

Transcript¹ - Q2 FY'27 Earnings Call

Nate Melihercik | Global Head of Investor Relations

Good afternoon and good evening. Welcome to Logitech's video call to discuss our financial results for this quarter. Joining us today are Hanneke Faber, our CEO, and Matteo Anversa, our CFO.

During this call, we will make forward-looking statements, including with respect to future operating results under the safe harbor of the Private Securities Litigation Reform Act of 1995. We are making these statements based on our views only as of today. Our actual results could differ materially. We undertake no obligation to update or revise any of these statements.

We will also discuss non-GAAP financial results, and you can find a reconciliation between GAAP and non-GAAP results and information about our use of non-GAAP measures and factors that could impact our financial results and forward-looking statements in our press release and in our filings with the SEC. These materials, as well as the shareholder letter and a webcast of this call, are all available at the Investor Relations page of our website. We encourage you to review these materials carefully.

Unless noted otherwise, references to net sales growth are in constant currency, and comparisons between periods are year-over-year. This call is being recorded and will be available for a replay on our website.

I will now turn the call over to Hanneke.

Hanneke Faber | Chief Executive Officer

Thank you so much, Nate, and welcome, everyone.

Q2 was a memorable quarter for us as we celebrated, as you just saw in the video, Logitech's 45th anniversary. We celebrated it with the very people who built this iconic brand: our three founders, our employees, and key stakeholders from around the world. We like to say the mouse built this house. But over 45 years, there have been many, many other firsts and breakthrough products from Logitech. We are proud of the innovative, strong, and resilient business and organization we have today, and we're super excited for the growth that lies ahead in the next 45 years.

Q2, in fact, was another quarter of growth—our 11th in a row. Despite a challenging general environment of tight component sourcing, elevated costs, and the ongoing conflict in the

Middle East—in addition to, as we told you back in July, the negative impact of the closure of one of our semiconductor suppliers for essentially the entire quarter after an accident.

Despite that difficult backdrop, we increased net sales by 2% year-over-year, delivered excellent gross margins, and grew non-GAAP operating income to \$231 million, well ahead of our outlook. Growth was particularly strong in the Americas, in Video Collaboration, and in Gaming. And even as global PC shipments declined by 20% in the quarter, our pointing devices and keyboards grew mid-single digits, demonstrating that our growth opportunity continues to come from the large installed PC base.

We also made good progress against our strategic priorities this quarter:

First, superior products and innovation. Our innovation engine is humming, fueled by the incremental investments in R&D that we initiated at the start of Fiscal '27. At our flagship Logitech G Play events held in Shanghai, LA, and Warsaw this September, we unveiled 15 new gaming products ahead of the holiday season. The headliner of the new lineup is the PRO X3 SUPERSTRIKE, the next generation of the massively popular SUPERSTRIKE gaming mouse that we launched earlier this year. It is powered by the unique Haptic Inductive Trigger System, or HITS. The X3 debuts a top-tier new chipset, is even lighter than the original, and boasts an extended battery life. Also in the new gaming range is exciting new sim racing gear, and a sleek new Yeti 2 microphone for streamers.

And that wasn't all. In the quarter, we also introduced the MX Creative Keypad, an AI control center designed specifically for developers seeking to streamline agentic workflows, and the Zone 5 Pro headphones. The Zone 5 Pro features adaptive noise canceling and AI-powered voice isolation, so users can move effortlessly from morning meetings to evening playlists with the same ultra-comfortable headset.

Second, doubling down on B2B. Video Collaboration net sales grew 12% in constant currency. Three trends are contributing to this strong VC growth: the post-COVID refresh wave, office footprint expansion as companies require more days in office, and AI-driven VC room expansion.

Finally, we had another quarter of terrific operational excellence. Non-GAAP gross margin was very strong at 45.2%, and Matteo will detail that shortly. We maintained very strict spending discipline in G&A while continuing to invest strategically in R&D and in Sales & Marketing to drive long-term growth.

All in all, our Q2 results demonstrate the resilience of our business model, and I am really proud of our team's ability to execute through significant external headwinds.

Now, let me hand over to Matteo to walk you through the details of our financial performance and the outlook. Matteo, over to you.

