quarterly financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Company's consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. The Company can give no assurance that actual results will not differ from those estimates.

There have been no material changes to the significant accounting policies and estimates from the information provided in Note 1 of the notes to our consolidated financial statements in our Annual Report.

Note 3. Fair Value Measurement

The Company follows a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, debt instruments and certain warrants. As of September 30, 2023 and December 31, 2022, the Company had not elected the fair value option for any financial assets and liabilities for which such an election would have been permitted. The following is a summary of the carrying amounts and estimated fair values of our financial instruments as of September 30, 2023 and December 31, 2022:

	September 30, 2023		December 31, 2022	
	Reported	Fair Value	Reported	Fair Value
	(in thousands)			
Financial Assets and Liabilities:				
Cash and cash equivalents	$ 12,340	$ 12,340	$ 11,396	$ 11,396
Revolving credit facility	$ 13,261	$ 13,261	$ 19,053	$ 19,053

Cash equivalents are stated at amortized cost, which approximates fair value as of the consolidated balance sheet dates, due to the short period of time to maturity; and accounts receivable and accounts payable are stated at their carrying value, which approximates fair value due to the short time to the expected receipt or payment. The carrying value of the Credit Facility approximates fair value, due to the variable rate nature of the debt, as of September 30, 2023 and December 31, 2022.

Note 4. Allowance for Sales Returns

The following table provides the changes in our sales return reserve, which is classified as a reduction of accounts receivable:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Balance, beginning of period	$ 5,398	$ 4,006	$ 7,817	$ 8,998
Reserve accrual	3,566	3,257	9,817	8,732
Recoveries and deductions, net	(3,620)	(2,826)	(12,290)	(13,293)
Balance, end of period	$ 5,344	$ 4,437	$ 5,344	$ 4,437

Note 5. Composition of Certain Financial Statement Items

Inventories

Inventories consist of the following:

	September 30, 2023	December 31, 2022
	(in thousands)	
Finished goods	$ 75,519	$ 70,407
Raw materials	505	845
Total inventories	$ 76,024	$ 71,252

Property and Equipment, net

Property and equipment, net, consists of the following:

	September 30, 2023	December 31, 2022
	(in thousands)	
Machinery and equipment	$ 2,605	$ 2,373
Software and software development	2,437	2,396
Furniture and fixtures	1,759	1,713
Tooling	10,516	9,901
Leasehold improvements	1,982	2,050
Demonstration units and convention booths	15,759	15,379
Total property and equipment, gross	35,058	33,812
Less: accumulated depreciation and amortization	(30,230)	(27,450)
Total property and equipment, net	$ 4,828	$ 6,362

Other Current Liabilities

Other current liabilities consist of the following:

	September 30, 2023	December 31, 2022
	(in thousands)	
Accrued employee expenses	$ 2,237	$ 4,171
Accrued tax-related payables	3,368	4,159
Accrued marketing	2,740	4,147
Accrued royalty	2,457	2,527
Accrued freight	1,922	1,746
Accrued expenses	9,290	8,683
Total other current liabilities	$ 22,014	$ 25,433

Note 6. Goodwill and Other Intangible Assets

Acquired Intangible Assets

Acquired identifiable intangible assets, and related accumulated amortization, as of September 30, 2023 and December 31, 2022 consisted of:

	September 30, 2023		
	Gross Carrying Value	Accumulated Amortization	Net Book Value
		(in thousands)	
Customer relationships	$ 8,085	$ 7,101	$ 984
Tradenames	3,066	2,492	574
Developed technology	1,884	1,585	299
Foreign currency	(1,340)	(1,459)	119
Total Intangible Assets	$ 11,695	$ 9,719	$ 1,976

	December 31, 2022		
	Gross Carrying Value	Accumulated Amortization	Net Book Value
		(in thousands)	
Customer relationships	$ 8,085	$ 6,750	$ 1,335
Tradenames	3,066	2,147	919
Developed technology	1,884	1,495	389
Foreign currency	(1,375)	(1,344)	(31)
Total Intangible Assets	$ 11,660	$ 9,048	$ 2,612

In connection with the October 2012 acquisition of TB Europe, the acquired intangible assets related to customer relationships is being amortized over an estimated useful life of thirteen years with the amortization being included within sales and marketing expense.

In May 2019, the Company completed its acquisition of the business and assets of ROCCAT. The acquired intangible assets relating to developed technology, customer relationships, and trade name are subject to amortization. During the fourth quarter of 2022, the Company made the decision to increasingly leverage the Turtle Beach brand across our product portfolio including PC products over time. Due to this decision, the Company prepared an impairment calculation to determine the present value of the ROCCAT tradename asset using the relief from royalty method. As a result of the present value calculation, in the fourth quarter 2022, the Company recorded an impairment charge of $0.8 million for the ROCCAT tradename intangible asset.

In January 2021, the Company completed its acquisition of the business and assets relating to the Neat Microphones business. During the fourth quarter of 2022, as part of the 2023 annual operating and strategic plan process, the Company made the decision to transition microphone products to the Turtle Beach brand. As a result of this decision, there was no longer a basis for carrying the remaining net intangible assets related to the Neat brand. In the fourth quarter 2022, the Company recorded an impairment charge of $1.1 million related to the remaining Neat net intangible assets.

Amortization expense related to definite lived intangible assets of $0.2 million and $0.8 million was recognized for the three and nine months ended September 30, 2023, respectively, and $0.3 million and $0.9 million was recognized for the three and nine months ended September 30, 2022.

As of September 30, 2023, estimated annual amortization expense related to definite lived intangible assets in future periods was as follows:

	(in thousands)
2023	$ 259
2024	1,003
2025	425
2026	170
Thereafter	-
Total	$ 1,857

There were no changes in the carrying values of goodwill for the nine months ended September 30, 2023 from the balance as of December 31, 2022.

Note 7. Revolving Credit Facility and Long-Term Debt

	September 30, 2023	December 31, 2022
	(in thousands)	
Revolving credit facility, maturing April 2025	$ 13,261	$ 19,053

Total interest expense, inclusive of amortization of deferred financing costs, on long-term debt obligations was $0.1 million and $0.4 million for the three and nine months ended September 30, 2023, respectively, and $0.5 million and $0.6 million for the three and nine months ended September 30, 2022, respectively.

