



Turtle Beach Corporation | NASDAQ: HEAR
Investor Presentation | May 2015



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Company Snapshot



Dominant gaming headset
brand in early stages of major industry
growth cycle



Innovative technology with viability in
commercial markets, strong intellectual property assets, and
pending launch of product
for \$5 billion hearing health category

Brand and Product Overview



Console Gaming Headsets



PC Gaming Headsets



Mobile Headsets

HIGHLIGHTS

- Leading gaming audio brand with dominant market share and large, loyal customer base
- At the front end of a console gaming cycle expected to fuel industry growth
- Company well positioned given advantages in products, retail distribution, and partnerships
- Additional growth opportunities in PC gaming headset category and international markets
- Roughly \$186m revenue business with projected EBITDA margins in the high single digit range



Commercial



Healthcare



Consumer



Licensing

HIGHLIGHTS

- Unique, breakthrough audio technology that allows directed placement of sound
- Patented technology with potential to penetrate multiple large audio markets
- Viability in commercial markets demonstrated via recent national retail chain deployment
- Preparing to launch product in 2015 into \$5b hearing health market
- Future opportunities in consumer markets and via licensing agreements

- Strong and growing patent portfolio with 44 issued and 87 pending patents
- Unique combination of strong existing audio business and disruptive new audio technology



Dominant Gaming Audio Provider

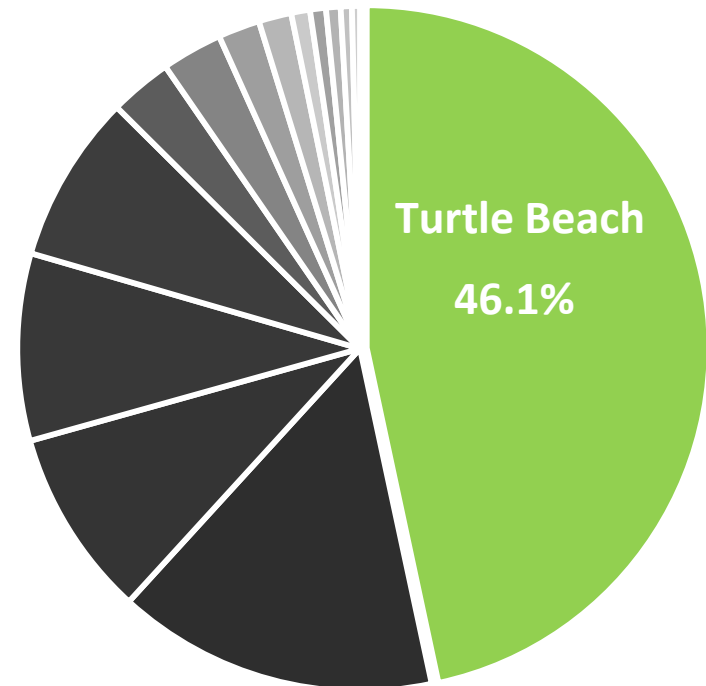


Overview

- **#1** gaming headset in 2014 by dollar share
46% of U.S. market
52% of U.K. market
- Broad portfolio of console headsets for **Xbox** and **PlayStation** platforms as well as growing offering of **PC** gaming headsets
- Headsets in **27K storefronts** in **44 countries** at year-end 2014
- **Brand on the rise**, with awareness among Xbox and PlayStation console gamers **increasing 40%** from 2012 to 2014
- Turtle Beach accounted for **six of the top 10 headsets sold in the U.S.** during 2014

Leading Market Share

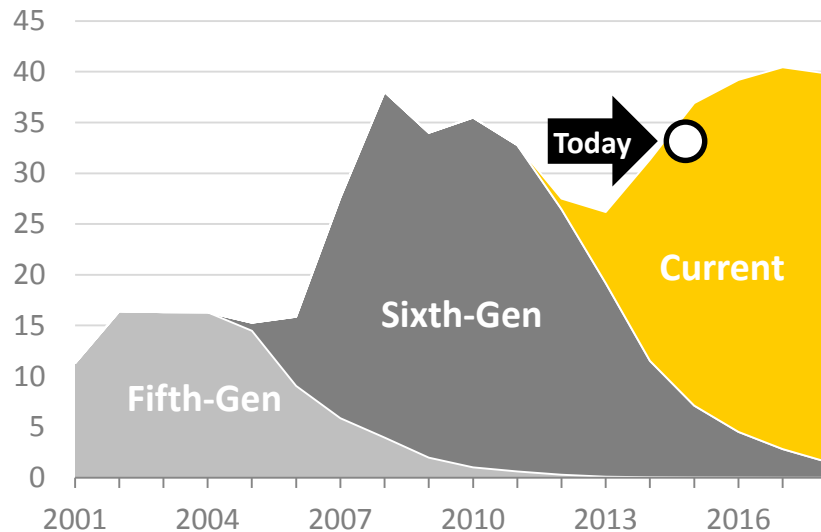
2014 U.S. Gaming Headset Dollar Market Share



Console Transition Expected To Drive Growth

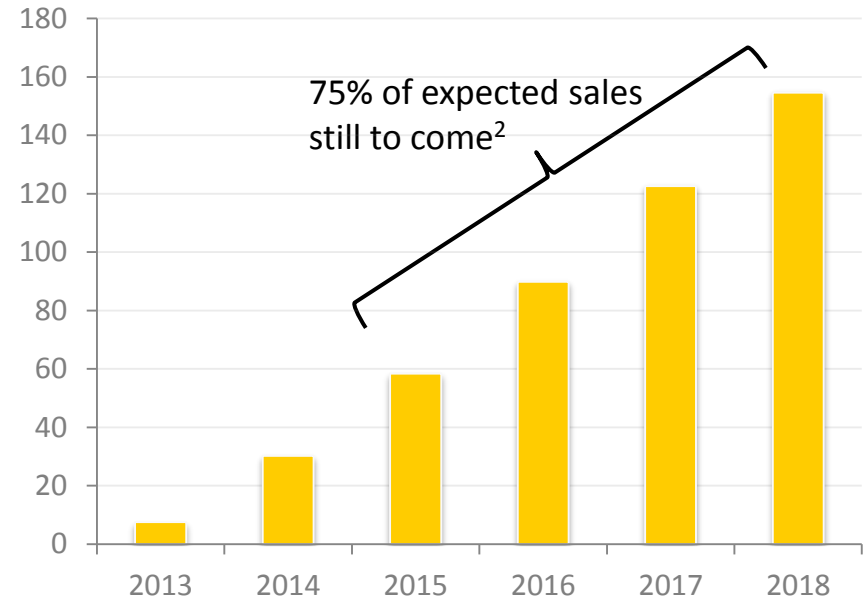


Global Console Hardware & Software Sales in Billions¹



- In each past transition, total industry revenue reached new highs within three years.
- Console hardware and software sales are forecasted to increase 58% to \$42 billion from 2013 to 2018.