Matteo Anversa | Chief Financial Officer

Thank you, Hanneke, and thank you all for joining us on the call today.

Our operational discipline delivered solid second-quarter profitability, allowing us to protect our margins despite macroeconomic headwinds and significant ongoing supply constraints.

Now, let me walk you through our financial results in more detail.

Net sales for the second quarter were \$1.2 billion, up 3% in U.S. dollars and 2% in constant currency. This marks our 11th consecutive quarter of year-over-year top-line growth, driven by sustained momentum in Video Collaboration and Gaming. Our core business is tracking where we expected; excluding the impact from the third-party supplier incident and ongoing geopolitical conflicts, estimated underlying net sales would have been up approximately 4% in constant currency.

Taking a closer look across our categories in constant currency:

- **Video Collaboration** net sales grew 12% year-over-year, supported by sustained enterprise investment as organizations refresh COVID-era equipment and upgrade meeting rooms.
- **Gaming** net sales increased 7%, driven by new product launches and continued strong demand for our top sellers, like the PRO X2 SUPERSTRIKE mouse.
- **Pointing Devices and Keyboards & Combos** both grew 4%. Importantly, this occurred while total PC market shipments contracted by roughly 20% year-over-year in the September quarter, demonstrating the strength of our installed-base strategy and premium mix.
- Conversely, **Tablet Accessories** fell 30% against a tough prior-year comparison featuring a large multi-quarter educational deal in Asia Pacific.
- **Webcams** declined 10% as the global market declined, though we continue to gain market share.

Looking at the regional level:

- In the **Americas**, net sales accelerated to 13% growth, reflecting solid business and consumer demand ahead of the holiday season, in addition to strong local sales and marketing execution.
- In **Asia Pacific**, net sales declined 2%, primarily due to the tough comparison from the large educational deal that I just mentioned, as well as a disproportionate impact from supply limitations.
- In **EMEA**, net sales declined 6%, driven by market weakness and the ongoing Middle East conflict.

Turning to profitability, our non-GAAP gross margin rate was an outstanding 45.2%, up 140 basis points year-over-year. This represents our fifth consecutive quarter posting gross

margin rates above 43%. This year-over-year expansion was due to lower tariff costs supported by our manufacturing diversification, favorable product mix towards Video Collaboration and premium product lines, and positive currency impact. These tailwinds were partially offset by higher freight and logistics costs.

Turning to operating expenses: non-GAAP operating expenses were \$320 million, flat sequentially and representing 26.3% of net sales, up 190 basis points year-over-year. This increase reflects our planned growth investments for the year; specifically, Sales & Marketing grew 12% to fund key initiatives like Logi Play, while R&D increased 9%. G&A held flat sequentially, corresponding to 2.8% of net sales, consistent with the prior year.

As a result, non-GAAP operating income was \$231 million, up slightly year-over-year, and non-GAAP operating income margin came in at a very strong 18.9%.

Turning to cash: we generated \$164 million in cash flow from operations during the quarter. We ended the second quarter with \$1.5 billion in cash after returning \$406 million to shareholders through \$235 million in annual dividends and \$171 million in share repurchases.

Looking ahead to the third quarter: we expect constant currency Q3 net sales to be down 5% to flat year-over-year. While underlying demand across the business remains positive, this outlook reflects the significant impact of the supply incident. After significant mitigation work, we now estimate the negative impact to net sales to be between \$70 million and \$80 million in the third quarter. By the fourth quarter, we expect the impact of the supplier incident to be largely resolved.

On profitability, we estimate third-quarter non-GAAP operating income to be in the range of \$220 million to \$255 million, with a gross margin rate between 41% and 42%. We anticipate the third-quarter gross margin rate to decline by approximately 200 basis points year-over-year, mainly due to rising logistics and material costs, as well as modestly higher promotional spend.

Despite this inflationary pressure, which we expect to continue throughout the remainder of our fiscal year, we now expect Fiscal Year 2027 non-GAAP operating income margin to be at the high end of our long-term 15% to 18% range, even excluding the \$61 million tariff refunds from last quarter.

With that, we're going to open the call for Q&A.