Amortization of deferred financing costs was $33 thousand and $0.1 million for the three and nine months ended September 30, 2023, respectively, and $48 thousand and $0.1 million for the three and nine months ended September 30, 2022, respectively.

Revolving Credit Facility

On March 5, 2018, Turtle Beach and certain of its subsidiaries entered into an amended and restated loan, guaranty and security agreement (the “Credit Facility”) with Bank of America, N.A. (“Bank of America”), as administrative agent, collateral agent and security trustee for Lenders (as defined therein), which replaced the then existing asset-based revolving loan agreement. The Credit Facility was amended on each of December 17, 2018, May 31, 2019, and March 10, 2023. The Credit Facility, as amended, expires on April 1, 2025 and provides for a line of credit of up to $80 million inclusive of a sub-facility limit of $15 million for TB Europe, a wholly-owned subsidiary of Turtle Beach. In addition, the Credit Facility provides for a $40 million accordion feature.

On March 10, 2023, the Company entered into a Third Amendment to Amended and Restated Loan, Guaranty and Security Agreement (the “Third Amendment”), by and among the Company, VTB, TBC Holding Company LLC, TB Europe, VTBH, the financial institutions party thereto from time to time and Bank of America, as administrative agent, collateral agent and security trustee for the lenders.

The Third Amendment provides for, among other things: (i) extending the maturity date of the Credit Facility from March 5, 2024 to April 1, 2025; (ii) updating the interest rate and margin terms; (iii) removing the FILO Loan facility; (iv) updating the sub-facility limit for TB Europe to $15 million; (v) increasing our undrawn commitment fee by 0.125%; and (vi) transitioning the reference interest rates from LIBOR to BSBY, SONIA and EUIBOR, as applicable.

The maximum credit availability for loans and letters of credit under the Credit Facility is governed by a borrowing base determined by the application of specified percentages to certain eligible assets, primarily eligible trade accounts receivable and inventories, and is subject to discretionary reserves and revaluation adjustments. The Credit Facility may be used for working capital, the issuance of bank guarantees, letters of credit and other corporate purposes.

Amounts outstanding under the Credit Facility bear interest at a rate equal to (i) a rate published by Bank of America or the U.S. Bloomberg Short-Term Bank Yield Index (“BSBY”) rate for loans denominated in U.S. Dollars, (ii) the Sterling Overnight Index Average Reference Rate (“SONIA”) for loans denominated in Sterling, (iii) and the Euro Interbank Offered Rate (“EUIBOR”) for loans denominated in Euros, plus in each case, an applicable margin, which is between 0.50% to 2.50% for base rate loans and UK base rate loans, and 1.50% to 3.50% for U.S. BSBY rate loans, U.S. BSBY daily floating rate loans and UK alternative currency loans. In addition, Turtle Beach is required to pay a commitment fee on the unused revolving loan commitment at a rate ranging from 0.375% to 0.50% and letter of credit fees and agent fees. As of September 30, 2023, interest rates for outstanding borrowings were 11.00% for base rate loans and 8.90% for LIBOR rate loans, which reference interest rates were still in effect prior to the Libor Transition Amendments.

The Company is subject to quarterly financial covenant testing if certain availability thresholds are not met or certain other events occur (as set forth in the Credit Facility). At such times, the Credit Facility requires the Company and its restricted subsidiaries to maintain a fixed charge coverage ratio of at least 1.00 to 1.00 as of the last day of each fiscal quarter.

The Credit Facility also contains affirmative and negative covenants that, subject to certain exceptions, limit our ability to take certain actions, including the Company’s ability to incur debt, pay dividends and repurchase stock, make certain investments and other payments, enter into certain mergers and consolidations, engage in sale leaseback transactions and transactions with affiliates, and encumber and dispose of assets. Obligations under the Credit Facility are secured by a security interest and lien upon substantially all of the Company’s assets.

As of September 30, 2023, the Company was in compliance with all financial covenants under the Credit Facility, as amended, and excess borrowing availability was approximately $49.5 million.

Note 8. Income Taxes

In order to determine the quarterly provision for income taxes, the Company uses an estimated annual effective tax rate, which is based on expected annual income and statutory tax rates in the various jurisdictions. However, to the extent that application of the estimated annual effective tax rate is not representative of the quarterly portion of actual tax expense expected to be recorded for the year, the Company determines the provision for income taxes based on actual year-to-date income (loss). Certain significant or unusual items are separately recognized as discrete items in the period during which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

The following table presents the Company’s income tax expense and effective income tax rate:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Income tax expense (benefit)	$ 501	$ (4,392)	$ 377	$ (11,771)
Effective income tax rate	(16.1%)	26.8%	(1.5%)	24.5%

The effective tax rate for the three and nine months ended September 30, 2023 was primarily impacted by the change in U.S. valuation allowance, foreign taxes, state tax and interest on uncertain tax positions.

The Company recognizes only those tax positions that meet the more-likely-than-not recognition threshold and establishes tax reserves for uncertain tax positions that do not meet this threshold. Interest and penalties associated with income tax matters are included in the provision for income taxes in the condensed consolidated statements of operations. As of September 30, 2023, the Company had uncertain tax positions of $2.9 million, inclusive of $0.9 million of interest and penalties.

As required by the authoritative guidance on accounting for income taxes the Company evaluates the realizability of deferred tax assets on a jurisdictional basis at each reporting date. Accounting for income taxes requires that a valuation allowance be established when it is more likely than not that all or a portion of the deferred taxes will not be realized. The Company considers all positive and negative evidence in determining if, based on the weight of such evidence, a valuation allowance is required. In circumstances where there is sufficient negative evidence indicating that the deferred tax assets are not more likely than not realizable, the Company establishes a valuation allowance. Due to the significant 2022 pre-tax loss, coupled with cumulative book losses projected in early future years, the Company recorded a valuation allowance on its net U.S. deferred tax assets as of December 31, 2022. The Company's continues to maintain this valuation allowance for the three and nine months ended September 30, 2023.

The Company is subject to income taxes domestically and in various foreign jurisdictions. The Company files U.S., state and foreign income tax returns in jurisdictions with various statutes of limitations. The federal tax years open under the statute of limitations are 2019 through 2021, and the state tax years open under the statute of limitations are 2018 through 2021.

