NEWS RELEASE

Turtle Beach Announces Fourth Quarter and Full Year 2014 Results

2015-03-16

San Diego, CA – March 16, 2015 – Turtle Beach Corporation (NASDAQ: HEAR) today announced financial results for the fourth quarter and full year ended December 31, 2014.

Highlights & Developments:

- Increased fourth quarter net revenue over 2013 by 7% to $92.3 million.
- Increased full year 2014 net revenue over 2013 by 4% to $186.2 million.
- Grew full year 2014 European revenues by 19%.
- Produced eight of the top 10 gaming headsets when measured by dollar share in the U.S. during the fourth quarter.
- Produced four of the top five Xbox One headsets when measured by unit share in the U.S. during the fourth quarter.
- Decreased net debt by 37% year-over-year to $36.7 million at December 31, 2014.
- Replaced subordinated debt with lower cost financing.
- Further increased intellectual property asset base to 35 patents issued and 86 patents pending.

“Our fourth quarter top-line results represent a solid finish to the first year of the next generation gaming consoles,” commented Juergen Stark, chief executive officer of Turtle Beach. “Several of our new Xbox One and PlayStation®4 headsets featured first-and-only innovations and were best-selling products in their category at retail during the holiday season. However, due to the West Coast port slowdown we were forced to expedite more shipments than planned to ensure timely deliveries which reduced margins during the quarter. The performance of our next generation headsets helped offset softer than expected demand for our previous generation portfolio, as the user base on Xbox 360 and PlayStation®3 has declined more rapidly at the start of the multi-year console transition cycle than initially projected by us and the industry.”

Mr. Stark continued, “With the successful release of the broadest and most feature-rich portfolio of next generation console gaming headsets, we are well positioned to capitalize on the popularity and growth of the Xbox One and PlayStation®4 consoles. Given our strong share in previous generation console headsets and the more rapid decline of that business than expected during 2014, we are balancing growth initiatives with programs aimed at improving operating efficiency and managing expenses going forward in an effort to produce higher net margins on our headset business. These efforts include reconfiguring our supply chain in order to lower product costs and selective trimming of operating expenses. At the same time, progress on HyperSound® healthcare channel and product development is progressing, and we believe that the upcoming launch of our HyperSound product later this year will provide the Company meaningful sales and margin expansion opportunities over the long-term.”

Fourth Quarter and Full Year Review

Net revenue in the fourth quarter increased 7.1% to $92.3 million, compared to $86.1 million a year ago. The increase in revenue was primarily driven by strong consumer response to the Company’s Xbox One and PlayStation4 compatible headsets, partially offset by a decline in sales of previous generation headsets. For the full year, revenue increased 4.3% to $186.2 million, compared to $178.5 million last year.

Gross profit for the fourth quarter was $25.8 million, compared to $26.7 million in the same period in 2013. Gross margin was 28.0% in the fourth quarter compared with 31.0% in the same period a year ago. The 300 basis point decline in gross margin was primarily driven by $1.5 million in incremental shipping costs resulting from West Coast port delays and a $1.5 million write-off of some legacy contracts. Excluding these costs, fourth quarter gross margin was 31.2%. Gross margin for the full year was 27.2% compared to 28.2% in 2013. Gross margin for 2014 reflected $2.5 million of costs related to the Xbox One chat adapter, $1.5million in incremental shipping costs, and $1.5 million associated with the write-off of some legacy contracts. Excluding these additional costs, 2014 gross margin was 30.2%.

Operating expenses for the fourth quarter were $18.6 million compared to $15.7 million in the same period in 2013. The increase in operating expenses was primarily attributable to costs associated with being a public

company, including additional headcount and higher stock-based compensation costs, and investments in personnel and product development of the Company's HyperSound technology. For the full year, operating expenses were $64.5 million compared to $48.7 million in 2013.

Net income for the fourth quarter was $2.4 million, or $0.06 per diluted share based on 42.0 million average shares outstanding, compared to net income of $0.9 million or $0.07 per diluted share based on 12.7 million average shares outstanding in the same period a year ago. Excluding restructuring charges of $0.7 million, fourth quarter 2014 net income was $3.1 million, or $0.07 per diluted share. Net loss for the full year was ($15.5) million, or ($0.39) per diluted share based on 39.7 million average shares outstanding, compared to ($6.2) million, or ($0.49) per diluted share based on 12.7 million average shares outstanding in fiscal 2013. Excluding restructuring charges and business transaction costs, 2014 net loss was ($11.0) million, or ($0.28) per diluted share.