Questions and Answers

Ananda Baruah | Loop Capital

Hey, thanks guys, really appreciate the question. Two if I could. The first one is on the component situation and holiday promos—that dynamic. Is there anything you see year-over-year, Matteo? Is that higher promo than typical on a year-over-year basis? And then collectively, are you thinking that you can make up some of the revenue lost from component constraints as you move into the new year, and are those two things intertwined at all? Then I have a quick follow-up. Thanks.

Hanneke Faber | CEO

Let me give you some qualitative perspective on components and holiday, and then Matteo can walk you through the numbers.

On components in general, obviously they are really short, and the cost pressures and availability pressures have expanded from just memory to basically all electrical components. That is not unique to us; that's the whole industry, and it is affecting the gross margin outlook. Of course, we do have levers to mitigate those—value engineering and pricing actions that we will activate over the quarters ahead. Matteo can walk you through the impacts across Q2, Q3, and Q4.

As for holiday, our markets globally were pretty solid in Q2, and we expect that to continue into the holiday season, so we do expect positive holiday demand overall. But it is that proverbial K-shape: we expect high-end consumers absolutely to spend, which you see in the growth of our premium portfolio, but we also expect mainstream consumers will be cash-strapped and looking for promotions in order to afford holiday shopping. Hence, you see a modest increase in promo spending versus last year, and we're comfortable with that. That is strategic and allows us to stay competitive.

Matteo Anversa | CFO

Ananda, in terms of quantification to Hanneke's point: promotional spend in the third quarter will be slightly higher, but we are talking about roughly 50 basis points of negative impact year-over-year on the gross margin rate in Q3 versus last year. It is not a huge amount, and we always keep ourselves a little wiggle room during the holiday season. That is what we have factored into our financials.

Ananda Baruah | Loop Capital

That's super helpful, guys. As a quick follow-up, what's a good way for folks to think about how GTA layers in across your console and PC gaming portfolio?

Hanneke Faber | CEO

Great question. Of course, Q3 is going to be very exciting in gaming with GTA 6 launching on November 19th. A couple of things to note: first, we are certainly going to leverage that excitement. That said, GTA 6 is launching for console first and won't launch for PC until much later into next calendar year. Since we are predominantly a PC gaming business, we are not expecting a giant upside from this initial console launch.

Second, the gaming market—especially in the U.S.—has been looking strong, not just because of GTA 6, but also due to other major releases like *Call of Duty: Modern Warfare 4*, which came out 10 days ago. We are the official partner of *Call of Duty: Modern Warfare 4*, offering custom-tuned settings, unique in-game items, and collaborative events. All of these factors give extra momentum to the gaming space right now.

Ananda Baruah | Loop Capital

Really helpful. Thanks, guys. Appreciate it.

Erik Woodring | Morgan Stanley

Hey guys, thank you for taking my questions, and congrats on the nice results in pointing devices, keyboards, and combos against that down 20% PC shipment environment. I'd love to know what drove that outperformance. Any color on pricing tailwinds, peripheral attach rates to the install base, or year-over-year growth metrics related to internal initiatives? Just any additional color to help us understand that outperformance. And a quick follow-up, please.

Hanneke Faber | CEO

Sure. Thanks, Erik. Good to see you. The big numbers really are the market share numbers in both mice and keyboards. In the quarter, pointing devices were up 320 basis points globally. That is well ahead of what we do on average—we consistently grow share, but historically at about 50 basis points a year over the last decade. So gaining 320 basis points in the quarter on mice is huge.

We saw similar success in keyboards, growing about 280 basis points globally in the quarter. That is massive share growth in a Personal Workspace market that was flattish.

Driving that share growth is innovation and superior products. The MX Master 4 continues to be very strong. We've also introduced limited editions, such as the Matcha and Latte colorways this quarter in the United States. In China, keyboards like the Alto Keys performed exceptionally well and have now been expanded globally across the U.S. and APAC. It comes down to innovation fueling the flywheel: getting more people to adopt mice and keyboards,

taking share, and driving higher average selling prices (ASPs) because these innovations carry premium pricing.