Note 9. Stock-Based Compensation

Total estimated stock-based compensation expense for employees and non-employees, related to all of the Company's stock-based awards, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Cost of revenue	$ 130	$ 146	$ 467	$ 268
Selling and marketing	564	581	1,464	1,518
Research and development	326	395	1,006	1,068
General and administrative	605	1,086	5,617	2,921
Total stock-based compensation	$ 1,625	$ 2,208	$ 8,554	$ 5,775

On May 1, 2023, the Company announced that the Company and Juergen Stark, Chairman, Chief Executive Officer and President of the Company, have agreed that Mr. Stark would not continue as Chief Executive Officer and President of the Company, with his employment to terminate effective as of the close of business on June 30, 2023. On May 2, 2023, the Company entered into a separation agreement with Mr. Stark, resulting in an acceleration of the total stock-based compensation associated with equity awards granted to him. During the nine months ended September 30, 2023, the Company recorded a total of $4.0 million in stock-based compensation expenses and related payroll that would not have been recognized if Mr. Stark had not announced his retirement.

The following table presents the stock activity and the total number of shares available for grant as of September 30, 2023:

	(in thousands)
Balance at December 31, 2022	550
Plan Amendment	1,049
Options Cancelled	20
Restricted Stock Granted	(504)
Restricted Stock Forfeited	21
Performance Shares Unearned	94
Performance Shares Granted	(163)
Balance at September 30, 2023	1,067

On July 6, 2023, the Company's stockholders approved an amendment to the plan to, among other things, (i) change the name to Turtle Beach Corporation 2023 Stock-Based Incentive Compensation Plan, and (ii) increase the number of shares of the Company's common stock, par value $0.001 per share, authorized for issuance by 1,049,000.

Stock Option Activity

	Options Outstanding			
	Number of Shares Underlying Outstanding Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
			(in years)	
Outstanding at December 31, 2022	1,577,545	$ 7.66	5.81	$ 2,465,015
Options Granted	-	-		
Options Exercised	(419,233)	4.10		
Options Forfeited	(19,676)	15.78		
Outstanding at September 30, 2023	1,138,636	$ 8.83	4.37	$ 2,363,338
Vested and expected to vest at September 30, 2023	1,138,899	$ 8.94	4.36	$ 2,361,278
Exercisable at September 30, 2023	1,043,268	$ 8.97	4.16	$ 2,182,154

Stock options are time-based and the majority are exercisable within 10 years of the date of grant, but only to the extent they have vested. The options generally vest as specified in the option agreements subject to acceleration in certain circumstances. In the event participants in the plan cease to be employed or engaged by the Company, all vested options would be forfeited if they are not exercised within 90 days. Forfeitures on option grants are estimated at 10% for non-executives and 0% for executives based on evaluation of historical and expected future turnover. Stock-based compensation expense was recorded net of estimated forfeitures, such that expense was recorded only for those stock-based awards expected to vest. The Company reviews this assumption periodically and will adjust it if it is not representative of future forfeiture data and trends within employee types (executive vs. non-executive).

Aggregate intrinsic value represents the difference between the estimated fair value of the underlying common stock and the exercise price of outstanding, in-the-money options. The aggregate intrinsic value of options exercised was $2.8 million for the nine months ended September 30, 2023.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of options granted as of the grant date. There were no new options granted during the nine months ended September 30, 2023. The total estimated fair value of employee options vested during the nine months ended September 30, 2023 was $0.8 million. As of September 30, 2023, total unrecognized compensation cost related to non-vested stock options granted to employees was $0.4 million, which is expected to be recognized over a remaining weighted average vesting period of 0.6 years.

Restricted Stock Activity

	Shares	Weighted Average Grant Date Fair Value Per Share
Nonvested restricted stock at December 31, 2022	865,446	$ 18.75
Granted	504,092	9.97
Vested	(565,581)	16.44
Shares forfeited	(21,208)	17.64
Nonvested restricted stock at September 30, 2023	782,749	$ 14.80

As of September 30, 2023, total unrecognized compensation costs related to the nonvested restricted stock awards was $9.6 million, which will be recognized over a remaining weighted average vesting period of 2.5 years.

Performance-Based Restricted Share Units

As of September 30, 2023, the Company had 162,672 performance-based restricted share units outstanding. The vesting of performance-based restricted share units is determined over a three-year period based on (i) the amount by which revenue growth exceeds a defined baseline market growth each year and (ii) the achievement of specified tiers of adjusted EBITDA as a percentage of net revenue each year, with the ability to earn and vest into such units ranging from 0% to 200%. As of September 30, 2023, achievement of the performance conditions associated with the 2023, 2022 and 2021 performance shares was deemed not probable.

Note 10. Net Loss Per Share

The following table sets forth the computation of basic and diluted net loss per share of common stock attributable to common stockholders:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands, except per-share data)			
Net loss	$ (3,606)	$ (12,011)	$ (26,231)	$ (36,313)
Weighted average common shares outstanding — Basic	17,345	16,541	17,029	16,413
Plus incremental shares from assumed conversions:				
Dilutive effect of restricted stock	—	—	—	—
Dilutive effect of stock options	—	—	—	—
Dilutive effect of warrants	—	—	—	—
Weighted average common shares outstanding — Diluted	17,345	16,541	17,029	16,413
Net loss per share:				
Basic	$ (0.21)	$ (0.73)	$ (1.54)	$ (2.21)
Diluted	$ (0.21)	$ (0.73)	$ (1.54)	$ (2.21)

Incremental shares from stock options and restricted stock awards are computed using the treasury stock method. The weighted average shares listed below were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the periods presented or were otherwise excluded under the treasury stock method. The treasury stock method calculates dilution assuming the exercise of all in-the-money options and vesting of restricted stock, reduced by the repurchase of shares with the proceeds from the assumed exercises and unrecognized compensation expense for outstanding awards.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Stock options	1,195	1,627	1,374	1,669
Unvested restricted stock awards	797	939	855	899
Warrants	550	550	550	550
Total	2,542	3,116	2,779	3,118

Note 11. Segment Information

The following table represents total net revenues based on where customers are physically located:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
North America	$ 43,166	$ 34,404	$ 116,234	$ 93,156
Europe and Middle East	12,827	11,034	34,414	32,335
Asia Pacific	3,165	5,866	7,936	13,775
Total net revenues	$ 59,158	$ 51,304	$ 158,584	$ 139,266

Note 12. Commitments and Contingencies

Litigation

The Company is subject to various legal proceedings and claims that arise in the ordinary course of its business. Although the amount of any liability that could arise with respect to these actions cannot be determined with certainty, in the Company's opinion, any such liability will not have a material adverse effect on its consolidated financial position, consolidated results of operations or liquidity.