Cumulative Xbox One and PS4 Sales in Millions

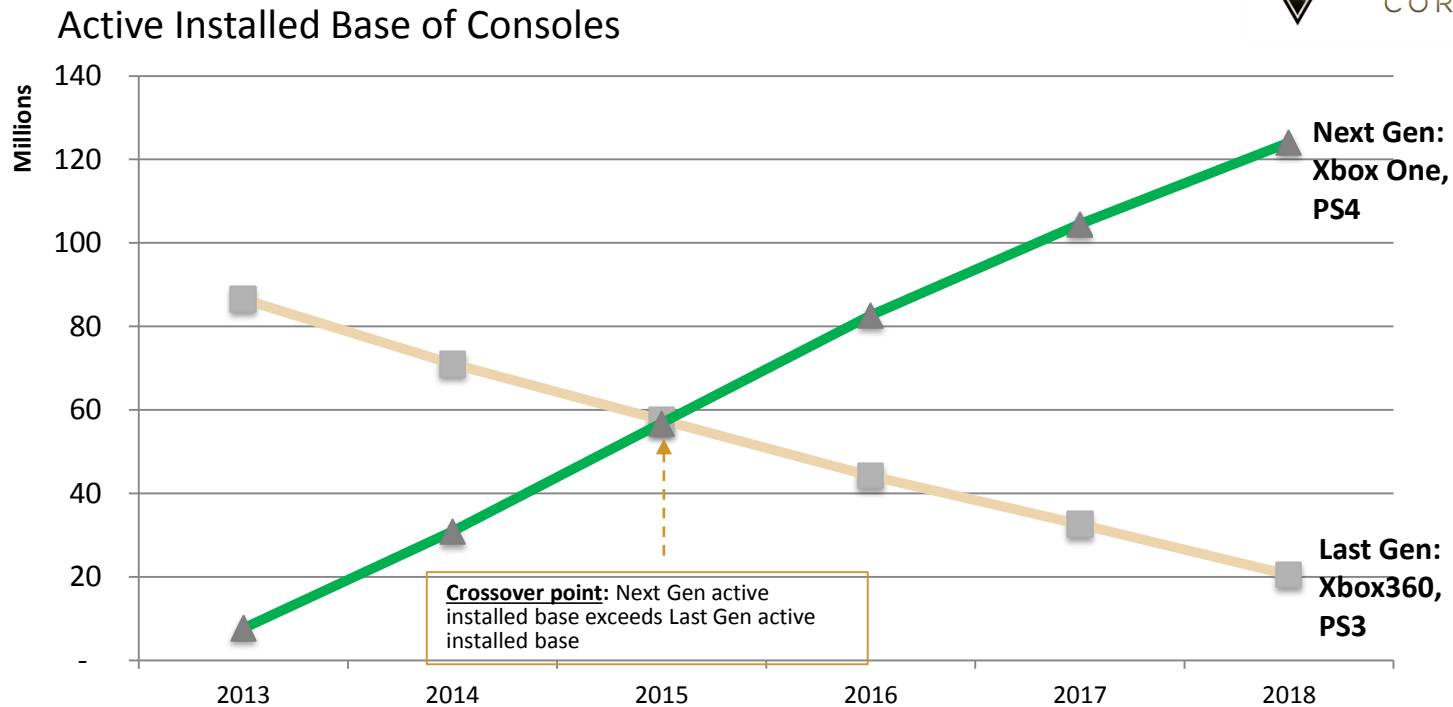


- Current cycle is off to a strong start with new platform sales more than 70% higher than same period in prior cycle.
- Cycle is less than 25% completed at the beginning of 2015 with 75% of expected installed base growth yet to come.

¹ DFC Intelligence Forecasts: Worldwide Console Forecast, October 2014.

² Percentage of total cumulative expected Xbox One and PS4 unit sales through 2018.

2015 Marks Expected Crossover Point



PROJECTED IMPACT OF CONSOLE TRANSITION ON HEADSETS

2013:

- Last Gen headset sales begin to slow
- Last Gen headset portfolio is reduced (fewer models)
- Next Gen console specs become available
- Specs timing limits Next Gen headset portfolio

2014:

- Last Gen headset sales continue to decline
- Sales of first models of Next Gen headsets ramp up
- Last Gen product portfolio further narrowed
- Next Gen headset portfolio increases (more models)

2015:

- Next Gen ramp begins to offset Last Gen decline
- Next Gen headset portfolio largely complete

2016-2017:

- Next Gen headset sales exceed Last Gen sales
- 2nd round of Next Gen Headsets launched, increasing expected sales

2018:

- Next Gen installed base peaks after rapid growth
- Normal industry growth trend expected after 2018

Turtle Beach Has Differentiating Technology



Advanced Chat

A suite of chat technology including noise gate, chat boost, variable microphone monitor



Digital Signal Processing (DSP)

Advanced DSP for game audio and chat presets that can be customized using a new mobile app



Bluetooth

Dual-pairing Bluetooth in most wireless headsets for wireless chat, mobile gaming, audio calls and music streaming



Active Noise Cancellation

The first gaming headset to use noise cancellation for both inbound audio and outbound chat



DTS Headphone:X

The first gaming headsets with DTS 7.1 surround sound to provide incredibly accurate and immersive directional sound



Superhuman Hearing

Provides a competitive advantage by making important, quiet sounds louder and easier to hear



Leading Products for Both New Platforms



PS4™

Red = First and Only Innovations

XBOX ONE



- Elite 800**
Flagship Wireless Surround
- Active Noise Cancellation
 - DTS 7.1 Headphone:X
 - Charging Stand & TX
 - Introduced October 2014



- Stealth 500P**
Wireless Surround
- DTS 7.1 Headphone:X
 - DTS Surround Modes
 - EQ Presets
 - Introduced October 2014



