



**TURTLE
BEACH**[®]
CORPORATION

**SECOND QUARTER 2022
EARNINGS PRESENTATION**
NASDAQ: HEAR
AUGUST 8, 2022



SAFE HARBOR STATEMENT

Forward-Looking Information

This presentation includes forward-looking information and statements within the meaning of the federal securities laws. Except for historical information contained in this release, statements in this release may constitute forward-looking statements regarding assumptions, projections, expectations, targets, intentions or beliefs about future events. Statements containing the words “may”, “could”, “would”, “should”, “believe”, “expect”, “anticipate”, “plan”, “estimate”, “target”, “goal”, “project”, “intend” and similar expressions, or the negatives thereof, constitute forward-looking statements. Forward-looking statements involve known and unknown risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. Forward-looking statements are based on management’s current beliefs and expectations, as well as assumptions made by, and information currently available to, management. While the Company believes that its expectations are based upon reasonable assumptions, there can be no assurances that its goals and strategy will be realized. Numerous factors, including risks and uncertainties, may affect actual results and may cause results to differ materially from those expressed in forward-looking statements made by the Company or on its behalf. Some of these factors include, but are not limited to, risks related to logistic and supply chain challenges, the substantial uncertainties inherent in the acceptance of existing and future products, the difficulty of commercializing and protecting new technology, the impact of competitive products and pricing, general business and economic conditions, risks associated with the expansion of our business, including the integration of any businesses we acquire and the integration of such businesses within our internal control over financial reporting and operations, our indebtedness and liquidity, and other factors discussed in our public filings, including the risk factors included in the Company’s most recent Annual Report on Form 10-K, Quarterly Report on Form 10-Q and the Company’s other periodic reports filed with the Securities and Exchange Commission. Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the Securities and Exchange Commission, the Company is under no obligation to publicly update or revise any forward-looking statement after the date of this release whether as a result of new information, future developments or otherwise. This presentation also contains trademarks and trade names that are property of their respective owners.

Non-GAAP Financial Measures

In addition to its reported results, the Company has included in this earnings release certain financial results, including adjusted EBITDA, and adjusted net income that the Securities and Exchange Commission defines as “non-GAAP financial measures.” Management believes that such non-GAAP financial measures, when read in conjunction with the Company’s reported results, can provide useful supplemental information for investors analyzing period-to-period comparisons of the Company’s results. “Non-GAAP Earnings” is defined as net income excluding (i) integration and transaction costs related to acquisitions and (ii) certain non-recurring business costs. “Adjusted EBITDA” is defined by the Company as net income (loss) before interest, taxes, depreciation and amortization, stock-based compensation (non-cash), and certain non-recurring special items that we believe are not representative of core operations (e.g., proxy contest and related costs, the integration and transaction costs related to acquisitions, and the change in fair value of contingent consideration). These non-GAAP financial measures are presented because management uses non-GAAP financial measures to evaluate the Company’s operating performance, to perform financial planning, and to determine incentive compensation. Therefore, the Company believes that the presentation of non-GAAP financial measures provides useful supplementary information to, and facilitates additional analysis by, investors. The presented non-GAAP financial measures exclude items that management does not believe reflect the Company’s core operating performance because such items are inherently unusual, non-operating, unpredictable, non-recurring, or non-cash. See a reconciliation of GAAP results to Adjusted Net Income and Adjusted EBITDA included below for each of the three months ended June 30, 2022 and 2021.



Q2 2022 KEY MESSAGES AND RESULTS

Macroeconomic Headwinds Impacting Gaming

- Economic concerns driving consumer discretionary spending reductions
- Retail inventory compression is exacerbating the impacts
- Environment causing high level of promotional activity to reduce inventories

Proactive Actions Have Been Executed

- Selective personnel and spend reductions completed months ago
- Q2 operating expenses down 17%⁽¹⁾ and \$5M savings in second half
- Core investments in products and portfolio to drive growth preserved

Attractive Gaming Fundamentals Remain

- Millions of gamers added during pandemic, high engagement remains
- 5% growth in gamers expected in 2022 and 16% by 2025⁽²⁾
- Intent to purchase console headsets increased 46% to 51% vs. 2021⁽³⁾

Well Positioned For Inevitable Market Upturn

- Expecting pent-up demand & reversal of retail inventory impacts with upturn
- Product portfolio performing well including recent share & ASP increases
- Compelling new products during 2022 and 2023 in all categories

Q2 2022 RESULTS

Vs. Q2 2021

Net revenue \$41.3M
vs. near record \$78.6M

GAAP Net Income \$(17.8)M
vs. \$1.7M

GAAP EPS \$(1.08)
vs. \$0.09

Adjusted EBITDA \$(12.1)M
vs. \$5.0M

Strong Balance Sheet

1. Excluding \$6.8M of non-recurring costs which are primarily proxy contest and related costs
2. Newzoo Global Games Market Report, July 2022 - Both growth measures are vs. 2021
3. Newzoo Gaming Peripheral Study May 2022 : U.S., Active Console Gamers