Shareholders Class Action: On August 5, 2013, VTB Holdings, Inc. ("VTBH") and the Company (f/k/a Parametric Sound Corporation) announced that they had entered into the Merger Agreement pursuant to which VTBH would acquire an approximately 80% ownership interest and existing shareholders would maintain an approximately 20% ownership interest in the combined company (the "Merger"). Following the announcement, several shareholders filed class action lawsuits in California and Nevada seeking to enjoin the Merger. The plaintiffs in each case alleged that members of the Company's Board of Directors breached their fiduciary duties to the shareholders by agreeing to a merger that allegedly undervalued the Company. VTBH and the Company were named as defendants in these lawsuits under the theory that they had aided and abetted the Company's Board of Directors in allegedly violating their fiduciary duties. The plaintiffs in both cases sought a preliminary injunction seeking to enjoin closing of the Merger, which, by agreement, was heard by the Nevada court with the California plaintiffs invited to participate. On December 26, 2013, the court in the Nevada case denied the plaintiffs' motion for a preliminary injunction. Following the closing of the Merger, the Nevada plaintiffs filed a second amended complaint, which made essentially the same allegations and sought monetary damages as well as an order rescinding the Merger. The California plaintiffs dismissed their action without prejudice, and sought to intervene in the Nevada action, which was granted. Subsequent to the intervention, the plaintiffs filed a third amended complaint, which made essentially the same allegations as prior complaints and sought monetary damages. On June 20, 2014, VTBH and the Company moved to dismiss the action, but that motion was denied on August 28, 2014. On September 14, 2017, a unanimous en banc panel of the Nevada Supreme Court granted defendants' petition for writ of mandamus and ordered the trial court to dismiss the complaint but provided a limited basis upon which plaintiffs could seek to amend their complaint. Plaintiffs amended their complaint on December 1, 2017 to assert the same claims in a derivative capacity on behalf of the Company, as a well as in a direct capacity, against VTBH, Stripes Group, LLC, SG VTB Holdings, LLC, and the former members of the Company's Board of Directors. All defendants moved to dismiss this amended complaint on January 2, 2018, and those motions were denied on March 13, 2018. Defendants petitioned the Nevada Supreme Court to reverse this ruling on April 18, 2018. On June 15, 2018, the Nevada Supreme Court denied defendants' writ petition without prejudice. The district court subsequently entered a pretrial schedule and set trial for November 2019. On January 18, 2019, the district court certified a class of shareholders of the Company as of January 15, 2014. On October 11, 2019, the parties notified the district court that they had reached a settlement that would resolve the pending action if ultimately approved by the Court. On January 13, 2020, the district court preliminarily approved the settlement between the plaintiffs and all defendants. A final hearing was held on May 18, 2020, wherein the Court approved the settlement and entered final judgment.

On May 22, 2020, PAMTP LLC, which purports to hold the claims of eight shareholders who opted out of the class settlement described above, brought suit against the Company, the Company's former CEO, Juergen Stark, Stripes Group, LLC, SG VTB Holdings, LLC, Kenneth Fox, and former members of the Company's Board of Directors in Nevada state court. This opt-out action asserts the same direct claims that were asserted by the class of shareholders described above. The defendants filed two motions to dismiss this complaint, which were heard on August 10, 2020. The Court denied those motions by order of August 20, 2020. The case was tried in August 2021 and all remaining defendants, including the Company, prevailed on all counts with final judgment entered in their favor on September 3, 2021. Plaintiff is appealing that judgment.

Employment Litigation: On April 20, 2017, a former employee filed an action in the Superior Court for the County of San Diego, State of California. The complaint alleges claims including wrongful termination, retaliation and various other provisions of the California Labor Code. The complaint seeks unspecified economic and non-economic losses, as well as allegedly unpaid wages, unreimbursed business expenses statutory penalties, interest, punitive damages and attorneys' fees. The Company filed a cross-complaint against the former employee on May 25, 2017 for certain activities related to his employment with the Company. The matter was tried between September 24 and October 7, 2021. On October 8, 2021 a jury rendered a unanimous verdict in favor of the Company on the employment claims. The Court granted a directed verdict to the Company on its Cross- Complaint against the former employee. Judgment was entered in favor of the Company on October 27, 2021. On December 20, 2021, the former employee filed a notice of appeal of the judgment.

The Company will continue to vigorously defend itself in the foregoing unresolved matters. However, litigation and investigations are inherently uncertain. Accordingly, the Company cannot predict the outcome of these matters. The Company has not recorded any accrual at September 30, 2023 for contingent losses associated with these matters based on its belief that losses, while possible, are not probable. Further, any possible range of loss cannot be reasonably estimated at this time. The unfavorable resolution of these matters could have a material adverse effect on the Company's business, results of operations, financial condition, or cash flows. The Company is engaged in other legal actions, not described above, arising in the ordinary course of its business and, while there can be no assurance, believes that the ultimate outcome of these other legal actions will not have a material adverse effect on its business, results of operations, financial condition, or cash flows.

Warranties

The Company warrants its products against certain manufacturing and other defects. These product warranties are provided for specific periods of time depending on the nature of the product. Warranties are generally fulfilled by replacing defective products with new products. The following table provides the changes in our product warranty reserve, which are included in accrued liabilities:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Warranty, beginning of period	$ 640	$ 718	$ 618	$ 856
Warranty costs accrued	191	89	566	282
Settlements of warranty claims	(168)	(145)	(521)	(476)
Warranty, end of period	$ 663	$ 662	$ 663	$ 662

Operating Leases - Right of Use Assets

The Company determines whether an arrangement is a lease at inception. The Company leases office spaces that provide for future minimum rental lease payments under non-cancelable operating leases that have remaining lease terms of one year to nine years, and do not contain any material residual value guarantees or material restrictive covenants.

The components of the right-of-use assets and lease liabilities were as follows:

	Balance Sheet Classification	September 30, 2023
		(in thousands)
Right-of-use assets	Other assets	$ 7,182
Lease liability obligations, current	Other current liabilities	$ 1,104
Lease liability obligations, noncurrent	Other liabilities	6,739
Total lease liability obligations		$ 7,843
Weighted-average remaining lease term (in years)		6.1
Weighted-average discount rate		4.3%

During the nine months ended September 30, 2023, the Company recognized approximately $1.1 million of lease costs in operating expenses and approximately $1.0 million of operating cash flows from operating leases.