- Stealth 400**
Wireless Stereo
- Digital Stereo Sound
 - Universal PS4 Compatibility
 - EQ Presets
 - Introduced October 2014



- P12**
Wired Stereo
- Single USB Connection
 - In-Line Amplifier
 - Mic Monitoring
 - Introduced July 2014



- Elite 800X**
Flagship Wireless Surround
- Active Noise Cancellation
 - Bluetooth Equipped
 - DTS 7.1 Headphone:X
 - Charging Stand & TX
 - Coming May 22, 2015



- Stealth 500X**
Wireless Surround
- First true wireless XB1
 - DTS 7.1 Headphone:X
 - Genre-Specific Presets
 - Introduced October 2014



- XO SEVEN Pro**
Wired to Controller
- Superhuman Hearing™
 - Mic Monitoring
 - Game/Mic Presets
 - Introduced Dec. 2014



- XO FOUR Stealth**
Wired to Controller
- Mic Monitoring
 - Variable Bass Boost
 - Introduced Dec. 2014



- XO One**
Wired to Controller
- Mic Monitoring
 - Variable Bass Boost
 - Introduced October 2014

Exceptionally Strong Retail Distribution

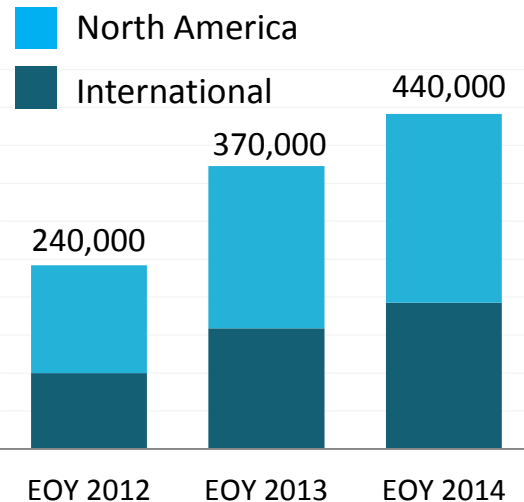


Points of Distribution

Over **440,000** points of distribution (POD)

- **3x increase in North America** since 2011
- **7x increase in International** since 2011
- Added **Chinese distribution**

Points of Distribution



Retailers

Strong retail relationships

U.S. and Canada



U.K. and Europe



Asia



Latin America



Interactive Kiosks

~18,000 interactive kiosks

- Interactive retail displays allow consumers to **sample headsets** in store
- Kiosks drive a meaningful **increase in sell-through** following deployment



Unparalleled Strategic Relationships



Consoles

The only gaming headset brand that is officially licensed for all three major gaming consoles



Software and Entertainment

Partnerships with some of the world's leading entertainment brands



Gaming and Streaming

Official audio partner of the world's largest professional gaming league and most popular game streaming site



Growth Opportunities in PC and International



PC Gaming Headsets

Growing market opportunity

- Expanded PC gaming headset portfolio, launching eight new SKUs in 2014
- 2014 U.S. PC gaming headset market grew 25% to \$59 million over 2013²
- Turtle Beach PC gaming headset retail sell-through increased 32% in the U.S. in 2014 over 2013²
- Significant international opportunity as PC gaming is more popular than console gaming in several European and Asian markets
- Introducing PC gaming accessories, including keyboards, mice and mousepads



International Markets

International markets

- More sales of next-gen consoles are occurring outside the U.S. than during previous generations
- Solid growth in Europe during 2014 led by the UK plus strong share gains in Germany & France
- Turtle Beach has more than doubled the number of countries with retail distribution since 2011, increasing from 22 to 49 over four years

China represents long-term growth opportunity for both console and PC gaming headset business

- 227 million gamers in China; 65 million hard core
- Turtle Beach first-to-market with Xbox One gaming headsets in China
- PC gaming headset sales in China are forecasted to reach \$55 million in 2014 and \$200 million by 2016³

1. Source: DFC Intelligence Forecasts: Worldwide Console Forecast, February 2014

2. Source: The NPD Group, Inc.

3. Source: DFC Intelligence Forecasts

 **HYPERSOUND®**

Innovative HyperSound Technology



New Sound Delivery Mechanism

- Fundamentally new approach to audio
- Thin panels generate an ultrasound beam
- Audio is injected into the beam
- Sound is contained to the air within the ultrasound beam

HyperSound



Standard Speaker



Innovations

Patent-protected innovations provide a competitive advantage over other solutions in the marketplace.

- Digital signal processing has **significantly improved audio quality** and **frequency response**
- Electronics advancements have enabled the use of **low voltage cables** and **lower overall power consumption**
- Innovations in emitter panel design have improved the ratio of audio volume to panel size, allowing for the production of **smaller, louder emitter panels**
- Advances in emitter manufacturing process now allow for **cost effective mass production**

Significant Hearing Health Opportunity



BENEFIT

HyperSound audio systems improve listening experiences for individuals with hearing loss

MARKET OPPORTUNITY

- Targeting living room TV / audio solution to improve speech comprehension, intelligibility and enhance listening experience
- Large, addressable markets
 - 360M worldwide and 48M in the U.S. with hearing loss¹
 - 35% to 40% of population over 65 suffer from hearing loss¹
 - \$5B Global hearing-aid market, with ~13M hearing-aid units sold annually

STATUS

- Received FDA 510(k) clearance for HyperSound Audio System in February 2014
- Hired hearing aid industry veteran Rodney Schutt as SVP and General Manager of HyperSound business in 2014
- Products in development and expected to ship in 2015



1. Johns Hopkins School of Medicine, November 2011.

Multiple Commercial Market Opportunities



BENEFIT

HyperSound's ability to place sound in a specific location makes it ideal for many commercial uses

MARKET OPPORTUNITY

- Pre-defined sound zones for in-store promotional, informational and way-finding messages
- Audio for interactive kiosks and displays
 - 20M digital signs currently in use in North America¹
 - 34M ATMs, vending machines and self-service kiosks in North America by 2015²
 - 2.5M self-service kiosks by 2015²
 - 120,000 fast food restaurants in the U.S.³
 - 900 casinos and 850,000 electronic gaming machines in the U.S.⁴

STATUS

- In November 2014 achieved first wide-scale deployment of HyperSound® virtual reality audio zones in Activision Call of Duty®: Advanced Warfare retail displays in approximately 1,000 Best Buy locations in North America
- Pursuing multiple showcase installations at brand-name retailers



1. BUNN Research, January 2014.
2. Self-Service Markets: ATMs, Kiosks, Vending Machines, BCC Research, March 2011.
3. QSR, August 2013.
4. 2013 Survey of Casino Entertainment, American Gaming Association, October 2013.