INDUSTRY TRENDS SHOW GAMING IS THE MARKET TO BE IN

A MASSIVE OPPORTUNITY

Global game market is expected to grow from **\$193Bn** in 2021 to more than **\$220Bn** in 2025⁽¹⁾



GAMING LEADS THE ENTERTAINMENT WORLD

Broader gaming market is the **largest and most expansive industry in the world of entertainment** at over **\$275Bn**⁽²⁾



NEW CONSOLES ENERGIZE THE GAMING MARKET

The **global market** for gaming consoles hardware expected to reach **\$23Bn** in 2024⁽³⁾



ESPORTS CONTINUES RISING IN POPULARITY

Secular shift to esports. Revenue expected to grow from **\$1.1Bn** in 2021 to **\$1.9Bn** by 2025⁽⁴⁾

A BREAKTHROUGH IN GAMING SIMULATION TECHNOLOGY

Stunning realism on console & PC is driving **booming growth** in the **\$1.2Bn**⁽⁵⁾ global gaming simulation hardware market



GAMING DRIVING STREAMING

Livestreaming gaming audience is expected to grow to **1.4Bn** in 2025 from **0.8Bn** in 2021⁽⁴⁾



1. Newzoo Global Games Market Report, July 2022
2. Newzoo Global Games Market Report (July 2022), DFC Reports (June 2022) & Internal Estimates

3. DFC estimates: Updated July 2022
4. Newzoo Global Esports and Live Streaming Market Report, April 2022

5. Based on internal estimates, updated July 2022, includes racing simulation hardware



EXECUTING OUR STRATEGY TO LEVERAGE INDUSTRY TRENDS

Building on our decade-plus of leadership in the \$1.7⁽³⁾ billion console headset market, maintaining a portfolio for all levels of gamers with innovation and great execution.



- 9 of the top 15 U.S. console headsets by revenue are Turtle Beach⁽¹⁾
- 12th consecutive year of 40% share or more in the U.S.
- Compelling lineup of new wireless models in 2022 (more coming)

Continuing rapid expansion into the \$3.6⁽²⁾ billion PC gaming accessories market, further building out ROCCAT's portfolio of award-winning PC gaming accessories.



- ROCCAT U.S. sell-through increased over 60% year-over year⁽¹⁾
- Exceeded market growth in major regions in 2021
- Launched over 30 new ROCCAT PC gaming products in 2021/2022

Expanding into the \$2.1⁽³⁾ billion global market for streaming and creator microphones, launching Neat Microphones' new generation of high-performance USB and XLR mics.



- Launched 4 new Neat Microphones products in the U.S. in 2021
- Launched Neat products in Europe in Q1 2022
- Pursuing \$630M Digital/USB market segment with close ties to gaming

Entering additional new categories to drive further growth over time, launching products in the gamepad/controller and gaming sim hardware markets.



- Expanded award-winning Recon Controller with Arctic Camo colorway
- Launched affordable REACT-R Controller at \$39.99 MSRP
- Expanding controller and simulation lineup further in 2022

Non-Console Headset Revenues Comprised 25% of Second Quarter Net Revenue

1. The NPD Group/Retail Tracking Service/Gaming-Designed: PC Headsets, Mice, and Keyboards, Dollar Sales, Annual 2021 combined vs. Annual 2020 combined

2. Newzoo Peripheral Market Forecast, April 2022
3. Based on internal estimates, updated July 2022



DELIVERING ON OUR LONG-TERM FINANCIAL GOALS

Drive 10% to 20% top line growth over time.



- 5 Year revenue CAGR through 2021 is over 16%
- Rapid growth in new product categories since 2019
- Generating +25% of non-console-headset revenues in 2022

Deliver category-leading EBITDA margins while investing to drive growth.



- 10% EBITDA margin in 2021 (equal to peers 5x our size)
- Investing to drive growth including new category entries
- 5 Year EBITDA CAGR through 2021 is over 55%

Maintain a strong balance sheet to provide financial flexibility to pursue investments in organic and inorganic growth opportunities, while returning capital to shareholders.



- \$10M in cash with no long-term debt
- \$80M revolving credit facility
- \$25M share buy-back authorization in place

