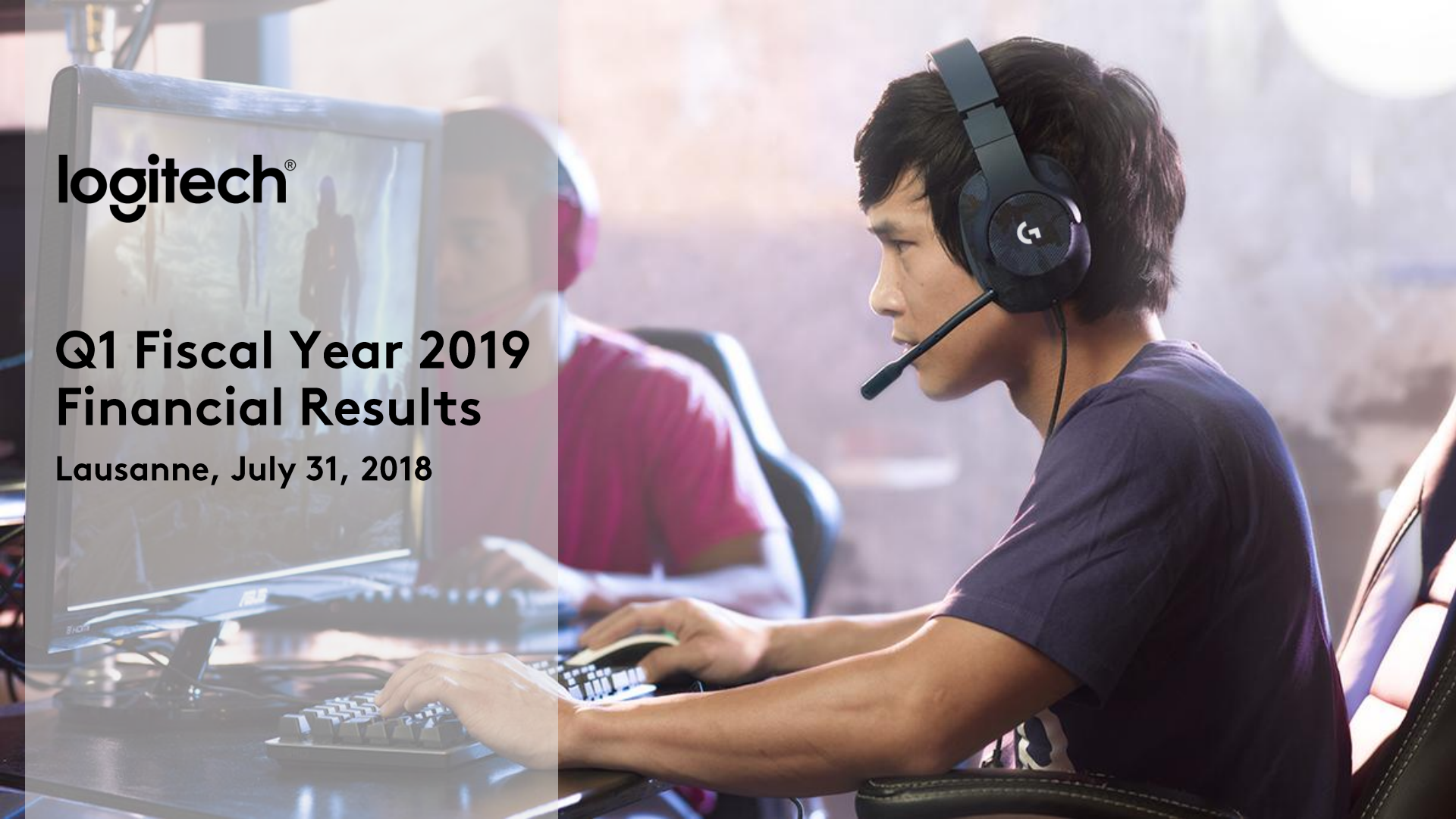


Q1 Fiscal Year 2019 Financial Results

Lausanne, July 31, 2018

FORWARD-LOOKING STATEMENTS

This presentation includes **forward-looking statements** within the meaning of the U.S. federal securities laws, including, without limitation, statements regarding: our preliminary financial results for the three months ended June 30, 2018, implications of a good first quarter, vision of our future company and abilities, focus, capabilities, investments, leverage, category investment emphasis, innovation, product portfolio, ability to build a multi-category, multi-brand company, trends, market dynamics, outlook, opportunities, growth profiles and potential in our product markets, ability to capture opportunities and upside, new products, product features and capabilities, consumer experiences with our products, pricing, channel inventory, building value into acquired assets, costs, operating expense spending, tariffs and their impact, ability to mitigate tariffs, impact of ASC 606, realignment of resources, cost structure, organizational structure, growth and other opportunities, acquisitions, timing of closing and sales growth from the acquisition of Blue Microphones, gross margin target range, shareholder return strategy, and outlook for Fiscal Year 2019 sales growth, operating income and related assumptions. These statements are subject to risks and uncertainties that may cause actual results and events to differ materially, including without limitation: if our product offerings, marketing activities and investment prioritization decisions do not result in the sales, profitability or profitability growth we expect, or when we expect it; if we fail to innovate and develop new products in a timely and cost-effective manner for our new and existing product categories; if we do not successfully execute on our growth opportunities or our growth opportunities are more limited than we expect; the effect of pricing, product, marketing and other initiatives by our competitors, and our reaction to them, on our sales, gross margins and profitability; if our products and marketing strategies fail to separate our products from competitors' products; if we are not able to maintain and enhance our brands; if we do not fully realize our goals to lower our costs and improve our operating leverage; if there is a deterioration of business and economic conditions in one or more of our sales regions or product categories, or significant fluctuations in exchange rates; changes in trade policies and agreements and the imposition of tariffs that affect our products or operations; our ability to implement the restructuring in various geographies; possible changes in the size, timing and components of the restructuring or the expected costs and charges associated with the restructuring; risks associated with our ability to achieve improved capabilities, growth opportunities and overall organizational structure; risks associated with acquisitions; the effect of changes to our effective income tax rates. These and other risks and uncertainties are detailed in Logitech's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended March 31, 2018, available at www.sec.gov, under the caption Risk Factors and elsewhere. Logitech does not undertake any obligation to update any forward-looking statements to reflect new information or events or circumstances occurring after the date of this presentation.