Future Opportunities



Consumer

BENEFIT: HyperSound technology allows for immersive, directed 3D audio in a wide variety of consumer electronics applications

MARKET OPPORTUNITY

- Home theater systems
- Entertainment and gaming soundbars
- Computer speakers

STATUS

- Pursuing consumer product development in 2016 and beyond



Licensing

BENEFIT: HyperSound can be integrated into a wide variety of commercial and consumer products

MARKET OPPORTUNITY

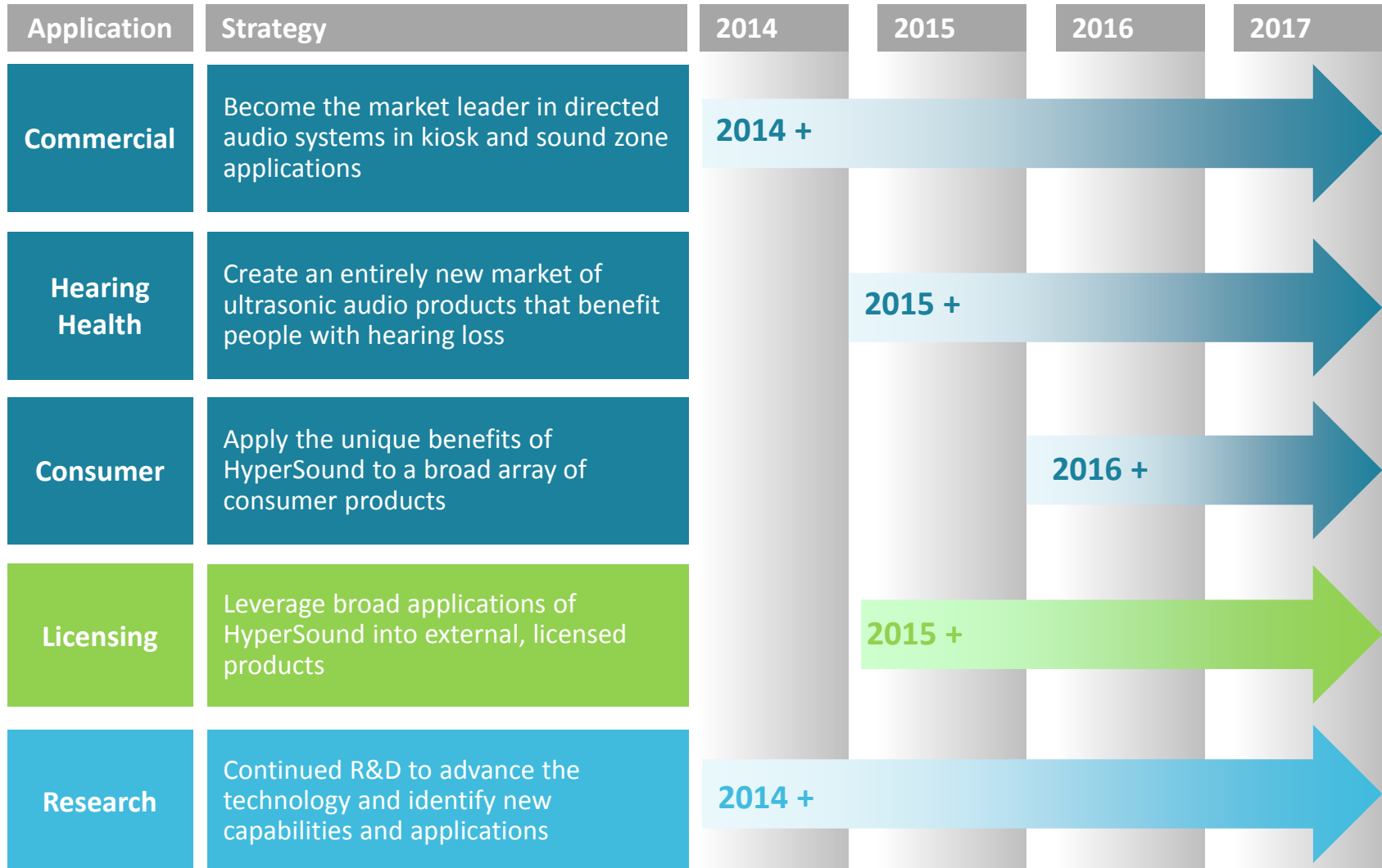
- Automotive and other transportation markets
- Government and military applications
- Displays and televisions
- Others?

