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Turtle Beach Corp  
Form 10-Q  
August 06, 2015

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 June 30, 2015  
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  
(State or other jurisdiction of  
incorporation or organization)

27-2767540  
(I.R.S. Employer  
Identification Number)

100 Summit Lake Drive, Suite 100  
Valhalla, New York  
(Address of principal executive offices)

10595  
(Zip Code)

(914) 345-2255  
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).  Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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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 July 31, 2015 was 42,281,881.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

Turtle Beach Corporation  
Condensed Consolidated Balance Sheets  
(unaudited)

	June 30, 2015	December 31, 2014
	(in thousands, except par value and share amounts)	
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$3,020	\$7,908
Accounts receivable, net	15,687	61,059
Inventories	37,320	38,400
Deferred income taxes	11,622	4,930
Prepaid income taxes	1,482	1,482
Prepaid expenses and other current assets	4,447	3,818
Total Current Assets	73,578	117,597
Property and equipment, net	5,536	6,722
Goodwill	80,974	80,974
Intangible assets, net	39,530	39,726
Deferred income taxes	1,128	1,128
Other assets	989	821
Total Assets	\$201,735	\$246,968
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Revolving credit facilities	\$14,833	\$36,863
Term loan	2,564	1,923
Accounts payable	21,436	35,546
Other current liabilities	10,246	14,525
Total Current Liabilities	49,079	88,857
Term loan, long-term portion	4,487	5,769
Series B redeemable preferred stock	15,514	14,916
Deferred income taxes	648	648
Subordinated notes - related party	11,951	—
Other liabilities	5,571	5,592
Total Liabilities	87,250	115,782
Commitments and Contingencies		
Stockholders' Equity		
Common stock, \$0.001 par value - 100,000,000 and 50,000,000 shares authorized; 42,281,881 and 42,027,991 shares issued and outstanding as of June 30, 2015 and December 31, 2014, respectively	42	42
Additional paid-in capital	131,844	128,084
Retained earnings (accumulated deficit)	(17,202	) 3,289
Accumulated other comprehensive loss	(199	) (229
Total Stockholders' Equity	114,485	131,186
Total Liabilities and Stockholders' Equity	\$201,735	\$246,968

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

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Turtle Beach Corporation  
 Condensed Consolidated Statements of Operations  
 (unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(in thousands, except per-share data)			
Net Revenue	\$22,612	\$22,296	\$42,301	\$60,584
Cost of Revenue	19,210	17,465	35,783	43,477
Gross Profit	3,402	4,831	6,518	17,107
Operating expenses:				
Selling and marketing	6,961	7,698	14,707	14,698
Research and development	2,824	2,071	5,678	4,069
General and administrative	5,991	4,698	10,731	8,271
Business transaction costs	—	(484	) —	3,744
Restructuring charges	184	—	509	—
Total operating expenses	15,960	13,983	31,625	30,782
Operating loss	(12,558	) (9,152	) (25,107	) (13,675
Interest expense	834	1,055	1,618	5,295