**5-Year TSR of >350%
(Exceeding Sector Benchmarks)⁽¹⁾**

OUR BRANDS



The Best-Selling Console Gaming Headset
& Accessory Brand



Award-Winning
PC Gaming Peripherals



High-Quality Digital USB
& Analog Microphones



TURTLE BEACH CONSOLE GAMING HEADSETS



#1 IN GAMING AUDIO

THE GLOBAL MARKET LEADER IN CONSOLE GAMING HEADSETS FOR OVER 12 YEARS RUNNING

60 MILLION+

GAMING HEADSETS SOLD SINCE 2010

40%+ MARKET SHARE

U.S. REVENUE MARKET SHARE SINCE 2010





STEALTH 700 GEN 2 MAX FOR XBOX



PREMIUM WIRELESS +
BLUETOOTH GAMING
HEADSET

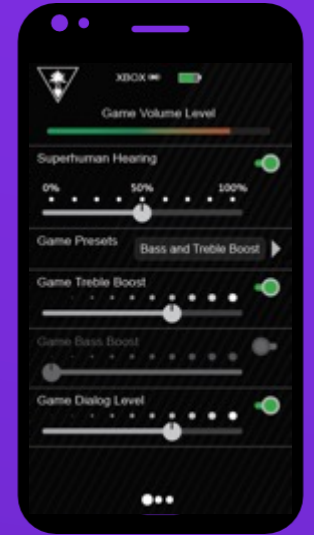
Premium Wireless Audio & Comfort, Powered Up

Turtle Beach's Stealth 700 Gen 2 MAX resets the bar for premium wireless gaming headsets, **adding multiplatform compatibility via a lag-free 2.4GHz wireless transmitter and Bluetooth, plus extended battery life** to the series' already impressive list of premium comfort and audio features.

With the 700 Gen 2 MAX, gamers can **connect to Xbox Series X|S and Xbox One, PS5 and PS4, Nintendo Switch, Windows PCs and Mac, and iOS and Android mobile devices. The upgraded battery delivers a whopping 40+hours of gaming**, and Bluetooth connects to app-based customization controls.

And a stunning new color combination!

LAUNCHED **MAY 2022** MSRP **\$199.99**



App-based customization



Also available in Black



9/10 + Editors' Choice
"An excellent choice regardless of your preferred gaming platform."
- IGN.com





STEALTH 600 GEN 2 MAX FOR XBOX



PREMIUM WIRELESS
GAMING HEADSET

All-Day Wireless Freedom

Gaming's best-selling headset series gets even bigger with the Stealth 600 Gen 2 MAX, adding **best-in-class battery life** and **multiplatform connectivity** to Xbox Series X|S and Xbox One, PS5 and PS4, Nintendo Switch, and Windows PCs.

Stealth 600 Gen 2 MAX's upgraded battery delivers a **whopping 48+hours of gaming**, while a lag-free 2.4GHz wireless connection keeps players in the game.



Also available in Midnight Red and in Black



9/10 + Editors' Choice

"The perfect surround sound headset option for gamers who mainly play Xbox but also own other gaming devices, including PCs and even Macs."

- CGMagonline.com

LAUNCHED MAY 2022 MSRP \$129.99



STEALTH 600 GEN 2 USB FOR XBOX



WIRELESS
GAMING HEADSET

The Best-Selling Gaming Headset Gets Even Better

Stealth 600 Gen 2 USB keeps everything gamers love about the best-selling gaming headset series' and increases battery life up to **24+ hours** – an improvement of nearly 10 additional hours over the prior version.

Since their 2020 launch, Turtle Beach's Stealth 600 Gen 2⁽¹⁾ has been **THE #1 best-selling headset series**. Gen 2 USB maintains the series attractive \$99 MSRP and fan-favorite Turtle Beach proprietary features like Superhuman Hearing.



Also available in White



9.5/10

"An excellent piece of hardware that is easy to use, comfortable to wear, and sounds great."

- GameTyrant.com

LAUNCHED MAY 2022 MSRP \$99.99



RECON AIR



WIRELESS CHAT
GAMING HEADSET

Pure Chat with No Strings Attached

Designed for gamers who already have a killer home entertainment system for game audio, **the Recon Air is a chat communicator headset to hear and talk to other players,** and it's a perfect Bluetooth wireless headset for audio and video conferencing.

The Recon Air delivers high-quality inbound and outbound chat with friends and teammates and **its gaming-tuned, noise-cancelling mic is perfect for congratulating the other team on their epic loss.**



Recon Air for PlayStation is also available and features a wireless USB transmitter



You may need this!!

"Whether for Zoom and Teams calls, gaming, or Vlogging on the go, the Recon Air is an amazing value!"

- GadgetryTech.com

LAUNCHED **APRIL 2022** MSRP **\$39.99**



GAMEPAD/CONTROLLERS OPPORTUNITY

Gaming Controllers

Total addressable market for third-party gaming controllers is roughly \$550M⁽¹⁾.

Microsoft Partnership

Leveraged Microsoft partnership to enter the gaming controller market with wired products for Xbox consoles and Windows PCs.

Award-Winning Market Entry

Powerful gamepad market entry with the multi award-winning, top-rated Designed for Xbox Recon Controller. First and only controller with proprietary audio features like Superhuman Hearing.

Controller Portfolio Expansion

Growing portfolio of controllers including mobile, cloud and additional console platforms planned.



1. Newzoo Peripheral Market Forecast, April 2022 and internal estimations
2. Global Mobile Market Report, Jan 2022



INTRODUCING THE REACT-R CONTROLLER



WIRED GAMING
CONTROLLER

Victory Within Your Grasp

The REACT-R is an **affordable high-quality controller** for \$39.99 MSRP offering gamers many of the same features as the esteemed Recon Controller at \$59.99 MSRP.