To facilitate comparisons to Logitech's historical results, we have included **non-GAAP adjusted measures** in this presentation, which exclude primarily share-based compensation expense, amortization of intangible assets, purchase accounting effect on inventory, acquisition-related costs, change in fair value of contingent consideration for business acquisition, restructuring charges (credits), gain (loss) on investments in privately held companies, non-GAAP income tax adjustment, and other items detailed under "Supplemental Financial Information" in our quarterly earnings press release and posted to our website at http://ir.logitech.com. Historical GAAP and corresponding non-GAAP measures are provided with our earnings releases and presentations in the Investors section of our website. We also present percentage sales growth in constant currency ("CC") to show performance unaffected by fluctuations in currency exchange rates. Percentage sales growth in constant currency is calculated by translating prior period sales in each local currency at the current period's average exchange rate for that currency and comparing that to current period sales. Logitech believes this information will help investors to evaluate its current period performance, outlook and trends in its business. For historical financials provided in this presentation, reconciliation between non-GAAP amounts and GAAP amounts is provided on the Investors page of our website, together with this presentation and with our earnings releases. With respect to financial outlook, most of the excluded amounts pertain to events that have not yet occurred and are not currently possible to estimate with a reasonable degree of accuracy. Therefore, no reconciliation to GAAP amounts has been provided for non-GAAP outlook.

KEY MESSAGES – Q1 FY 2019

Strong momentum continued, with **Q1'19 sales up 12% (CC)** to $608M

A focus on Gaming +68% (CC) and Video Collaboration +60% (CC) offset performance in Mobile Speakers and Smart Home

Healthy gross margin of 37.4% enables us to re-invest in our capabilities and realign resources to capture long-term growth opportunities

Operating profits grew 41% to $61M on robust sales growth combined with disciplined cost containment and opex management

Agreed to acquire Blue Microphones, a leader in studio-quality microphones

Raising FY 2019 guidance to sales growth of 9-11% (CC) and non-GAAP operating profits to $325-335M

Note: Results are non-GAAP, except for cash flow from operations. Comparisons are YoY unless otherwise specified. Sales are net sales.