Adjusted EBITDA (as defined below) for the headset business totaled approximately $13.5 million in the fourth quarter compared to $15.1 million in the fourth quarter of 2013. Adjusted EBITDA on a consolidated basis was $10.4 million, reflecting investments of approximately $3.1 million in the HyperSound business during the quarter. For the full year, Adjusted EBITDA for the headset business totaled approximately $12 million in 2014 as compared to $13.9 million in 2013. Adjusted EBITDA on a consolidated basis was $2.0 million for the full year, reflecting investments of approximately $10 million in the HyperSound business.

Balance Sheet Review

The Company ended the quarter with approximately $7.9 million in cash and cash equivalents compared to $6.5 million as of December 31, 2013. As of December 31, 2014, the Company had cash, cash equivalents and available borrowings under its credit facility totaling $22.9 million. Outstanding debt at December 31, 2014 decreased 31.0% or $20.0 million to $44.6 million compared to $64.6 million at December 31, 2013. Total inventory as of December 31, 2014 decreased $11.2 million, or 22.6% to $38.4 million compared to the same period in 2013.

Fourth Quarter and Full Year Presentation

The Company also announced it has posted a fourth quarter and full year business and earnings summary presentation on its corporate website. The presentation can be accessed at http://corp.turtlebeach.com/investor-relations.

Conference Call Details

Turtle Beach Corporation CEO Juergen Stark and CFO John Hanson will host a conference call and simultaneous webcast to discuss the fourth quarter and full year 2014 financial results and review the Company's outlook for the first quarter and full year 2015 today, March 16, 2015 , at 1:30 PM Pacific Time / 4:30 PM Eastern Time.

To participate in the conference call, investors should dial (877) 303-9855 (domestic) or (408) 337-0154 (international), and provide the pass code 97638568, 10-minutes prior to the scheduled start of the call. A simultaneous audio-only webcast of the call may be accessed on the Internet at www.turtlebeachcorp.com. An archive of the webcast will be available on the Company's website for approximately one year, and a recorded replay of the call will be available for one week at (855) 859-2056 and (404) 537-3406 and entering conference ID number 97638568.

10-K Update

The Company announced today that it has filed a Form 12b-25 with the Securities and Exchange Commission providing the Company an automatic 15 day grace period to file its Form 10-K for the year ended December 31, 2014. The Company experienced unanticipated delays in compiling certain necessary information for its annual financial statements and, consequently, for its auditors to complete the audit of the Registrant's financial statements and for the Registrant to prepare a complete filing of the Annual Report in a timely matter without unreasonable effort or expense.

Non-GAAP Financial Measures

In addition to its reported results, the Company has included in this earnings release certain financial results 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. These non-GAAP financial measures relate to presenting Adjusted EBITDA for the periods presented. "Adjusted EBITDA" is defined by the Company as net income (loss) before interest, taxes, depreciation and amortization, stock-based compensation (non-cash), non-cash amortization of payments to founders and certain business transaction expenses. Management adjusts net income (loss) for business transaction costs because it believes that such items are not representative of core operations. Please see a reconciliation of GAAP results to Adjusted EBITDA, which is included below for the three and twelve months ended December 31, 2014 and 2013.

About Turtle Beach Corporation

Turtle Beach Corporation (www.turtlebeachcorp.com) designs leading edge audio products for the consumer, commercial and healthcare markets. Under the Turtle Beach brand (www.turtlebeach.com), the Company markets a wide selection of quality gaming headsets catering to a variety of gamers' needs and budgets, for use with video game consoles, including officially-licensed headsets for the Xbox One and PlayStation 4, as well as for personal computers and mobile/tablet devices. Under the HyperSound brand (www.hypersound.com), the Company markets pioneering directed audio solutions that have applications in digital signage and kiosks, consumer electronics and healthcare. The company's shares are traded on the NASDAQ Exchange under the symbol: HEAR.

Forward-Looking Statements

This press release 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. Forward looking statements are based on management's statements containing the words "may", "could", "would", "should", "believe", "expect", "anticipate", "plan", "estimate", "target", "project", "intend" and similar expressions 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 belief, 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, the substantial uncertainties inherent in 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 implementation of any businesses we acquire, our indebtedness, and other factors discussed in our public filings, including the risk factors included in the Company's most recent Quarterly report on form 10-Q and the Company's other periodic reports. 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 any 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.

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