Erik Woodring | Morgan Stanley

Awesome color. Thank you very much. As my quick follow-up: we've seen two consecutive quarters of OpEx growth outpacing sales growth, and the rough math implies something similar in the December quarter. Can you walk us through how you expect these Sales & Marketing and R&D investments to materialize into accelerating revenue growth? How should we think about the timing of returns on those investments?

Hanneke Faber | CEO

Absolutely. Hopefully nothing new in that OpEx trajectory. As stated before, we are investing in R&D and Sales & Marketing because this is a unique era. The age of AI provides tremendous opportunity for product innovation, marketing, and B2B expansion. We feel this is the right time to step up those investments, while maintaining strict cost discipline—keeping G&A flat as a percentage quarter-over-quarter.

Regarding when that materializes: while I won't pinpoint an exact date, Q2 and Q3 comparisons are distorted by the supplier accident. Underlying demand is solid; we simply lacked the supply to meet all of it. We expect those investments to pay off sooner rather than later.

Erik Woodring | Morgan Stanley

Thank you so much, guys.

Asiya Merchant | Citi

Hello, everyone. Thanks for taking my question. Video Collaboration had another strong quarter with low-teens growth. How should we think about demand continuing given enterprise budget pressures and infrastructure spending? Between AI enablement and supply constraints—both the supplier accident and broader issues Hanneke mentioned—how should we think about Logitech's ability to meet continued demand in VC?

Hanneke Faber | CEO

Thanks, Asiya. Good to see you. We are very optimistic about sustained demand in Video Collaboration; this is not a one-quarter phenomenon. Three secular drivers are supporting the market:

1. **The COVID-era refresh cycle:** This is non-discretionary infrastructure upkeep. Devices deployed 5 to 7 years ago are hitting end-of-life support from major platform partners like Microsoft, Zoom, and Google, requiring customer upgrades over the next few years.
2. **Return-to-office mandates:** Companies, particularly across Silicon Valley, are calling employees back five days a week. Expanding office footprints necessitates more video-enabled rooms.
3. **AI integration:** CIOs investing heavily in Copilot and competing AI licenses cannot maximize value without adequate meeting room hardware.

Regarding our product positioning: at the start of Q3, we launched Generation 2 of our entire AI-enabled Video Collaboration portfolio. For the first time, we have entered large enterprise spaces, such as auditoriums, and expanded into large-room audio solutions.

On component supply: securing memory chips is a daily effort, but we feel confident we have secured sufficient supply for the quarters ahead. Net sales can be choppy quarter-to-quarter depending on large enterprise deal timing, but the underlying demand trend remains very positive.

Matteo Anversa | CFO

To connect the financial dots to Hanneke's point: we have proactively secured memory supply, which is why inventory levels are elevated and turns are lower compared to last year. That was intentional to ensure we fulfill robust VC demand. Additionally, the price increases implemented back in May helped offset rising component costs, while top-line performance remained remarkable.

Asiya Merchant | Citi

Understood. A quick follow-up on gross margin upside: Q2 came in very strong relative to guidance, while Q3 is guided down ~200 basis points due to logistics and components. What drove the roughly 120-basis-point upside in Q2 relative to the ~44% guide?

Matteo Anversa | CFO

Two main drivers. The primary contributor was product mix and premiumization, which outperformed our expectations from three months ago. Video Collaboration grew 12% year-over-year, which is accretive to both revenue and gross margin. Furthermore, premium lines across MX, ERGO, and PRO all outperformed the company average. Promotional spend was also slightly lower than anticipated.

Year-to-date, our gross margin has run near 45%, excluding the Q1 tariff reimbursement. While we anticipate greater inflationary cost pressure in Q3, we remain very pleased with our operational execution.

Asiya Merchant | Citi

Thank you.

Joern Iffert | UBS

Hi, thanks for taking my questions. First, on Europe: the consumer environment remains tough. What is your best guess on how long Europe will remain in negative territory, and what is your turnaround strategy? Second, on Video Collaboration, could you split the recent growth between volume and price/mix following your recent price increases?

Hanneke Faber | CEO

I'll take Europe, and Matteo can break down the VC metrics.