WHAT'S NEW FROM LOGITECH



GAMING

Logitech G305 brings our premium LIGHTSPEED wireless technology and the HERO™ (High Efficiency Rated Optical) sensor to mainstream gamers

Faster than most wired mice with a 1ms response time

Provides exceptional responsiveness and accuracy

Capable of achieving high performance at 10 times the power efficiency of the previous generation of mice



GAMING

Logitech G512 is a high-performance RGB mechanical gaming keyboard built on the award-winning design of the G413

G512 offers three key switches to fit personal player preferences: Tactile, Linear, or the new GX Blue

The three switches provide a range of keyboard feedback, from a discernible actuation (Tactile) to a smooth keystroke (Linear) to an audible “click” (GX Blue)



VIDEO CONFERENCE

Logitech Rally is a modular system that delivers premium audio and 4K video

Extends reach of existing portfolio to larger conference rooms by separating the speakers from the microphone

Features new intelligent **Logitech RightSense** technologies that leverage computer vision to automate camera control, light, color, and sound clarity



PRESENTER

Logitech R500 Laser Presentation Remote is an updated remote made for physical type presentations with a projector screen, flip charts, or 3D models

Includes an easy-to-read red laser pointer with a distance of up to 65 feet

Designed with a contoured shape, a soft rubber surface, and textured buttons



BLUE MICROPHONES

Agreed to acquire Blue Microphones for approximately $117M in cash, assuming breakeven net working capital

Leader in studio-quality microphones for professionals and consumers

Expected to contribute roughly one point of sales growth in FY 2019

Deal is expected to close by the end of August 2018



FINANCIAL RESULTS



Q1'19 RESULTS SUSTAIN MOMENTUM

	Q1'19	Q1'18	YoY
Net sales	**$608**	**$530**	**15%**
YoY % chg	*15%*	*10%*	
YoY % chg (CC)	*12%*	*13%*	
Gross profit	227	196	16%
% margin	*37.4%*	*37.0%*	*40 bps*
Operating expense	167	153	9%
% of sales	*27.4%*	*28.9%*	*(150 bps)*
Operating income	**$61**	**$43**	**41%**
% margin	*9.9%*	*8.1%*	*180 bps*
Net income	57	40	45%
% margin	*9.4%*	*7.5%*	*190 bps*
Earnings per share	**$0.34**	**$0.24**	**42%**
Diluted shares	168.8	168.3	

Net sales +12% (CC) to $608M, with strong contributions from Gaming and Video Collaboration

Gross margin of 37.4%, driven by cost control, favorable currency exchange rates and a one-time legal settlement

Continued discipline on opex spending

Operating profits +41% to $61M, led by greater scale, healthy gross margins, and opex leverage

Note: Numbers in $ millions except EPS and percentages. Diluted share count in millions. Results are non-GAAP. Comparisons are YoY unless otherwise specified.

DOUBLING DOWN ON HIGHER GROWTH MARKETS

	Q1'19	Q1'18	YoY	YoY (CC)
Pointing Devices	128	122	5%	**2%**
Keyboards & Combos	128	116	10%	**7%**
PC Webcams	30	26	16%	**13%**
Tablet & Accessories	32	23	40%	**37%**
Video Collaboration	59	36	65%	**60%**
Mobile Speakers	34	63	(45%)	**(46%)**
Audio & Wearables	52	50	4%	**2%**
Gaming	136	78	75%	**68%**
Smart Home	9	16	(45%)	**(46%)**
Net sales	**$608**	**$530**	**15%**	**12%**

Gaming growth accelerated to +68% (CC)

Video Collaboration +60% (CC) as we continued to invest in new products and channels