Approximate future minimum lease payments for the Company’s right of use assets over the remaining lease periods as of September 30, 2023, are as follows:

	(in thousands)
2023	$ 325
2024	1,437
2025	1,451
2026	1,361
2027	1,383
Thereafter	3,182
Total minimum payments	9,139
Less: Imputed interest	(1,296)
Total	$ 7,843

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our operations should be read together with our unaudited condensed consolidated financial statements and the related notes included in Part I of this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2023 (the "Annual Report.")

This Report on Form 10-Q contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements in this Report are indicated by words such as "anticipates," "expects," "believes," "intends," "plans," "estimates," "projects," "strategies" and similar expressions or negatives thereof. Caution should be taken not to place undue reliance on any such forward-looking statements because they involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such statements. Forward-looking statements are based on the beliefs, as well as assumptions made by, and information currently available to, the Company's management and are made only as of the date hereof. The Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as required by the federal securities laws. In addition, forward-looking statements are subject to certain risks and uncertainties, including those described elsewhere in this Quarterly Report on Form 10-Q that could cause actual results to differ materially from the Company's historical experience and its present expectations or projections.

Business Overview

Turtle Beach Corporation ("Turtle Beach" or the "Company"), headquartered in White Plains, New York, and incorporated in the state of Nevada in 2010, is a premier audio and gaming technology company with expertise and experience in developing, commercializing, and marketing innovative products across a range of large addressable markets under the Turtle Beach® and ROCCAT® brands. Turtle Beach is a worldwide leader of feature-rich gaming solutions for use across multiple platforms, including video game and entertainment consoles, handheld consoles, personal computers ("PC"), tablets and mobile devices. ROCCAT is a gaming headsets, keyboards, mice, and other accessories brand focused on the personal computer peripherals market.

Business Trends

Turtle Beach participates in the global software and accessories gaming market, which is estimated to be approximately $193 billion. The global gaming audience now exceeds global cinema and music markets with over three billion active gamers worldwide. Gaming peripherals, such as headsets, keyboards, mice, microphones, controllers, and simulation controls are estimated to be an $8.4 billion business globally with about 80% of that market in the Americas and Europe where the Company's business is focused.

The console and PC gaming accessory markets are also driven by major game launches and long-running franchises that encourage players to continually buy equipment and accessories. On Xbox, PlayStation, Nintendo Switch and PC, flagship games like Call of Duty, Destiny, Star Wars: Battlefront, Battlefield, Grand Theft Auto, and battle royale games like Fortnite, Call of Duty Warzone, Apex Legends, and PlayerUnknown's Battlegrounds, are examples of major franchises that prominently feature online multiplayer modes that encourage communication and drive increased demand for gaming headsets. Many of these established franchises launch new titles annually, leading into the holidays and as a result can cause an additional boost to the normally strong holiday sales for gaming accessories.

Competitive esports is a global phenomenon where professional gamers train and compete to win prize money, partner with major brands, and attract dedicated fans – similar to traditional professional sports. In 2022, there were over 530 million esports viewers, approximately 50% of whom considered themselves "esports enthusiasts," and that number is expected to increase to roughly 650 million viewers by 2025 according to an April 2022 report from Newzoo.

Many gamers play online where a gaming headset, which includes a microphone, is required because it allows players to communicate with each other in real-time, provides a more immersive experience, and delivers a competitive advantage.

Console Headset Market

Turtle Beach is the leading console gaming headset manufacturer in the U.S. and other major console markets. Turtle Beach has achieved these global market shares by delivering high-quality products that often include first-to-market innovations, robust features, superior sound, unmatched comfort, and top customer support – all key factors that consumers seek when shopping for a gaming headset.

The global market for console gaming headsets, in which Turtle Beach has been the market leader for the past 13 years, is estimated to be approximately $1.4 billion. PlayStation and Xbox consoles continue to be dominant gaming platforms in North America and Europe for games that drive headset usage. Consistent with a historical pattern of major new console launches every 7-8 years, Microsoft and Sony launched their latest consoles, Xbox Series X|S and PlayStation 5, ahead of the 2020 holiday season, and in 2021/2022 demand for the latest Xbox and PlayStation consoles exceeded the available supply for consumers to purchase. In 2023, the demand for gaming consoles is expected to improve as additional supplies are available, which is expected to help the overall console market reach single digit percentage growth.

Nintendo has sold over 122.5 million units of its highly popular Nintendo Switch since the platform's release in early 2017. Nintendo continues adding and expanding its library of games, including an increased number of multiplayer chat-enabled games. Nintendo also sells the Nintendo Switch Lite, a follow-on product that offers gamers the hand-held only version of their popular gaming console.

PC Accessories Market

The market for PC gaming headsets, mice, and keyboards is estimated to be approximately $3.2 billion. PC gaming continues to be a main gaming platform in the U.S. and internationally, driven by big AAA game launches, PC-specific esports leagues, popular teams and players, content creators and influencers and cross-platform play. While most games are available on multiple platforms, gaming on PC offers advantages including improved graphics, increased speed and precision of mouse/keyboard controls, and the ability for deeper customization. Gaming mice and keyboards are engineered to provide gamers with high-end performance and a superior gaming experience through features such as faster response times, improved materials and build quality, programmable buttons and keys, and software suites to customize and control devices and settings.

PC gaming mice come in a variety of different ergonomic shapes and sizes, are available in both wired and wireless models, offer options for different sensors (optical and laser) and responsiveness, and often feature integrated RGB LED lighting and software to unify the lighting with other devices for a visually consistent PC gaming appearance. Similarly, PC gaming keyboards often deliver a competitive advantage by offering options for mechanical and optical key switches that feel and sound different and offer customizable lighting.

Controllers and Gaming Simulation Market

In 2022, we further expanded our gaming simulation and gaming controller product lines. For the flight simulation market, we launched the VelocityOne™ Pedals and VelocityOne™ Stand, which perfectly pair with the VelocityOne Flight™ simulation control system for the complete, most immersive flight simulation experience on the market, and also launched the VelocityOne™ Flightstick, which is a single stick joystick controller for air and space flight combat games. For the gamepads/controllers market, we added new colorways for its original Recon Controller, as well as launched the lower-cost REACT-R controller, and mobile-focused Recon Cloud and Atom controller offerings. These markets increased our total addressable market by $1 billion, with third-party game controllers at roughly $500 million and PC/console flight simulation hardware at roughly $500 million in the global market.