The REACT-R provides controls for game and chat volume balance and mic mute and gives gamers access to Turtle Beach's **exclusive Superhuman Hearing® sound setting** for a competitive advantage.

An ergonomic shape with textured grips, handles, and triggers, plus **two mappable quick-action buttons** on the back of the controller, and dual-rumble motors in the handles round-out the REACT-R's features.



Also available in Black

5/5 + Gold Award

"If you want an inexpensive but upmarket accessory, then look no further."

- [MoviesGamesandTech.com](https://www.moviesgamesandtech.com)



UK/EU LAUNCHED **JULY 2022**

U.S. LAUNCHES **AUGUST 17, 2022**

MSRP **\$39.99**

Featuring Turtle Beach's
Patented, Exclusive
Sound Setting



**SUPERHUMAN
HEARING™**



RECON CONTROLLER ARCTIC CAMO



WIRED GAMING
CONTROLLER

Game-Changing Controls Meet Game-Winning Audio

Proudly designated with top reviews and accolades since its debut, including from IGN, CNN Underscored, Android Authority, and more, the Recon Controller has been hailed for **blending game-changing controls with Turtle Beach's signature audio technologies.**

Gamers on Xbox and PC can plug in any 3.5mm wired headset and take advantage of proven Turtle Beach features, including **Superhuman Hearing**, Mic Monitoring, Signature Audio Presets, **Pro-Aim Focus Mode**, mappable rear quick-action buttons, next-gen vibration, and an ergonomic shape with **cooling rubber grips.**



Available now in
Black or White

9/10 + Editors' Choice

"A compelling wired alternative to the traditional Xbox gamepad."

- IGN.com



Featuring Turtle Beach's
Patented, Exclusive
Sound Setting



**SUPERHUMAN
HEARING™**

LAUNCHES AUGUST 24, 2022 MSRP \$59.99



RECON CONTROLLER RECEPTION & CONTINUED ACCOLADES



IGN – EDITORS' CHOICE 9/10

"A feature-packed wired gamepad with top-notch performance and build quality"

GAMESRADAR – HIGHLY RECOMMENDED 4/5

"A superb set of features at a low price"

DIGITAL TRENDS – RECOMMENDED 9/10

"Turtle Beach's Xbox Recon controller is loaded with inventive and useful on-board features at a shockingly low price"

CNN UNDERScoreD – BEST OF E3 2021

"...perks you can't get on the standard Xbox Wireless Controller that costs the same"

GAME REVOLUTION – 9/10

"For \$59.99, you really can't go wrong with the Turtle Beach Recon Controller...this is a top-tier option"





FLIGHT SIMULATION CONTROLLER OPPORTUNITY

FLIGHT SIM 2020 PC LAUNCH

MSFT Flight Sim 2020 launched on PC August 2020, delivering a quantum leap in realism, fully leveraging modern processing capabilities and cloud processing and storage

FLIGHT SIM 2020 COMES TO XBOX SERIES X|S

In 2021, the game captured a new audience of gamers experiencing the thrill of flight on the latest Xbox consoles

FLIGHT SIM 2020 COMES TO XBOX ONE & CLOUD

In 2022, Microsoft extended the Flight Sim 2020 experience via the cloud to gamers on the prior-gen Xbox One console, lower-spec PCs, and other cloud-based systems including mobile

GAMING SIMULATION HARDWARE

PC/console flight sim hardware adds over \$500M⁽¹⁾ in global market (not including expansion into racing hardware)



1. Based on internal estimates, updated July 2022



VELOCITY ONE FLIGHT RECEPTION & CONTINUED ACCOLADES

VELOCITYONE™ FLIGHT

GAMINGTREND – EXCELLENT 95/100

"With ultra-realistic controls that perfectly match the real thing, there's no better way to experience the thrill of flight"

PC PILOT – EDITOR'S CLASSIC AWARD 90/100

"If you're looking for a more natural method of controlling your aircraft without reaching for the keyboard and mouse, I can highly recommend this VelocityOne Flight Universal Control System"

GAMESRADAR – 4.5/5

"Frankly, it's about as close as you can get to being in a real cockpit without taking up classes"

COGCONNECTED – TOTALLY BADASS

"The level of detail they've brought when it comes to the design of the VelocityOne Flight is unlike anything I've ever seen"

TRUE ACHIEVEMENTS – BEST OF E3 2021

"If you don't have a yoke and throttle setup, I couldn't recommend this more"