PC Peripherals +5% (CC), with all categories contributing

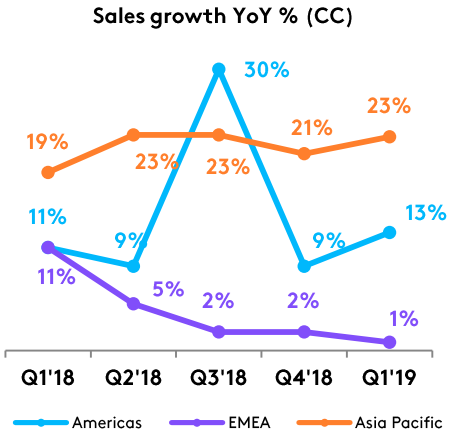
Adjustments in our business to match a slower market led to a drop in Mobile Speakers -46% (CC)

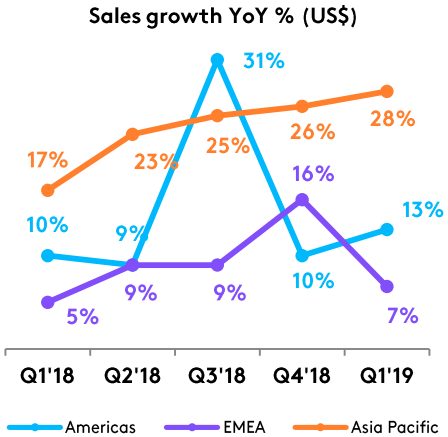
Smart Home -46% (CC) against tough YoY comparisons and market dynamics

Note: Net sales in $ millions. Results are non-GAAP. Comparisons are YoY unless otherwise specified.

ALL THREE REGIONS DELIVERED GROWTH

	Q1'19	Q1'18	YoY (US$)	YoY (CC)	Sell-through (US$)
Americas	277	245	13%	13%	13%
EMEA	161	151	7%	1%	9%
Asia Pacific	171	134	28%	23%	30%
Net sales	$608	$530	15%	12%	16%





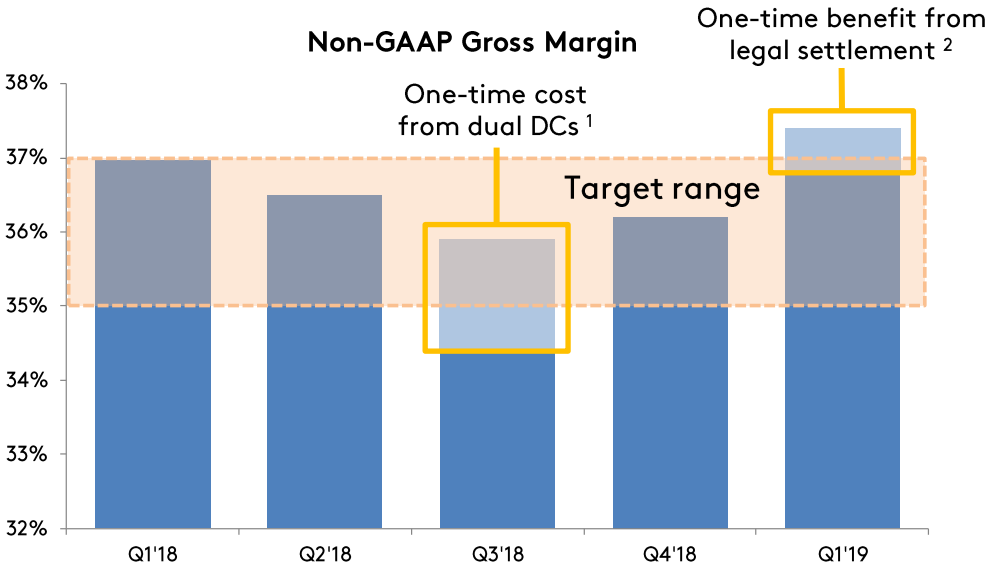
Americas sales +13% (CC), with solid PC Peripheral sales and very robust growth from Gaming and Video Collaboration offsetting a slowdown in Mobile Speakers and Smart Home

EMEA sales +1% (CC), largely due to declines in Mobile Speakers and Smart Home

Asia Pacific sales +23% (CC), driven by double-digit gains in Gaming, Video Collaboration, and PC Peripherals

Note: Net sales in $ millions. Results are non-GAAP. Comparisons are YoY unless otherwise specified. See Appendix regarding sell-through data.