EMEA was down 6% in constant currency. Part of that reflects the Middle East conflict, which created an approximate 50-basis-point drag at the corporate level and over 100 basis points in EMEA. Business in the Middle East has been subdued, with curtailed corporate travel, reduced tourism, and event cancellations. For Logitech, we have suspended all corporate travel within and through the region.

Across Europe more broadly, consumer and business confidence remain low, with the broader market down mid-single digits. While predicting the exact duration of these headwinds requires a crystal ball, our focus remains on what we can control: continuous innovation and active marketing. For instance, our Logi Play event in Warsaw drew tens of thousands of participants alongside our Counter-Strike tournament, launching 15 new products to great reception. We will continue building brand awareness and taking share until macroeconomic conditions improve.

Matteo Anversa | CFO

On the Video Collaboration breakdown: Q2 growth was split roughly 60% price and 40% volume. We saw healthy year-over-year expansions in both realized price and unit volume.

Joern Iffert | UBS

Thank you. A quick follow-up: in Q2, the semiconductor supplier incident was about a 100-basis-point drag on top-line growth, correct?

Matteo Anversa | CFO

In Q2, we reported 2% constant currency growth. Excluding the supplier disruption plus the Middle East conflict, constant currency growth would have been approximately 4%. Of that

200-basis-point delta, about three-quarters—roughly 150 basis points—stemmed from the supplier incident.

Joern Iffert | UBS

Thank you very much.

Didier Scemama | Bank of America

Good afternoon, thank you. Could Matteo clarify the gross margin bridge for Q3? You mentioned 41% to 42%, which is a ~200-basis-point year-over-year decline. Could you break that down, as well as the sequential bridge from the 45.2% just reported?

Matteo Anversa | CFO

Certainly. For Q3 (the December quarter), we guide gross margin to 41%–42%, down ~200 basis points year-over-year. The primary driver is inflation:

- **~150 bps:** Rising input costs, split evenly between freight/logistics and material/component costs.
- **~50 bps:** Slightly higher holiday promotional spending.

Sequentially, comparing a non-promotional Q2 to a holiday-heavy Q3:

- **~150 bps:** Higher seasonal promotions in Q3.
- **~50–60 bps:** Negative mix, reflecting a seasonally lower weighting of Video Collaboration.
- **~150 bps:** Cost increases, including general component inflation and 30–40 basis points of premium expedited air freight to bypass supply disruptions and ensure holiday product availability.

Didier Scemama | Bank of America

Very clear. As a quick follow-up: online rumors suggest GTA 6 could launch on PC in the March quarter. Without confirming rumors, how are you thinking about gaming seasonality if a release occurs in that timeframe?

Hanneke Faber | CEO

We aren't planning seasonality differently. Our gaming business does not hinge on a single title. Much like Nike or Adidas serve competitive runners regardless of the marathon course, we equip competitive gamers whether they play *Counter-Strike*, *League of Legends*, *Call of Duty*, or *GTA*. Demand for products like our SUPERSTRIKE mouse line has remained

tremendous regardless of title release schedules. When GTA 6 launches on PC, our team will be ready, but it doesn't fundamentally shift our baseline seasonality.

Didier Scemama | Bank of America

Thank you so much.

Michael Foeth | Vontobel

Hi, thanks for taking the questions. First, on Tablet Accessories: following the significant decline against last year's large APAC educational deal, do you expect this lower run-rate to be the new normal, or are there plans to offset that shortfall in other markets?

Hanneke Faber | CEO

That comparison relates to a massive educational iPad keyboard deployment supporting virtually every school in Japan last year. Comping that volume is difficult, which is reflected in our numbers. However, our outlook on the education vertical remains very positive.

To offset that comp, we are cross-selling other product categories into education—particularly Video Collaboration. Furthermore, we are expanding into adjacent verticals like Government, where hiring dedicated sales talent and achieving TAA compliance on our key product lines has unlocked strong traction with the U.S. federal government. This vertical diversification will help offset that tough comparison, which largely normalizes beyond Q3.

Michael Foeth | Vontobel

Understood. On the third-party supplier impact: the updated impact of 70M–80M is significantly better than the \$200M risk flagged in July. Was that driven by an earlier fab restart, or operational workarounds?

