

Turtle Beach Corp
Form 10-Q
May 09, 2018

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 March 31, 2018
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 (I.R.S. Employer
incorporation or organization) Identification Number)

11011 Via Frontera, Suite A/B 92127
San Diego, California
(Address of principal executive offices) (Zip Code)

(888) 496-8001
(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, 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 (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

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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 April 30, 2018 was 13,683,997.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Turtle Beach Corporation

Condensed Consolidated Balance Sheets

	March 31, December 31, 2018 2017 (unaudited) (in thousands, except par value and share amounts)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$4,335	\$ 5,247
Accounts receivable, net	21,751	50,534
Inventories	15,816	27,518
Prepaid expenses and other current assets	3,536	3,467
Total Current Assets	45,438	86,766
Property and equipment, net	3,979	4,677
Intangible assets, net	1,363	1,404
Deferred income taxes	382	362
Other assets	1,144	1,042
Total Assets	\$52,306	\$ 94,251
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Revolving credit facility	\$2,642	\$ 38,467
Term loans	—	4,173
Accounts payable	9,758	13,459
Other current liabilities	8,656	11,451
Total Current Liabilities	21,056	67,550
Term loans, long-term portion, net of unamortized debt issuance costs of \$801 and \$759	8,434	6,789
Series B redeemable preferred stock	19,297	18,921
Subordinated notes - related party, net of unamortized discount of \$946 and \$1,075	21,630	20,836
Other liabilities	2,311	2,312
Total Liabilities	72,728	116,408
Commitments and Contingencies		
Stockholders' Equity (Deficit)		
Common stock, \$0.001 par value - 25,000,000 shares authorized; 12,347,001 and 12,346,502 shares issued and outstanding as of March 31, 2018 and December 31, 2017, respectively	12	12
Additional paid-in capital	148,305	148,082
Accumulated deficit	(168,691)	(170,048)
Accumulated other comprehensive loss	(48)	(203)
Total Stockholders' Equity (Deficit)	(20,422)	(22,157)
Total Liabilities and Stockholders' Equity (Deficit)	\$52,306	\$ 94,251

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	
	March 31, 2018	March 31, 2017
	(in thousands, except per-share data)	
Net Revenue	\$40,886	\$ 14,352
Cost of Revenue	25,857	12,136
Gross Profit	15,029	2,216
Operating expenses:		
Selling and marketing	5,929	4,449
Research and development	1,329	1,390
General and administrative	3,985	4,171
Restructuring charges	—	298
Total operating expenses	11,243	10,308
Operating income (loss)	3,786	(8,092)
Interest expense	2,005	1,840
Other non-operating expense (income), net	(245)	(51)
Income (loss) before income tax	2,026	(9,881)
Income tax expense	64	45
Net income (loss)	\$ 1,962	\$ (9,926)
Net income (loss) per share:		
Basic	\$0.16	\$ (0.81)
Diluted	\$0.16	\$ (0.81)
Weighted average number of shares:		
Basic	12,347	12,313
Diluted	12,369	12,313

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

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