ROCCAT PC GAMING PERIPHERALS



ROCCAT®

EXPERIENCE PRECISION

AWARD-WINNING

GERMAN DESIGN

A BROAD, GROWING PORTFOLIO

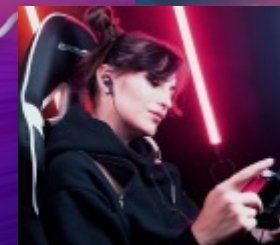
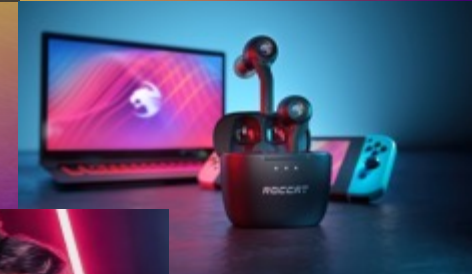
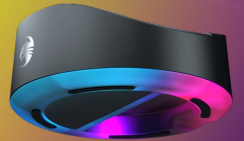
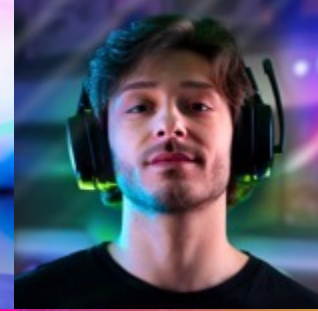
INCLUDING PC MICE, KEYBOARDS, HEADSETS & MORE

ROCCAT SALES GROWTH

OUTPACED THE MARKET IN CORE MARKETS IN 2021

U.S. SELL-THROUGH GREW

OVER 60% IN 2021



1. The NPD Group/Retail Tracking Service/Gaming-Designed: PC Headsets, Mice, and Keyboards, Dollar Sales, Annual 2021 combined vs. Annual 2020 combined



KONE XP AIR

KONE XP AIR

WIRELESS PC GAMING MOUSE
WITH CHARGING DOCK



100H



STELLAR
WIRELESS



BLUETOOTH®
LOW LATENCY



RAPID
CHARGE DOCK



NVIDIA REFLEX
COMPATIBLE MOUSE

Iconic Shape Meets Stellar Wireless

The Kone XP Air is the *Stellar Wireless* version of ROCCAT's recently released wired Kone XP mouse – **the culmination of 15 years of research and development** to produce an industry-leading multi-purpose gaming mouse.

Like its wired predecessor, the Kone XP Air is the **perfect blend of design and technology**, featuring meticulously perfected ergonomics, multiple buttons, and 29 assignable functions to **make it one of the most customizable wireless PC gaming mice on the market.**

Adding a stylish AIMO-enabled RGB Rapid Charge Dock, ROCCAT's *Stellar Wireless* technology, and Bluetooth connectivity make the wireless Kone XP Air even more versatile.

LAUNCHES **AUGUST 22, 2022** MSRP **\$169.99**



BURST PRO AIR

BURST PRO AIR

LIGHTWEIGHT AMBIDEXTROUS
WIRELESS PC GAMING MOUSE



STELLAR
WIRELESS



BLUETOOTH®
LOW LATENCY



NVIDIA REFLEX
COMPATIBLE MOUSE

100H

digital trends
EDITORS' CHOICE

4.5/5 – Digital Trends
"The ROCCAT Burst Pro Air is just as fantastic to use as it is to look at"

High-Performing, Unrestricted Gameplay

Symmetrical shape, wireless, lightweight, and visually stunning with its RGB lighting, the Burst Pro Air is packed with ROCCAT's core performance components and technologies.

Lightweight for a wireless mouse at 81g, the Burst Pro Air features ROCCAT's core performance components like the Owl-Eye Optical 19K DPI sensor and ridiculously fast Titan Optical Switches, while **Stellar Wireless technology optimizes and manages wireless signal strength and battery use for optimal performance.**

The Burst Pro Air's revolutionary transparent Bionic Shell also returns, this time **updated with additional LEDs for a more consistent and vibrant RGB lighting experience.**

LAUNCHED **APRIL 2022** MSRP **\$99.99**



DIGITAL USB & ANALOG MICROPHONES

TODAY'S GLOBAL MICROPHONE MARKET IS \$2.1B⁽¹⁾
OVERALL, WITH ~\$630M⁽¹⁾ IN THE DIGITAL/USB CATEGORY

THE TEAM

THE FOUNDERS OF BLUE MICROPHONES, THE NEAT
MICROPHONES TEAM HAS A COMBINED 100+ YEARS OF
EXPERIENCE CREATING LEADING MICROPHONE PRODUCTS

A NEW PRODUCT LINE

IN 2022, NEAT'S NEW GENERATION OF AWARD-WINNING
"BEE" XLR AND USB MICROPHONES SEES CONTINUED
NA MOMENTUM AND OFFICIALLY ENTERS EU MARKETS





OTHER NEWS



TURTLE BEACH LAUNCHES "PLAY WITH PURPOSE" PROGRAM AND ESG GOALS TO FURTHER IMPROVE GLOBAL IMPACT

In April, the Company formalized its Environmental, Social, and Governance (ESG) program. Entitled Play with Purpose, the program highlights Turtle Beach's initiatives and goals to reduce its carbon footprint, eliminate plastic packaging, reduce packaging size, and add carbon impact labels on select products across its Turtle Beach, ROCCAT, and Neat Microphones brands, and provides insight into the Company's diversity and inclusion and community involvement commitments.