Hanneke Faber | CEO

It was entirely operational execution. The fab accident occurred in late June; they reopened mid-September at partial capacity and will not reach full ramp until later in Q3.

The improvement from a potential \$200 million hit down to 70–80 million is due to our team's mitigation efforts: securing secondary chip supply, executing rapid product redesigns to accommodate available alternative silicon, and dynamically reallocating global commercial supply. In Q4, we expect the supply impact to be largely resolved.

Michael Foeth | Vontobel

Very helpful, thank you.

Martin Jungfleisch | BNP Paribas

Hi, thanks for taking my questions. Regarding gross margin pressure from freight and component costs: do you anticipate a lagging effect into calendar Q1 as older contracts roll off? Second, could you clarify the Q3 constant currency revenue guide and touch on performance in China?

Matteo Anversa | CFO

On input costs: in this inflationary environment, posting 45% gross margin rates indefinitely is not realistic. For Q3, we face 150 basis points of year-over-year cost pressure across freight and materials. While we are not providing a formal Q4 or FY28 guide today, we anticipate these inflationary pressures will persist through the remainder of the fiscal year. Should they continue beyond Q4, we will utilize our proven playbook of cost containment and selective price adjustments to safeguard profitability.

Regarding the Q3 top-line guide: constant currency net sales are projected at -5% to flat (midpoint of -2.5%). That midpoint incorporates:

- **~500 bps drag:** The 70M–80M supplier impact.
- **~100 bps drag:** Middle East disruptions and incremental promotional spend.

Normalizing for those factors points to underlying baseline demand growth of around +4%, consistent with Q2.

Hanneke Faber | CEO

Regarding China: while we don't break down individual country financials, China grew faster than the broader APAC region despite supply constraints. We continued to gain share in Personal Workspace and premium gaming, supported by an exceptional local Logi Play event.

Martin Jungfleisch | BNP Paribas

Thank you very much.

Craig McDowell | JP Morgan

Good evening, thanks for taking my question. First, Hanneke, what are enterprise customers communicating regarding calendar 2027 IT budgets and hardware spending alongside AI priorities? Second, Matteo, could you quantify the currency tailwind on gross margin in Q2?

Hanneke Faber | CEO

Enterprise demand remains healthy. Video Collaboration upgrades are non-discretionary given platform end-of-life schedules, return-to-office workspace reconfigurations, and the necessity of high-quality peripherals to realize ROI on enterprise AI investments like Copilot.

In Personal Workspace, we serve 71% of the Fortune 500—including prominent Silicon Valley tech leaders that continue investing heavily. High-margin verticals like Healthcare (telehealth) and Government are seeing robust demand. We remain very bullish on Logitech for Business.

Matteo Anversa | CFO

On foreign exchange: FX provided approximately an 80-basis-point year-over-year benefit to gross margin in Q2. At current exchange rates, we anticipate neutral FX impact in Q3.

Craig McDowell | JP Morgan

Very clear, thank you.

Alicia Reese | Wedbush

Thanks for taking my question. Could you clarify which quarters are most affected by the Japanese education deal comparison? Also, on China, could you speak to the long-term opportunity in Personal Workspace relative to gaming?

Hanneke Faber | CEO

The Japanese education deal comps primarily impact Q2 and Q3 of this fiscal year. While B2B contracts can occasionally generate lumpiness, the headwind normalizes after Q3.

Regarding China: gaming represents an enormous absolute market—roughly half of the global gaming population—which is why winning there is vital. However, we also hold commanding, growing share in China's Personal Workspace market.

Additionally, we are expanding our AI-driven local marketing ops model to generate high-engagement content at less than 10% of historic costs, while expanding distribution into China's network of over 60,000 commercial iCafes.

Alicia Reese | Wedbush

Excellent. Thank you so much.

Hanneke Faber | Chief Executive Officer

Super. Well, thank you all. I look forward to seeing you again next quarter. I wish you a happy Halloween, and in the meantime, please go out and buy some of our fabulous products for the holiday season. See you in January.

¹ *The transcript has been edited and condensed for clarity. The full replay of the earnings call is available on Logitech's Investor Relations website at <http://ir.logitech.com>.*