STATUS

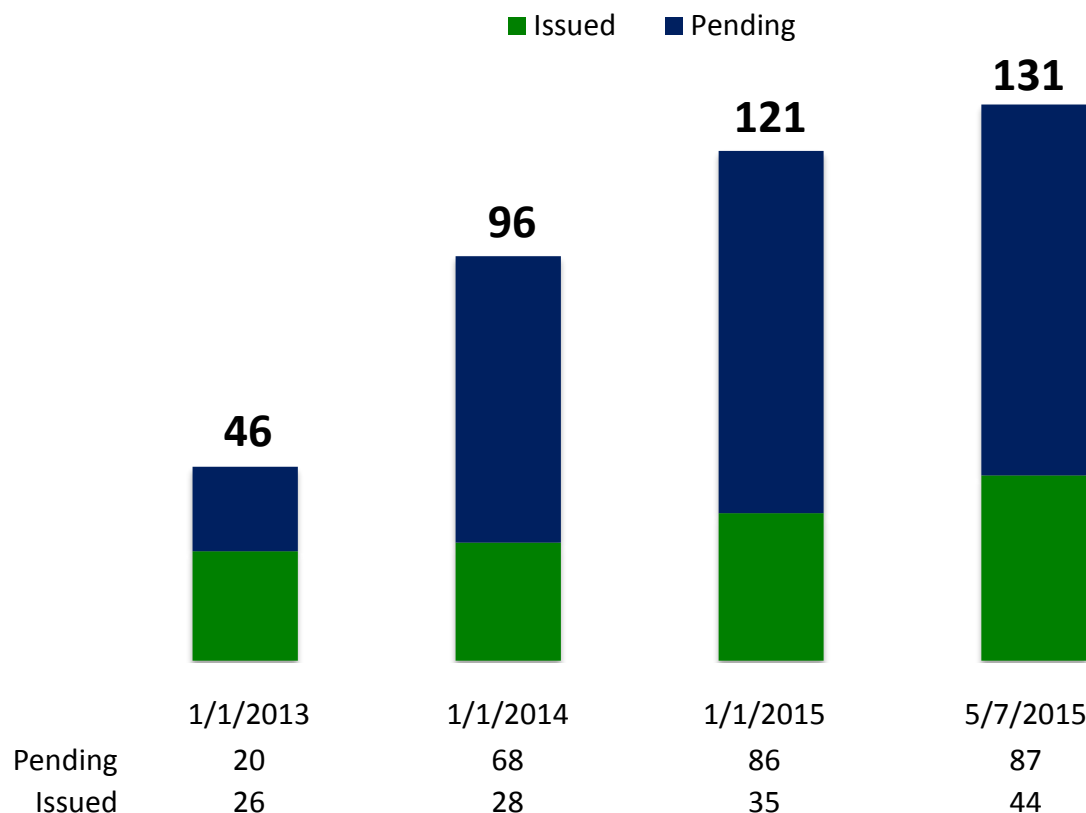
- Actively engaged in initial licensing discussions to incorporate HyperSound technology



Steady Stream of HyperSound Opportunities



Strong and Rapidly Growing Portfolio of Patents



Headset innovations on:

- Audio processing
- Gaming specific features

HyperSound innovations on:

- Emitter construction
- Ultrasound and emitter electronics
- Digital signal processing techniques
- Market uses of ultrasound audio

2014 Performance Against Milestones



2014

- ✓ Launch broad portfolio of innovative next generation console headsets
- ✓ Strengthen retail relationships and improve in-store experience
- ✓ Improve PC gaming headset offering and introduce accessories
- ✓ Grow market share in non-core markets
- ✓ Achieve large scale retail deployment of HyperSound® commercial product
- ✓ Complete transition to a public company

2015

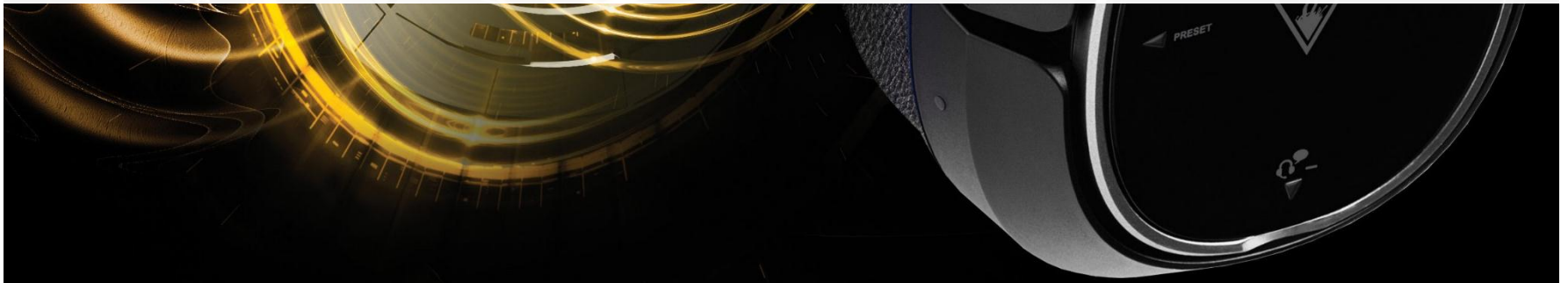
- ✓ Further strengthen executive leadership team
- Improve operating efficiency to drive higher headset net margins
- Launch HyperSound® healthcare products
- Expand new generation console headset portfolio
- Increase share of PC gaming headsets and grow newly established China market
- Expand HyperSound Commercial business

2016

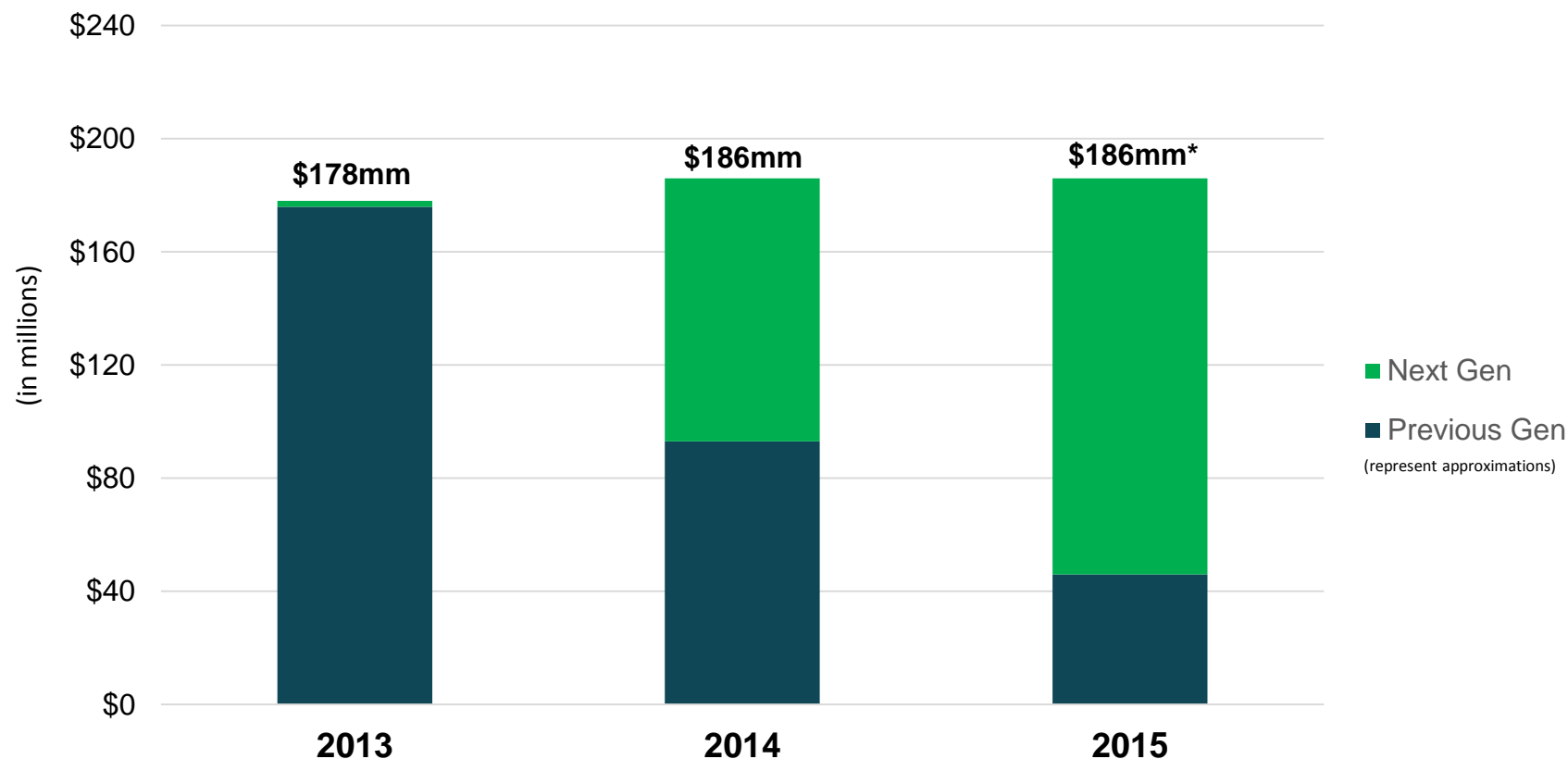
- Continue growth of console and PC gaming headsets
- Accelerate growth of HyperSound® healthcare and commercial businesses
- Develop HyperSound consumer products
- Strategic Acquisitions