Supply Chain and Operations

We have a global network of suppliers that manufacture products to meet the quality standards sought by our customers and our cost objectives. We have worked closely with component, manufacturing, and global logistic partners to build a supply chain that we consider dependable, scalable, and efficient to provide high-quality, reliable products employing leading cost management practices. The use of outsourced manufacturing facilities is designed to take advantage of specific expertise and allow for flexibility and scalability to respond to both seasonality and changing demands for our products.

We have experienced and may continue to experience increased freight costs and component availability challenges, which have begun to abate in 2023. As a result, Turtle Beach continues to take proactive steps to limit the impact of these challenges and are working closely with our manufacturing and freight providers to reduce costs.

Results of Operations

The following table sets forth the Company's statements of operations for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Net revenue	$ 59,158	$ 51,304	$ 158,584	$ 139,266
Cost of revenue	41,469	44,046	114,884	110,097
Gross profit	17,689	7,258	43,700	29,169
Operating expenses	20,206	20,956	68,502	72,527
Operating loss	(2,517)	(13,698)	(24,802)	(43,358)
Interest expense	107	450	253	643
Other non-operating expense, net	481	2,255	799	4,083
Loss before income tax	(3,105)	(16,403)	(25,854)	(48,084)
Income tax expense (benefit)	501	(4,392)	377	(11,771)
Net loss	$ (3,606)	$ (12,011)	$ (26,231)	$ (36,313)

Net Revenue and Gross Profit

The following table summarizes net revenue and gross profit for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Net Revenue	$ 59,158	$ 51,304	$ 158,584	$ 139,266
Gross Profit	$ 17,689	$ 7,258	$ 43,700	$ 29,169
Gross Margin	*29.9%*	*14.1%*	*27.6%*	*20.9%*

Comparison of the Three Months Ended September 30, 2023 to the Three Months Ended September 30, 2022

Net revenue for the three months ended September 30, 2023 was $59.2 million, a $7.9 million increase from $51.3 million driven primarily by an increase in North America sales led by console gaming headsets and flight simulation products, as well as the impact of share gains across key categories and geographies.

For the three months ended September 30, 2023, gross margin increased to 29.9% from 14.1%, or 24.5% excluding $5.3 million of excess components and product inventory impairment charges from pandemic related supply chain challenges, in the comparable prior year period driven by lower freight costs and less promotional spend.

Comparison of the Nine Months Ended September 30, 2023 to the Nine Months Ended September 30, 2022

Net revenue for the nine months ended September 30, 2023 was $158.6 million, a $19.3 million increase from $139.3 million as consumer demand for our products increased and channel inventory levels stabilized led by console gaming headsets and flight simulation products.

For the nine months ended September 30, 2023, gross margin increased to 27.6% from 20.9%, or 24.8% excluding $5.3 million of excess components and product inventory impairment charges, in the comparable prior year period as a result of lower freight and logistics costs as the elevated freight rates caused by the pandemic normalized.

Operating Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Selling and marketing	$ 10,583	$ 10,550	$ 30,457	$ 32,966
Research and development	4,380	4,400	12,670	14,788
General and administrative	5,243	6,006	25,375	24,773
Total operating expenses	$ 20,206	$ 20,956	$ 68,502	$ 72,527

Selling and Marketing

Selling and marketing expenses for the three and nine months ended September 30, 2023 totaled $10.6 million and $30.5 million, respectively, compared to $10.6 million and $33.0 million for the three and nine months ended September 30, 2022, respectively, due to alignment of marketing to support demand and product launches.

Research and Development

Research and development costs for the three and nine months ended September 30, 2023 were $4.4 million and $12.7 million, respectively, compared to $4.4 million and $14.8 million for the three and nine months ended September 30, 2022, respectively, due to expense management initiatives during the prior year to align headcount with new product and portfolio expansion strategies.

General and Administrative

General and administrative expenses for the three months ended September 30, 2023 totaled $5.2 million compared to $6.0 million for the three months ended September 30, 2022 as a result of lower corporate legal costs and non-cash stock-based compensation.

General and administrative expenses for the nine months ended September 30, 2023 totaled $25.4 million compared to $24.8 million for the nine months ended September 30, 2022. Excluding certain non-recurring executive compensation, proxy contest and shareholders' litigation costs, expenses decreased $2.3 million primarily due lower non-cash stock-based compensation, employee expenses and certain corporate legal costs, partially offset by higher professional services costs.

Income Taxes

Income tax benefit for the nine months ended September 30, 2023 was $0.4 million at an effective tax rate of (1.5%) compared to income tax benefit for the nine months ended September 30, 2022 of ($11.8) million at an effective tax rate of 24.5%. The effective tax rate for the nine months ended September 30, 2023 was primarily impacted by the change in U.S. valuation allowance, foreign taxes, state tax and interest on uncertain tax positions.

Key Performance Indicators and Non-GAAP Measures

Management routinely reviews key performance indicators, including revenue, operating income and margins, and earnings per share, among others. In addition, we believe certain other measures provide useful information to management and investors about us and our financial condition and results of operations for the following reasons: (i) they are measures used by our Board of Directors and management team to evaluate our operating performance; (ii) they are measures used by our management team to make day-to-day operating decisions; (iii) the adjustments made are often viewed as either non-recurring or not reflective of ongoing financial performance and/or have no cash impact on operations; and (iv) the measures are used by securities analysts, investors and other interested parties as a common operating performance measure to compare results across companies in our industry by adjusting for potential differences caused by variations in capital structures (affecting relative interest expense), and the age and book value of facilities and equipment (affecting relative depreciation and amortization expense). These other metrics, however, are not measures of financial performance under accounting principles generally accepted in the United States of America (“GAAP”) and given the limitations of these metrics as analytical tools, should not be considered a substitute for gross profit, gross margins, net income (loss) or other consolidated income statement data as determined in accordance with GAAP.