TURTLE BEACH AND ROCCAT PARTNER WITH NEW ORLEANS SAINTS' DEFENSIVE STAR CHAUNCEY GARDNER-JOHNSON

Turtle Beach and ROCCAT have partnered with New Orleans Saints' starting Safety, Chauncey Gardner-Johnson. Chauncey Gardner-Johnson's mouse and keyboard setup includes ROCCAT's Kone Pro Air and Vulcan TKL Pro, while he alternates between ROCCAT's Syn Pro Air and Turtle Beach's Stealth 600 Gen 2 for high-quality game audio and chatting with other players.



TURTLE BEACH & ROCCAT EXTEND PARTNERSHIP WITH GEN.G ESPORTS

In May, ROCCAT extended its partnership with Gen.G Esports – a leading global esports organization fielding some of the best professional teams and players in the world across a variety of competitive games. ROCCAT continues as the official PC gaming peripherals partner of Gen.G's pro League of Legends and PUBG teams and their affiliated streamers. In addition, Turtle Beach is now the official audio partner of Gen.G's successful Overwatch League team, Seoul Dynasty.



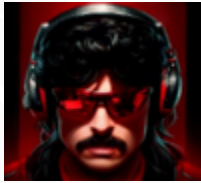
PARTNERSHIPS



OVER 900M GAMERS IN THE AMERICAS & EUROPE, & OVER 260 MILLION ESPORTS ENTHUSIASTS GLOBALLY⁽¹⁾



Ali-A
33M Reach



DrDisrespect
10M Reach



MrSavage
10M Reach



Castro
7.5M Reach



Skyrroz
5M Reach



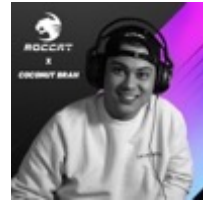
Clare Siobhan
3M Reach



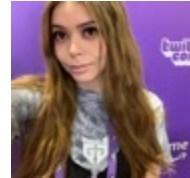
KayPea
2M Reach



Josh Hart
1M Reach



Coconut Brah
2M Reach



Adept
1M Reach



BennyCentral
666k Reach



Vlesk
631k Reach



CJ "Ceedy" / Chauncey Gardner-Johnson
300k Reach



Immanuel Quickley
311k Reach



Archonaut
280k Reach



Javier Rodriguez
132k Reach



Junajted
580k Reach



FabuRocks
102k Reach



BlackKrystal
78k Reach



Erin Simon
50k Reach



Wizards District Gaming
2K League Champions



League Championship Series

2021 Official Mouse and Keyboard Partner
RIOT LCS League of Legends Tournament



UCSD Esports
1st Collegiate Partnership



Gen.G Esports
Global Esport Team

Titles shown represent games played by our partner esports teams and influencers and do not indicate a partnership with the publisher

1. Newzoo Global Esports April 2022 and Global Games Market Report July 2022



COMMITTED TO CONTINUALLY BUILDING OUR ESG STRATEGY

& REPORTING OUR PROGRESS



ESG COMMITTEE

Our **ESG Committee** meets regularly to identify ESG risks and opportunities, establish and measure progress against ESG goals, and implement ESG initiatives.



DIVERSITY & INCLUSION

We track diversity metrics through our recruiting process; include diversity statements in all job postings, on our website, and on social media channels; and work with diversity-focused job websites in an effort to **increase the diversity of our candidate pool**.



REPORTING OUR CARBON FOOTPRINT

We're taking steps to reduce and mitigate our carbon footprint, **with the aim to neutralize our carbon footprint across our corporate offices by 2025**.



REDUCING PRODUCT IMPACT

We're incorporating sustainability features into our products while maintaining the industry-leading quality that has always set us apart.

CLEAR & MEASURABLE GOALS

2023	2024	2025 →
Place carbon impact label on select products	Use 10% post-consumer recycled (PCR) plastic in select products	Neutralize carbon footprint across all our corporate offices
Start offering carbon neutral products	Eliminate plastic use in packaging in select products	
100% of manufacturers to sign the manufacturer's code of conduct		