GROSS MARGIN REMAINS WITHIN TARGET RANGE



Q1'19 gross margin +100 basis points QoQ and +40 basis points YoY to 37.4%

Healthy gross margin was driven by cost savings, favorable currency exchange rates, a one-time benefit of roughly 60 basis points from a legal settlement, partially offset by higher logistic and supply chain-related costs

Long-term gross margin target remains 35-37%, as we re-invest our profit dollars to support sales growth

Note: Figures are for illustrative purposes only.
(1) Q3'18 non-GAAP gross margin includes ~150 basis points of cost headwinds from operating two distribution centers in the Americas.
(2) Q1'19 non-GAAP gross margin includes a one-time benefit of ~60 basis points from a legal settlement with our previous distribution center supplier in the Americas.

DISCIPLINED INVESTMENTS FOR LONG-TERM GROWTH

	Q1'19	Q1'18	YoY
Sales & marketing	109	98	11%
% of sales	*17.9%*	*18.5%*	*(60 bps)*
Research & development	37	34	12%
% of sales	*6.2%*	*6.3%*	*(10 bps)*
General & administrative	21	21	(3%)
% of sales	*3.4%*	*4.0%*	*(60 bps)*
Operating expenses	**$167**	**$153**	**9%**
% of sales	*27.4%*	*28.9%*	*(150 bps)*

Operating expenses +9% (or +6% excluding acquisitions) as we prudently re-invested for growth

Increased spending in S&M (+11%) and R&D (+12%) while continued to reduce G&A expenses (-3%)

Strategy of balancing investments for long-term growth while driving leverage remains unchanged

Took a $10M restructuring charge to reallocate resources and invest in other capabilities and long-term growth opportunities [1]

Note: Numbers in $ millions except percentages and basis points (bps). Results are non-GAAP. Comparisons are YoY unless otherwise specified.
(1) $10M restructuring charge is included in GAAP figures but excluded from non-GAAP figures.

MAINTAINING SOLID WORKING CAPITAL METRICS

	Q1'19	Q1'18	YoY
Cash from operations	12	(1)	13
Ending cash balance	604	528	76
Inventory	273	279	(7)
Inventory turns	*5.6*	*4.8*	*0.8 turns*
DSI	*64*	*75*	*(11 days)*
Accounts receivable	386	221	164
DSO	*57* [1]	*38*	*19 days* [1]
Accounts payable	344	313	31
DPO	*80*	*84*	*(3 days)*
Cash conversion cycle	**41 days** [1]	**29 days**	**12 days** [1]

Generated $12M in cash flow from operations in a traditionally low cash flow quarter

Cash conversion cycle of 41 days, due to adoption of new revenue standard, ASC 606 (which had a YoY impact of 17 days on DSO and no impact on total cash flows)

Repurchased $10M of stock in Q1'19

Robust cash balance of $604M to support investments in the business and shareholder return strategy

Note: Numbers in $ millions except turns and days figures. Comparisons are YoY unless otherwise specified.
(1) Q1'19 includes the adoption of new revenue standard ASC 606, which increased accounts receivable and DSO by $114M and 17 days, respectively. Please refer to the 10-Q to be filed for more details on this balance sheet re-classification.

RAISING FISCAL YEAR 2019 OUTLOOK

FY 2019 OUTLOOK	NEW	OLD
Sales CC growth	**Up 9 – 11%** [1]	**Up high single-digits**
Non-GAAP operating income	**$325 – 335M** [1]	**$310 – 320M**

ASSUMPTIONS	
Currency	FY 2018 average rates
Non-GAAP effective tax rate	7 - 8%
Cash from operations	1x non-GAAP operating income
Capex	~$50M

Note: Comparisons are YoY unless otherwise specified.
(1) The new FY 2019 outlook includes the anticipated impact of the Blue Microphones acquisition, which is expected to close by the end of August 2018.