We believe that the presentation of Adjusted EBITDA, defined 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, is appropriate to provide additional information to investors about our operating profitability adjusted for certain non-cash items, non-routine items that we do not expect to continue at the same level in the future, as well as other items that are not core to our operations. Further, we believe Adjusted

EBITDA provides a meaningful measure of operating profitability because we use it for evaluating our business performance, making budgeting decisions, and comparing our performance against that of other peer companies using similar measures. However, Adjusted EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States of America ("GAAP") and, given the limitations of these metrics as analytical tools, should not be considered a substitute for gross profit, gross margins, net income (loss) or other consolidated income statement data as determined in accordance with GAAP.

Adjusted EBITDA (and a reconciliation to Net income (loss), the nearest GAAP financial measure) for the three and nine months ended September 30, 2023 and September 30, 2022, are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Net loss	$ (3,606)	$ (12,011)	$ (26,231)	$ (36,313)
Interest expense (income)	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	$ 1,037	$ (6,948)	$ (6,883)	$ (24,762)

(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 charge related to the 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 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.

Comparison of the Three Months Ended September 30, 2023 to the Three Months Ended September 30, 2022

Adjusted EBITDA for the three months ended September 30, 2023 was $1.0 million, compared to $(6.9) million for the prior year, due to higher revenue and improved margins that were positively impacted by less promotional activity, lower freight costs and operating expense control actions.

Liquidity and Capital Resources

Our primary sources of working capital are cash flows from operations and availability under our revolving credit facility. We have funded operations and acquisitions in recent periods with operating cash flows and borrowings under our revolving credit facility.

The following table summarizes our sources and uses of cash:

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	(in thousands)	
Cash and cash equivalents at beginning of period	$ 11,396	$ 37,720
Net cash provided by (used for) operating activities	7,944	(69,522)
Net cash used for investing activities	(1,924)	(1,895)
Net cash provided by (used for) financing activities	(5,128)	45,244
Effect of foreign exchange on cash	52	(1,042)
Cash and cash equivalents at end of period	$ 12,340	$ 10,505

Operating activities

Cash provided by operating activities for the nine months ended September 30, 2023 was $7.9 million, an increase of $77.5 million as compared to cash used for operating activities of $69.5 million for the nine months ended September 30, 2022. The increase is primarily the result of lower working capital driven by reductions in inventory levels, higher gross receipts and expense management initiatives.

Investing activities

Cash used for investing activities was $1.9 million for the nine months ended September 30, 2023, which was related to certain capital investments, compared to $1.9 million for the nine months ended September 30, 2022.

Financing activities

Net cash used for financing activities was $5.1 million during the nine months ended September 30, 2023 compared to net cash provided by financing activities of $45.2 million during the nine months ended September 30, 2022. Financing activities during the nine months ended September 30, 2023 consisted primarily of $5.8 million revolving credit facility net repayments and $1.0 million of common stock repurchases, partially offset by $1.7 million of stock option exercise proceeds.

Management assessment of liquidity

Management believes that our current cash and cash equivalents, the amounts available under our revolving credit facility and cash flows derived from operations will be sufficient to meet anticipated short-term and long-term funding for working capital and capital expenditures including amounts to develop new products, fund future stock repurchases and to pursue strategic opportunities. Significant assumptions underlie this belief, including, among other things, that there will be no material adverse developments in our business, liquidity or capital requirements.

In addition, the Company monitors the capital markets on an ongoing basis and may consider raising capital if favorable market conditions develop.

Foreign cash balances at September 30, 2023 and December 31, 2022 were $3.2 million and $6.5 million, respectively.

Revolving Credit Facility

On March 5, 2018, Turtle Beach and certain of its subsidiaries entered into an amended and restated loan, guaranty and security agreement (the “Credit Facility”) with Bank of America, N.A. (“Bank of America”), as administrative agent, collateral agent and security trustee for Lenders (as defined therein), which replaced the then existing asset-based revolving loan agreement. The Credit Facility was amended on each of December 17, 2018, May 31, 2019, and March 10, 2023. The Credit Facility, as amended, expires on April 1, 2025 and provides for a line of credit of up to $80 million inclusive of a sub-facility limit of $15 million for TB Europe, a wholly-owned subsidiary of Turtle Beach. In addition, the Credit Facility provides for a $40 million accordion feature.

On March 10, 2023, the Company entered into a Third Amendment to Amended and Restated Loan, Guaranty and Security Agreement (the “Third Amendment”), by and among the Company, VTB, TBC Holding Company LLC, TB Europe, VTBH, the financial institutions party thereto from time to time and Bank of America, as administrative agent, collateral agent and security trustee for the lenders.

The Third Amendment provides for, among other things: (i) extending the maturity date of the Credit Facility from March 5, 2024 to April 1, 2025; (ii) updating the interest rate and margin terms; (iii) removing the FILO Loan facility; (iv) updating the sub-facility limit for TB Europe to $15 million; (v) increasing our undrawn commitment fee by 0.125%; and (vi) transitioning the reference interest rates from LIBOR to BSBY, SONIA and EUIBOR, as applicable.

The maximum credit availability for loans and letters of credit under the Credit Facility is governed by a borrowing base determined by the application of specified percentages to certain eligible assets, primarily eligible trade accounts receivable and inventories, and is subject to discretionary reserves and revaluation adjustments. The Credit Facility may be used for working capital, the issuance of bank guarantees, letters of credit and other corporate purposes.

Amounts outstanding under the Credit Facility bear interest at a rate equal to (i) a rate published by Bank of America or the U.S. Bloomberg Short-Term Bank Yield Index ("BSBY") rate for loans denominated in U.S. Dollars, (ii) the Sterling Overnight Index Average Reference Rate ("SONIA") for loans denominated in Sterling, (iii) and the Euro Interbank Offered Rate ("EUIBOR") for loans denominated in Euros, plus in each case, an applicable margin, which is between 0.50% to 2.50% for base rate loans and UK base rate loans, and 1.50% to 3.50% for U.S. BSBY rate loans, U.S. BSBY daily floating rate loans and UK alternative currency loans. In addition, Turtle Beach is required to pay a commitment fee on the unused revolving loan commitment at a rate ranging from 0.375% to 0.50% and letter of credit fees and agent fees. As of September 30, 2023, interest rates for outstanding borrowings were 11.00% for base rate loans and 8.90% for LIBOR rate loans, which reference interest rates were still in effect prior to the Libor Transition Amendments.

The Company is subject to quarterly financial covenant testing if certain availability thresholds are not met or certain other events occur (as set forth in the Credit Facility). At such times, the Credit Facility requires the Company and its restricted subsidiaries to maintain a fixed charge coverage ratio of at least 1.00 to 1.00 as of the last day of each fiscal quarter.