QUARTERLY FINANCIAL REVIEW

\$ Millions (except per-share data)	Q2 2021	Q2 2022	Commentary
Revenue	\$78.6	\$41.3 (\$42.7 in constant currency)	Quarterly revenue decreased compared to the near record quarter a year ago. Current macroeconomic conditions are impacting consumer spend on discretionary items including gaming accessories. Impacts exacerbated by retailers compressing inventory levels.
Gross Margin	36.5%	19.1%	Higher promotional credits driven by more aggressive competitive pricing actions to reduce channel inventory levels, business mix, significantly higher freight costs, volume-driven fixed cost deleveraging and higher warehouse costs to ensure product supply.
Operating Expenses	\$28.3	\$29.3	Q2 2022 includes \$6.8M of non-recurring primarily related to proxy contest and related costs, which the Company is continuing to incur. Recurring OpEx reduced 17% driven by proactive management actions to reduce spend and lower sales-driven costs.
Adjusted EBITDA⁽¹⁾ (Loss)	\$5.0	\$(12.1)	Reflects lower revenue, significantly higher freight costs and factors covered above.
Net Income (Loss)	\$1.7	\$(17.8)	Reflects above factors.
Diluted EPS	\$0.09	\$(1.08)	Reflects above factors.
Adjusted Diluted EPS⁽¹⁾	\$0.14	\$(0.77)	Reflects above factors.
Diluted Shares	18.3M	16.5M	See appendix.

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



BALANCE SHEET



Balance Sheet Highlights \$ Millions

	At June 30, 2021	At June 30, 2022
Cash & Cash Equivalents	\$56.2	\$10.9
Inventories	\$81.9	\$120.7
Revolver (asset-based)	\$0	\$15.7
Total Debt	\$0	\$15.7

Balance Sheet Comments

- Inventory managed to higher levels to ensure supply as a reflection of longer transit times and component availability. The YoY increase is driven by new categories, capitalized freight due to higher costs, and new wireless models in console and PC.
- Inventory expected to come down significantly by year-end.
- \$15.7M outstanding under revolving credit facility.
- Strong balance sheet.



2022 OUTLOOK⁽¹⁾



	2022	2022 Outlook Commentary
Net Revenue	\$250 to 275M	Reflects macroeconomic conditions continuing to impact consumer discretionary spending on gaming accessories, exacerbated by retailers compressing inventory levels. Growth expected to return in Q4 and 2023.
Gross Margin	Mid 20's %	Reflects expectation of higher-than-normal competitive promotional levels, \$10-14M impact of higher freight costs (impact of recent reductions starting to benefit in Q4) and loss of operating leverage.
Adj. EBITDA	\$(5) to \$(15)M	Reflects above factors with recovery to 9 to 15% EBITDA margin in Q4.
Adj. EPS	(\$0.90) - (\$1.35)	Reflects above factors; anticipates full year effective tax rate of 25%.
Diluted Shares	~17M	

1. Guidance provided August 8, 2022



LONG-TERM FINANCIAL TARGETS [®]

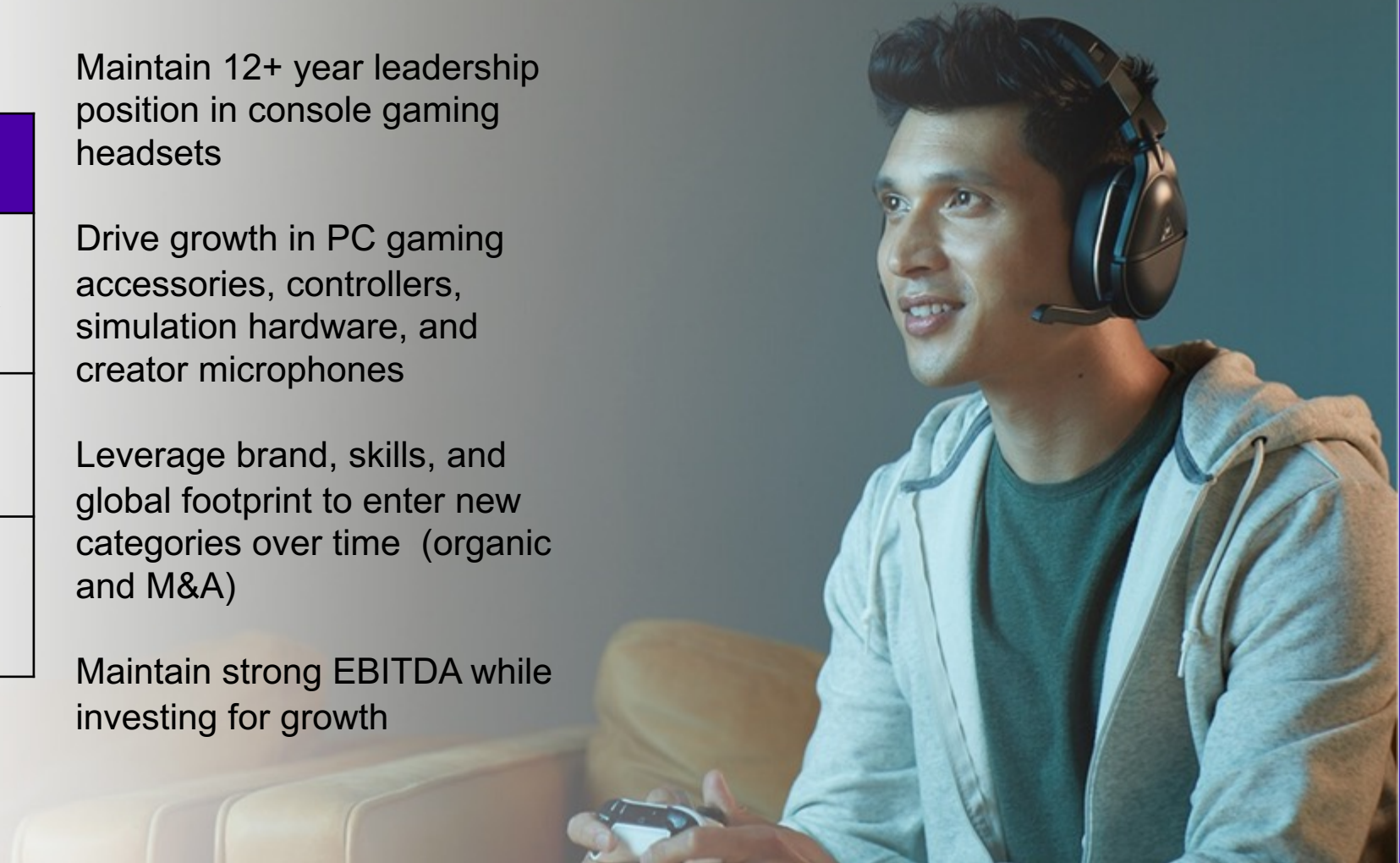
Metric	Target
Revenue	10-20% CAGR
Gross Margins %	Mid 30's
EBITDA Margins	10% +