Financial Summary



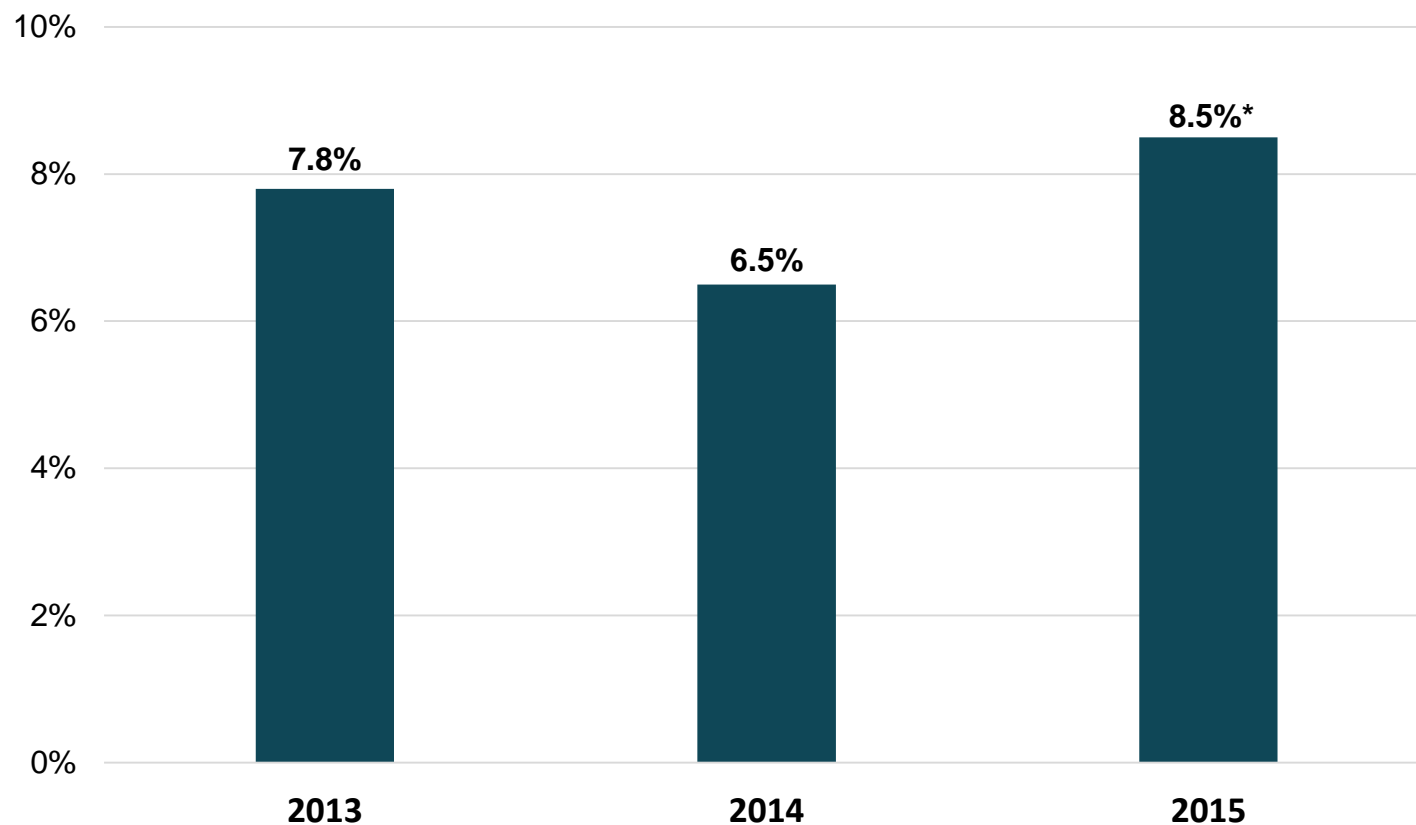
Headset Revenue Growth



- 2013 highly disrupted by start of console transition cycle and delay in Xbox One headsets to March 2014
- Multiple industry headwinds in 2014 including rapid decline in previous gen user base, greater availability of Xbox One standalone adapter, and deep competitor discounting
- Turtle Beach headset revenue grew 4% in 2014 despite challenging overall headset market conditions
- Strong international growth in 2014 with market share gains in UK, Germany and France