Appendix



GAAP TO NON-GAAP RECONCILIATIONS

PRELIMINARY RESULTS *

(In thousands, except per share amounts) - Unaudited

GAAP TO NON-GAAP RECONCILIATION [(A)]	**Three Months Ended June 30,**	
SUPPLEMENTAL FINANCIAL INFORMATION	**2018**	**2017**
Gross profit - GAAP	$ 223,937	$ 193,668
Share-based compensation expense	1,130	711
Amortization of intangible assets and purchase accounting effect on inventory	2,372	1,504
Gross profit - Non-GAAP	$ 227,439	$ 195,883
Gross margin - GAAP	36.8%	36.5%
Gross margin - Non-GAAP	37.4%	37.0%
Operating expenses - GAAP	$ 191,486	$ 162,243
Less: Share-based compensation expense	12,129	9,994
Less: Amortization of intangible assets and acquisition-related costs	2,521	1,390
Less: Change in fair value of contingent consideration for business acquisition	—	(1,978)
Less: Restructuring charges (credits), net	9,921	(55)
Operating expenses - Non-GAAP	$ 166,915	$ 152,892
% of net sales - GAAP	31.5%	30.6%
% of net sales - Non - GAAP	27.4%	28.9%

GAAP TO NON-GAAP RECONCILIATIONS

PRELIMINARY RESULTS *

(In thousands, except per share amounts) - Unaudited

GAAP TO NON-GAAP RECONCILIATION [A]	Three Months Ended June 30,	
SUPPLEMENTAL FINANCIAL INFORMATION	2018	2017
Operating income - GAAP	$ 32,451	$ 31,425
Share-based compensation expense	13,259	10,705
Amortization of intangible assets	4,893	2,593
Acquisition-related costs	—	301
Change in fair value of contingent consideration for business acquisition	—	(1,978)
Restructuring (charges) credits, net	9,921	(55)
Operating income - Non - GAAP	$ 60,524	$ 42,991
% of net sales - GAAP	5.3%	5.9%
% of net sales - Non - GAAP	9.9%	8.1%
Net income - GAAP	$ 38,466	$ 37,007
Share-based compensation expense	13,259	10,705
Amortization of intangible assets	4,893	2,593
Acquisition-related costs	—	301
Change in fair value of contingent consideration for business acquisition	—	(1,978)
Restructuring (charges) credits, net	9,921	(55)
Gain on investments in privately held companies	13	259
Non-GAAP income tax adjustment	(9,109)	(9,092)
Net income - Non - GAAP	$ 57,443	$ 39,740
Net income per share:		
Diluted - GAAP	$ 0.23	$ 0.22
Diluted - Non - GAAP	$ 0.34	$ 0.24
Shares used to compute net income per share:		
Diluted - GAAP and Non - GAAP	168,756	168,339

GAAP TO NON-GAAP RECONCILIATION NOTES

Note: These preliminary results for the three months ended June 30, 2018 are subject to adjustments, including subsequent events that may occur through the date of filing our Quarterly Report on Form 10-Q.

(A) Non-GAAP Financial Measures

To supplement our condensed consolidated financial results prepared in accordance with GAAP, we use a number of financial measures, both GAAP and non-GAAP, in analyzing and assessing our overall business performance, for making operating decisions and for forecasting and planning future periods. We consider the use of non-GAAP financial measures helpful in assessing our current financial performance, ongoing operations and prospects for the future as well as understanding financial and business trends relating to our financial condition and results of operations. For full GAAP to non-GAAP reconciliation information and cautionary information regarding the use of non-GAAP measures, please refer to "Supplemental Financial Information" in our earnings press release or "Financial Statements only" posted to our website under "Quarterly Results" at http://ir.logitech.com.

SELL-THROUGH DATA

- Measures sales of our products by retailer customers to consumers and by our distributor customers to their customers
- Compiled by Logitech from data supplied by our customers
- Customers supplying sell-through data vary by geographic region and from period to period, but typically represent a majority of our retail sales

- Data is subject to limitations and possible error sources and may not be an entirely accurate indicator of actual consumer demand for our products. Limitations and possible error sources include the following:

- Data supplied by our customers may not be indicative of sell-through experienced by our customers as a whole
- Reliability of the data depends on accuracy and timeliness of information supplied to us by our customers, and the processes by which they collect their sell-through data are largely outside our control
- In the U.S., Canada, and to a lesser extent Asia Pacific, and a still lesser extent, EMEA, sell-through data is based on Point of Sale electronic data. Where POS data is not available, the data is collected largely through manual processes, including the exchange of spreadsheets or other non-automated methods of data transmission, which are subject to typical human errors, including errors in data entry, transmission and interpretation


logitech