Maintain 12+ year leadership position in console gaming headsets

Drive growth in PC gaming accessories, controllers, simulation hardware, and creator microphones

Leverage brand, skills, and global footprint to enter new categories over time (organic and M&A)

Maintain strong EBITDA while investing for growth





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APPENDIX



GAAP NET INCOME TO ADJUSTED NET INCOME RECONCILIATION

SECOND QUARTER 2022 COMPARED TO 2021

	Three Months Ended	
	June 30, 2022	June 30, 2021
<u>Net Income (Loss)</u>		
GAAP Net Income (Loss)	\$ (17,826)	\$ 1,721
Adjustments, net of tax:		
Non-recurring business costs	5,123	851
Acquisition integration costs	-	76
Non-GAAP Earnings	<u>\$ (12,703)</u>	<u>\$ 2,648</u>
Diluted Earnings Per Share		
GAAP- Diluted	\$ (1.08)	\$ 0.09
Non-recurring business costs	0.31	0.05
Acquisition integration costs	-	0.00
Non-GAAP- Diluted	<u>\$ (0.77)</u>	<u>\$ 0.14</u>



GAAP NET INCOME TO ADJUSTED EBITDA RECONCILIATION

THREE MONTHS ENDED JUNE 30, 2021

	Three Months Ended June 30, 2021					
	As	Adj	Adj	Adj	Other ⁽¹⁾	Adj
	Reported	Depreciation	Amortization	Stock		EBITDA
				Compensation		
Net revenue	\$ 78,564	\$ -	\$ -	\$ -	\$ -	\$ 78,564
Cost of revenue	49,854	(410)	-	(90)	-	49,354
Gross Profit	28,710	410	-	90	-	29,210
Operating expenses	28,267	(698)	(322)	(1,851)	(1,075)	24,321
Operating income	443	1,108	322	1,941	1,075	4,889
Interest expense	73					
Other non-operating expense (income), net	(65)					(65)
Income before income tax	435					
Income tax expense	(1,286)					
Net income	\$ 1,721					
					Adjusted EBITDA	\$ 4,954

1. Other includes certain business acquisition costs and non-recurring business costs



GAAP NET INCOME TO ADJUSTED EBITDA RECONCILIATION

THREE MONTHS ENDED JUNE 30, 2022

	Three Months Ended June 30, 2022					
	As	Adj	Adj	Adj	Other ⁽¹⁾	Adj
	Reported	Depreciation	Amortization	Stock Compensation		EBITDA
Net revenue	\$ 41,300	\$ -	\$ -	\$ -	\$ -	\$ 41,300
Cost of revenue	<u>33,418</u>	<u>(601)</u>	<u>-</u>	<u>(96)</u>	<u>(1)</u>	<u>32,720</u>
Gross Profit	7,882	601	-	96	1	8,580
Operating expenses	<u>29,255</u>	<u>(665)</u>	<u>(311)</u>	<u>(1,934)</u>	<u>(6,793)</u>	<u>19,552</u>
Operating income (loss)	(21,373)	1,266	311	2,030	6,794	(10,972)
Interest expense	84					
Other non-operating expense (income), net	<u>1,109</u>					<u>1,109</u>
Income (loss) before income tax	(22,566)					
Income tax benefit	<u>(4,740)</u>					
Net loss	<u>\$ (17,826)</u>					
					Adjusted EBITDA	<u>\$ (12,081)</u>

1. Other includes certain business acquisition costs and non-recurring business costs