*Represents guidance for flat revenue growth year-over-year

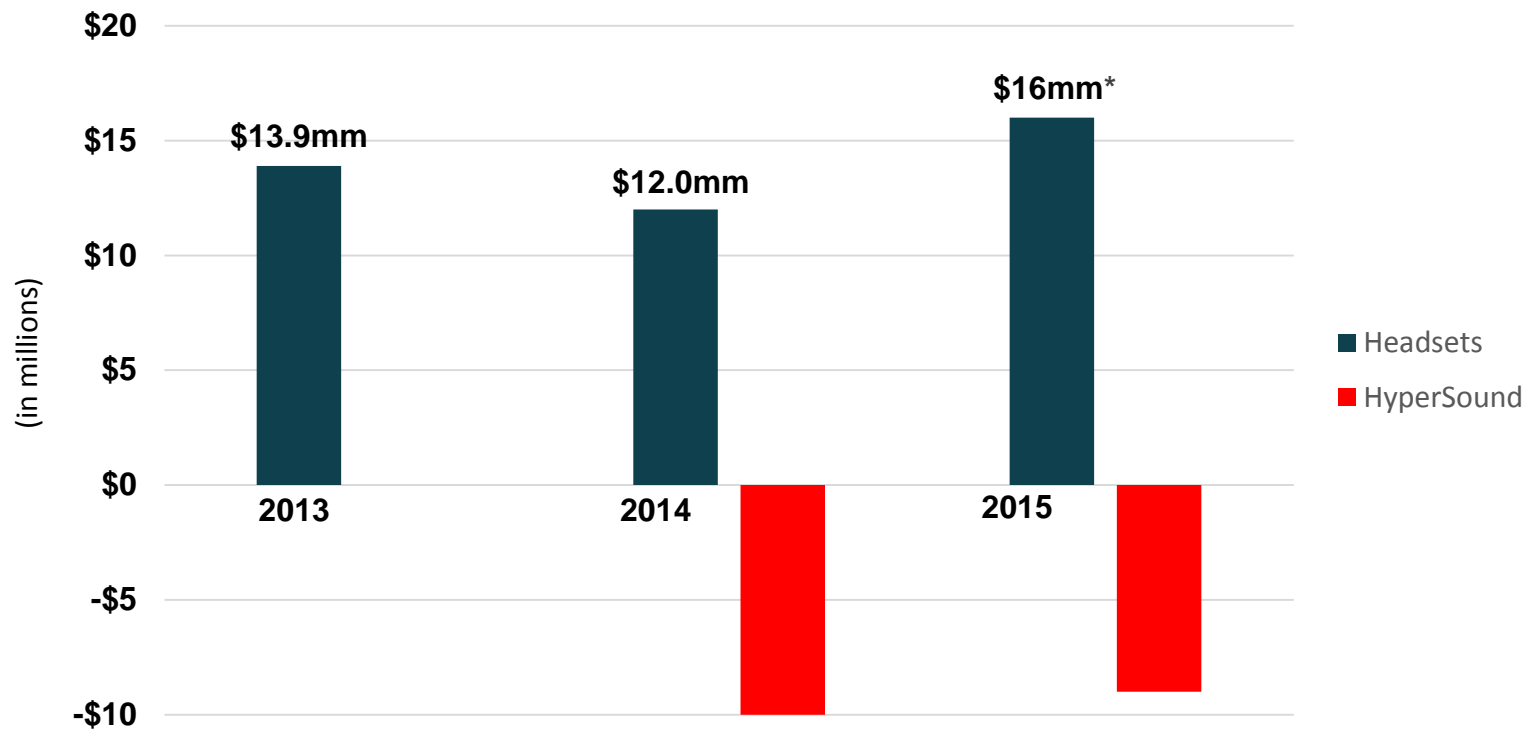
Headset Revenue EBITDA Margin



- 2014 results include \$5.5 million of extraordinary expenses related to Microsoft adapter, West Coast port delay related shipping costs and a write-off of several legacy contracts
- Headset EBITDA margins improving on higher gross margins driven by product mix and lower input costs
- Targeting long-term EBITDA margins in the low double digit range

*Represents mid point of guidance range

Total Company Adjusted EBITDA



- Reinvesting a portion of headset cash flow to fund development and launch of HyperSound product portfolio
- Majority of HyperSound investment around research & development and personnel
- Approximately \$10 million invested in 2014 and projecting a net investment of approximately \$9 million in 2015
- Expect net investment in HyperSound to meaningfully decrease beginning in 2016

*Represents mid-point of guidance range

Key Financial Takeaways



Headsets

- Headset revenue growth to accelerate post next generation / previous generation crossover point
- Supply chain investments will benefit future headset profitability
- Modest operating expense increase with certain expenditures being redirected into more consumer facing programs

HyperSound

- HyperSound hearing product scheduled to launch in fourth quarter with modest revenue contribution in 2015
- Gross margins targeted at 50% or better
- Net investment spend not to exceed \$9 million on an adjusted EBITDA level in 2015 compared with \$10 million in 2014

Financial Summary: Balance Sheet



	As of 3/31/14		As of 3/31/15
Liquidity			
Cash & Equivalents	\$5.5mm	➔	\$2.1mm
Borrowings Available	\$0.0		\$1.5mm
Debt	\$52.2mm	➔	\$23.2mm
Revolver	\$34.5M	➔	\$15.5mm
Term Loan	\$0.0M	➔	\$7.7mm
Subordinated Notes ⁽¹⁾	\$17.7M	➔	\$0.0

Highlights:

- Signed new global \$60M working capital line with Bank of America on March 31, 2014
- Raised net proceeds of \$35.6 million through common stock offering in April 2014
- Replaced remaining ~\$7.5 million of subordinated notes with lower cost financing in December 2014
- Outstanding debt decreased 55% or \$30.0 million to \$23.2 million at 3/31/15
- Issued a \$5 million subordinated note on 4/24/15⁽¹⁾

Financial Context

[illegible]

(1): "EOL" = end of life, which requires discounting, inventory management, and typically write-offs and scrap, which impact gross and net margins.

(2): New portfolio for next generation has to be developed and launched, which impacts R&D, marketing, and sales spending.

(3): Delayed Xbox One cost company incremental \$2.5m in Q1-Q2; technology delays compounded by West Coast port issues in Q3-Q4 resulted in \$3m of added, non-recurring costs.

(4): Reurb partner changed to new partner with better long term economics at one-time cost of ~\$300 thousand.

(5): All remaining unprofitable license product deals exited or not renewed at incremental cost (non-cash) of \$1.5m in Q4 2014 and \$1.4m in Q1 2015.