The Credit Facility also contains affirmative and negative covenants that, subject to certain exceptions, limit our ability to take certain actions, including the Company's ability to incur debt, pay dividends and repurchase stock, make certain investments and other payments, enter into certain mergers and consolidations, engage in sale leaseback transactions and transactions with affiliates, and encumber and dispose of assets. Obligations under the Credit Facility are secured by a security interest and lien upon substantially all of the Company's assets.

Critical Accounting Estimates

Our discussion and analysis of our results of operations and capital resources are based on our consolidated financial statements, which have been prepared in conformity with GAAP. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. Management bases its estimates, assumptions and judgments on historical experience and on various other factors that it believes to be reasonable under the circumstances.

Different assumptions and judgments would change the estimates used in the preparation of the condensed consolidated financial statements, which, in turn, could change the results from those reported. Management evaluates its estimates, assumptions and judgments on an ongoing basis. For a discussion of the critical estimates that affect the condensed consolidated financial statements, see "Critical Accounting Estimates" included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report.

See Note 2, "Summary of Significant Accounting Policies," to the unaudited condensed consolidated financial statements contained herein for a complete discussion of recent accounting pronouncements. We are currently evaluating the impact of certain recently issued guidance on our financial condition and results of operations in future periods.

Item 3 - Qualitative and Quantitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. The Company's market risk exposure is primarily a result of fluctuations in interest rates, foreign currency exchange rates and inflation.

The Company has used derivative financial instruments, specifically foreign currency forward and option contracts, to manage exposure to foreign currency risks, by hedging a portion of its forecasted expenses denominated in British Pounds expected to occur within a year. The effect of exchange rate changes on foreign currency forward and option contracts is expected to offset the effect of exchange rate changes on the underlying hedged item. The Company does not use derivative financial instruments for speculative or trading purposes. As of September 30, 2023 and December 31, 2022, we did not have any derivative financial instruments.

Foreign Currency Exchange Risk

The Company has exchange rate exposure primarily with respect to the British Pound and Euro. As of September 30, 2023 and December 31, 2022, our monetary assets and liabilities that are subject to this exposure are immaterial, therefore the potential immediate loss to us that would result from a hypothetical 10% change in foreign currency exchange rates would not be expected to have a material impact on our earnings or cash flows. This sensitivity analysis assumes an unfavorable 10% fluctuation in the exchange rates affecting the foreign currencies in which monetary assets and liabilities are denominated and does not take into account the offsetting effect of such a change on our foreign currency denominated revenues.

Inflation Risk

The Company is exposed to market risk due to inflationary pressures, including higher labor-related costs, increases in the costs of the goods and services we purchase as part of the manufacture and distribution of our products, increased costs from supply chain and logistic headwinds and in our operations generally. Such inflationary pressures have been and could continue to be exacerbated by higher oil prices, geopolitical turmoil, and economic policy actions. Inflationary pressures can also have a negative impact on demand for the products we sell. Reduced or delayed discretionary spending by consumers in response to inflationary pressures has reduced consumer demand for our products, resulting in reduced sales. In 2022, we experienced a higher rate of inflation than in recent years resulting in higher cost of goods, selling expenses, and general and administrative expenses. Such increases have had and may continue to have a negative impact on the Company's profit margins if selling prices of products do not increase with the increased costs.

Item 4 - Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), are designed to ensure that (1) information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (2) that such information is accumulated and communicated to management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosures.

At the conclusion of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision of our Principal Executive Officer (or PEO) and our Principal Financial Officer (or PFO), of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our PEO and PFO concluded that our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, were effective as of September 30, 2023.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the period covered that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our process for evaluating controls and procedures is continuous and encompasses constant improvement of the design and effectiveness of established controls and procedures and the remediation of any deficiencies, which may be identified during this process.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II. OTHER INFORMATION

Item 1 - Legal Proceedings

Please refer to Note 12, “Commitments and Contingencies” in the notes to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated into this item by reference.

Item 1A - Risk Factors

Information regarding risk factors appears in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Item 2 - Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchase of Equity Securities

On April 9, 2019, the Company’s Board of Directors authorized a stock repurchase program to acquire up to $15.0 million of its common stock. Any repurchases under the program will be made from time to time on the open market at prevailing market prices. On April 1, 2021, the Board of Directors approved an extension and expansion of this stock repurchase program up to $25.0 million of its common shares, expiring April 9, 2023. On March 3, 2023, the Company’s Board of Directors approved a two-year extension of this stock repurchase plan.

	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Period				
July 1-31, 2023	—	$ —	—	—
August 1-31, 2023	—	$ —	—	—
September 1-30, 2023	—	$ —	—	$ 16,619,836
Total	—	$ —	—	

Item 5 - Other Information

During the three months ended September 30, 2023, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

3.1	Articles of Incorporation of Turtle Beach Corporation, as amended (Incorporated by reference to Exhibit 3.1 to Company's 10-Q filed August 6, 2018).
3.2	Bylaws, as amended, of Turtle Beach Corporation (Incorporated by reference to Exhibit 3.1 to the Company's 8-K filed June 20, 2019).
31.1 **	Certification of Cris Keirn, Principal Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 **	Certification of John T. Hanson, Principal Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 **	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Cris Keirn, Principal Executive Officer and John Hanson, Principal Financial Officer.
	Extensible Business Reporting Language (XBRL) Exhibits
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

** Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

			TURTLE BEACH CORPORATION
Date:	November 7, 2023	By:	/s/ JOHN T. HANSON
			John T. Hanson
			Chief Financial Officer and Treasurer
			(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Cris Keirn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Turtle Beach Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 7, 2023	By:	/s/ CRIS KEIRN
			Cris Keirn
			Interim Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, John T. Hanson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Turtle Beach Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date:	November 7, 2023	By:	/s/ JOHN T. HANSON
			John T. Hanson
			Chief Financial Officer and Treasurer

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his or her capacity as an officer of Turtle Beach Corporation (the "Company"), that, to his or her knowledge, the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2023, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date:	November 7, 2023	By:	/s/ CRIS KEIRN
			Cris Keirn
			Interim Chief Executive Officer
			(Principal Executive Officer)
Date:	November 7, 2023	By:	/s/ JOHN T. HANSON
			John T. Hanson
			Chief Financial Officer and Treasurer
			(Principal Financial Officer)