(6): Exit of one partner and transition/bring up of Foxconn to reduce COGS and shorten lead-times at incremental cost of ~\$2.4m and incremental inventory buffer requirement of ~\$9m.

Financial Context



2012				2013				2014				2015			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
														<div>Turtle Beach Balance Sheet</div> <div>Balance sheet restructuring (7).</div> <div>Intermixed \$45m term loan and \$55m working capital line via 9 bank consortium.</div> <div>Above replaced with \$60m working capital and \$17m temporary sub-debt.</div> <div>\$35m equity raise completed to replenish portion of working capital.</div> <div>\$10m temporary sub-debt paid off.</div> <div>Remaining \$7m temporary sub-debt paid off.</div> <div>Close new term loan.</div>	

Investment Summary



Audio technology company with strong existing audio business in gaming headsets combined with innovative new HyperSound audio technology

Multiple near and long-term growth opportunities

- Dominant console gaming headset brand in early stages of once-in-a-decade industry growth cycle
- Significant market share opportunities in PC gaming headsets and international markets
- Growth opportunities from HyperSound technology in commercial markets and with 2015 entry into \$5 billion hearing health category



Margin and EBITDA Expansion Potential

- Growing portfolio of new generation headsets and increased contribution from HyperSound to drive gross margin improvement
- Positioned to leverage operating cost structure on revenue growth
- Strong cash flows to fund business expansion



Appendix

Management Team



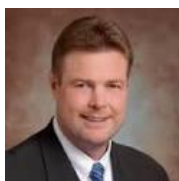
Juergen Stark
Chief Executive Officer

- COO of Motorola Mobility's mobile business
- 10 years as Principal at McKinsey & Company, Inc.



John Hanson
Chief Financial Officer

- EVP and CFO at Dialogic, Inc.
- CFO at One Communications Corp.



Rodney Schutt
SVP, GM of HyperSound

- 20+ years of experience in the hearing health and medical device industries
- Former CEO of leading hearing aid companies Unitron Hearing, Luminetx and Widex



Richard Kuvalik
Chief Technology Officer

- More than 15 years in consumer audio
- Led peripheral products for PlayStation at Sony



Rob Andris
SVP, Global Supply Chain & Ops.

- 20 years in supply chain management
- VP, Global Supply Chain Operations with Hewlett Packard



Daniel Lee
SVP of Marketing & Product Management

- 20+ years of consumer industry experience
- Harman, LG Electronics and Hitachi



Yuka Yu
SVP of Global Consumer Sales

- 17 years of consumer electronics industry experience at Sony
- Multiple executive leadership roles at Sony



Megan Wynne
VP Legal & Licensing

- 5 years with I-Flow, LLC a Kimberly-Clark Health Care Company
- 13 years with Morris Polich & Purdy LLP law firm



Woody Norris
Chief Scientist

- Noted life-long inventor and entrepreneur
- Lemelson-MIT Prize for the invention of HyperSound

Board of Directors



Ron Doornink
Chairman

- Former Chairman and CEO of Activision Publishing (NASDAQ: ATVI)
- Operating partner of Stripes Group, LLC
- Founder and principal of Erasmus Equity Investments



Juergen Stark
CEO and Director

- COO of Motorola Mobility's mobile business
- 10 years as Principal at McKinsey & Company, Inc.
- MBA, Harvard Business School; B.S. Aerospace, University of Michigan



Ken Fox
Director

- Managing partner of Stripes Group, LLC
- Former Managing Director and co-founder of Internet Capital Group (NASDAQ: ICGE)
- Co-founder of A-10 Capital and Sentinel Fund



William Keitel
Director

- Former CFO of Qualcomm Incorporated (NASDAQ: QCOM)
- During his time at the company grew revenues from approximately \$800 Million to approximately \$25 Billion
- Held senior financial roles at Nortel (OTC: NRTLQ) and Pepsico (NYSE: PEP)



Laureen DeBuono
Director

- Partner at leading CFO consulting services firm FLG Partners, LLC
- Former President and CEO of Coapt Systems, Inc.
- Former COO and CFO of hearing aid manufacturer ReSound Corp.



Dr. Andrew Wolfe, PhD
Director

- Founder and principal of Wolfe Consulting
- Former Chief Technology Officer for SONICblue, Inc.
- B.S.E.E. in Electrical Engineering and Computer Science, John Hopkins; Ph.D. in Computer Engineering Carnegie Mellon

GAAP to Adjusted EBITDA Reconciliation



Year Ended
December 31, 2014

	As Reported	Adj Depreciation	Adj Amortization	Adj Stock Compensation	Other (1)	Adj EBITDA
Net Revenue	\$ 186,176	\$ —	\$ —	\$ —	\$ —	\$ 186,176
Cost of Revenue	135,509	(227)	(104)	(310)	—	134,868
Gross Profit	50,667	227	104	310	—	51,308
Operating Expense	64,492	(5,573)	(962)	(4,884)	(4,491)	48,582
Operating income (loss)	(13,825)	5,800	1,066	5,194	4,491	2,726
Interest expense	7,209					
Other non-operating expense, net	724					724
Loss before income tax benefit	(21,758)					
Income tax benefit	(6,272)					
Net loss	\$ (15,486)					
					Adjusted EBITDA	\$ 2,002

(1) Other includes Business transaction costs of \$3,744 and Restructuring charges of \$747

GAAP to Adjusted EBITDA Reconciliation



	Year Ended December 31, 2013					
	As Reported	Adj Depreciation	Adj Amortization	Adj Stock Compensation	Other (2)	Adj EBITDA
Net Revenue	\$ 178,470	\$ —	\$ —	\$ —	\$ —	\$ 178,470
Cost of Revenue	128,141	(183)	—	(60)	—	127,898
Gross Profit	50,329	183	—	60	—	50,572
Operating Expense	48,731	(4,239)	(923)	(2,503)	(4,391)	36,675
Operating income	1,598	4,422	923	2,563	4,391	13,897
Interest expense	6,626					
Other non-operating expense, net	45					45
Loss before income tax expense	(5,073)					
Income tax expense	1,090					
Net loss	\$ (6,163)					
					Adjusted EBITDA	\$ 13,852

(2) Other includes Business transaction costs of \$3,864 and Payments to founders of \$527.

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www.hypersound.com